Lufax Holding Ltd
陆金所控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6623)
(NYSE Stock Ticker: LU)

OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited.

On April 23, 2024 (U.S. Eastern time), Lufax Holding Ltd (the "**Company**") filed its annual report on Form 20-F for the fiscal year ended December 31, 2023 (the "**Form 20-F**") with the U.S. Securities and Exchange Commission.

For details of the filing, please refer to the attached Form 20-F.

By order of the Board
Lufax Holding Ltd
Yong Suk CHO
Chairman of the Board and Chief Executive Officer

Hong Kong, April 23, 2024

As at the date of this announcement, the board of directors of the Company comprises Mr. Yong Suk CHO and Mr. Gregory Dean GIBB as the executive directors, Mr. Yonglin XIE, Ms. Xin FU and Mr. Yuqiang HUANG as the non-executive directors and, Mr. Rusheng YANG, Mr. Weidong LI, Mr. Xudong ZHANG and Mr. David Xianglin LI as the independent non-executive directors.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2023.

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission file number: 001-39654

Lufax Holding Ltd
(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's name into English)

Cayman Islands
(Jurisdiction of incorporation or organization)

Building No. 6
Lane 2777, Jinxiu East Road
Pudong New District, Shanghai
People's Republic of China
(Address of principal executive offices)

David Siu Kam Choy, Chief Financial Officer
Building No. 6
Lane 2777, Jinxiu East Road
Pudong New District, Shanghai
People's Republic of China
Telephone: +86 21-3863-6278
Email: Investor_Relations@lu.com
(Name, Telephone, Email and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American depositary shares (each representing two ordinary shares, par value US$0.00001 per share)*	**LU**	**New York Stock Exchange**
Ordinary shares, par value US$0.00001 per share	**6623**	**The Stock Exchange of Hong Kong Limited**

* Effective on December 15, 2023, the ratio of ADSs to our ordinary shares was changed from two ADSs representing one ordinary share to one ADS representing two ordinary shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

1,146,319,171 ordinary shares (excluding shares underlying the ADSs repurchased by our company pursuant to the share repurchase programs and shares issued to the depositary for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of options or awards granted under the share incentive plans), par value US$0.00001 per share, as of December 31, 2023.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ☐ Yes ☒ No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐ Yes ☐ No

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. ☐ Yes ☐ No

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INTRODUCTION

Except where the context otherwise requires and for purposes of this annual report only:

- "active borrowers" refer to borrowers that have a current outstanding balance with our company as of the period end;
- "ADSs" refer to our American depositary shares, each representing two ordinary shares;
- "AI" refers to artificial intelligence;
- "APR" or "annualized percent rate" refers to the monthly all-in borrowing cost as a percentage of the outstanding balance annualized by a factor of 12, where all-in borrowing cost comprises the actual amount of (i) interest, (ii) insurance premiums or guarantee fees and (iii) retail credit enablement service fees;
- "China" or the "PRC" refers to the People's Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau and Taiwan;
- "consolidated affiliated entities" refer to entities in China with which we have contractual arrangements such that we are able to direct the activities of and are considered the primary beneficiary of those entities and we have consolidated their financial results in our consolidated financial statements;
- "DPD 30+ delinquency rate" refers to the outstanding balance of loans for which any payment is 30 to 179 calendar days past due, *divided by* the outstanding balance of loans;
- "DPD 90+ delinquency rate" refers to the outstanding balance of loans for which any payment is 90 to 179 calendar days past due, *divided by* the outstanding balance of loans;
- "Hong Kong dollars" or "HK$" refers to the legal currency of Hong Kong;
- "Hong Kong Listing Rules" refers to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time;
- "Hong Kong Stock Exchange" refers to The Stock Exchange of Hong Kong Limited;
- "IFRS" refers to International Financial Reporting Standards as issued by the International Accounting Standards Board;
- "KYB" refers to know-your-business;
- "KYC" refers to know-your-customers;
- "KYP" refers to know-your-products;
- "Lufax," "we," "us," "our company" and "our" refer to Lufax Holding Ltd, a Cayman Islands exempted company, and its direct and indirect subsidiaries. We conduct operations in China through (i) our PRC subsidiaries, (ii) the consolidated affiliated entities with which we have contractual arrangements, and (iii) the subsidiaries of the consolidated affiliated entities. The consolidated affiliated entities are PRC companies conducting operations in China, and their financial results have been consolidated into our consolidated financial statements under IFRS for accounting purposes. Investors are purchasing an interest in Lufax Holding Ltd, a Cayman Islands holding company with no operations of its own. Lufax Holding Ltd does not have any equity ownership in the consolidated affiliated entities;
- "ordinary shares" refer to our ordinary shares of par value US$0.00001 per share;

- "outstanding balance of loans" refers to the total principal amount outstanding at the end of the given period for loans we enabled;
- "Ping An ecosystem" refers to Ping An Group and its subsidiaries, affiliates and associates;
- "Ping An Group" refers to Ping An Insurance and its subsidiaries;
- "Ping An Insurance" refers to Ping An Insurance (Group) Company of China, Ltd.;
- "Ping An P&C" refers to Ping An Property & Casualty Insurance Company of China, Ltd.;
- "SBOs" refer to small business owners, including owners of legal entities, individuals who conduct their businesses as sole proprietors, management-level individuals of SMBs, and self-employed individuals with proof of business operations;
- "SEC" refers to the U.S. Securities and Exchange Commission;
- "SMBs" refer to small and micro businesses, typically with fewer than 50 employees and less than RMB30 million of annual income;
- "RMB" and "Renminbi" refer to the legal currency of China;
- "volume of new loans" refers to the principal amount of new loans we enabled during the given period; and
- "WFOEs" refer to Weikun (Shanghai) Technology Service Co., Ltd. and Lufax Holding (Shenzhen) Technology Service Co., Ltd., our wholly owned subsidiaries in China.

Our reporting currency is the Renminbi. This annual report also contains translations of certain foreign currency amounts into U.S. dollars for the convenience of the reader. Unless otherwise stated, all translations of Renminbi into U.S. dollars were made at RMB7.0999 to US$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on December 29, 2023. We make no representation that the Renminbi or U.S. dollars amounts referred to in this annual report could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. On April 19, 2024, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board was RMB7.2403 to US$1.00.

Due to rounding, numbers presented throughout this annual report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

On December 15, 2023, we effected an ADS ratio change to adjust our ordinary share to ADS ratio from two ADSs representing one ordinary share to one ADS representing two ordinary shares. Except otherwise stated, the ADS ratio change has been retrospectively applied for all periods presented in this annual report.

Summary of Risk Factors

An investment in our ADSs involves significant risks. Below is a summary of material risks we face, organized under relevant headings. All the operational risks associated with being based in and having operations in China also apply to our operations in Hong Kong. With respect to the legal risks associated with being based in and having operations in China, the laws, we expect the regulations and the discretion of the governmental authorities in China discussed in this annual report apply to entities and businesses in China, rather than entities or businesses in Hong Kong, which operate under a different set of laws from China.

Risks Relating to Our Business and Industry

- Our industry is rapidly changing, and our business has evolved significantly in recent years, which makes it difficult to evaluate our future prospects.

- Updates that we are in the process of making to our business model may not be successful.
- The total fees charged to borrowers for loans we enable may be deemed to be in excess of interest rate limits imposed by laws or regulatory authorities. As a result, part of the interest and fees may not be valid or enforceable through the PRC judicial system.
- Our business is subject to laws, regulations, and supervision by national, provincial and local government and judicial authorities, industry associations and other regulatory bodies. The laws, regulations and official guidance relating to our business are complex and evolving rapidly and may be subject to further changes. Non-compliance with any existing or new regulation may result in penalties, limitations and prohibitions on our business activities, and we have been modifying and may need to continue to modify our business operations in response to changes in laws and regulations.
- The percentage of outstanding loans with credit risk exposure for our company increased in recent years. If we fail to effectively manage credit risk of our loans and our overdue loans increase, our business, financial condition and results of operations may be materially adversely affected.
- Our access to sufficient and sustainable funding at commercially attractive costs cannot be assured.
- Any failure to obtain, renew or retain the requisite approvals, licenses or permits applicable to our retail credit and enablement business may have a material adverse effect on our business, financial condition and results of operations.
- We have modified our business model and practices in the past as a result of changes in laws, regulations, policies, measures and guidance, and we are subject to risks in connection with our discontinued products and historical practices. If any of our discontinued products and historical practices is deemed to violate any PRC laws or regulations, our business, financial condition and results of operations would be materially and adversely affected.
- If our credit assessment and risk management model is flawed or ineffective, or if the data that we collect for credit analysis inaccurately reflects borrowers' creditworthiness, or if we fail or are perceived to fail to effectively manage the default risks of loans we enable for any other reason, our business and results of operations may be adversely affected.
- A severe or prolonged downturn in the Chinese or global economy could materially and adversely affect our business and financial condition.
- A credit crisis or a prolonged downturn in the credit markets may materially and adversely impact our reputation, business, results of operations and financial position.
- Our transaction process may result in misunderstanding among our borrowers.
- Information regarding individuals to whom we provide our financial services may not be complete, and our ability to perform due diligence, detect borrower fraud or manage our risks may be compromised as a result.
- If our ability to collect delinquent loans is impaired, or if there is actual or perceived misconduct in our collection efforts, our business, financial condition and results of operations might be materially and adversely affected.

Risks Relating to Our Corporate Structure

- Holders of our ADSs hold equity interests in Lufax Holding Ltd, a Cayman Islands holding company that does not conduct operations directly in China. Instead, we conduct operations in China through (i) our subsidiaries in China, (ii) the consolidated affiliated entities in China, and (iii) the subsidiaries of the consolidated affiliated entities. We do not have any equity ownership in the consolidated affiliated entities or their subsidiaries. We only maintain contractual arrangements with the consolidated affiliated entities which allow us to consolidate the financial results of the consolidated affiliated entities and their subsidiaries into our consolidated financial statements in accordance with IFRS. Holders of our ADSs therefore do not have direct or indirect equity interests in the consolidated affiliated entities and their subsidiaries. Investors thus are not purchasing direct equity interests in our operating entities in China but instead are purchasing equity interests in a Cayman Islands holding company. If the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Our holding company, our PRC subsidiaries, the consolidated affiliated entities and their subsidiaries, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of our contractual arrangements with the consolidated affiliated entities and, consequently, significantly affect the financial performance of the consolidated affiliated entities and our company as a whole. For a detailed description of the risks associated with our corporate structure, please refer to the risks disclosed under "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure."

- The contractual arrangements with the consolidated affiliated entities and their shareholders may not be as effective as equity providing operational control or enabling us to derive economic benefits.
- Any failure by the consolidated affiliated entities or their shareholders to perform their obligations under our contractual arrangements with them would have an adverse effect on our business.
- The shareholders of the consolidated affiliated entities may have actual or potential conflicts of interest with us, which may adversely affect our business and financial condition.

Risks Relating to Doing Business in China

- Substantially all of our operations are located in China. Accordingly, our business, prospects, financial conditions and results of operations may be affected to a significant degree by political, economic and social conditions in China generally. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business, financial conditions and results of operations."
- We face risks arising from uncertainties with respect to the PRC legal system. Certain rules and regulations can change quickly and sometimes on short notice, and there may be risks and uncertainties regarding the interpretation and enforcement of PRC laws and regulations. These risks and uncertainties may make it difficult for us to meet or comply with requirements under the applicable laws and regulations. For more details, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us."
- The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our business. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related businesses and companies."
- The PRC government's significant authority in regulating our operations and its oversight and control over offerings conducted overseas by, and foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide regulations of this nature may cause the value of such securities to significantly decline. For more details, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The PRC government's significant oversight and discretion over our business operations could result in a material adverse change in our operations and the value of our ordinary shares or ADSs."

- The filings, approval or other administration requirements of the China Securities Regulatory Commission, or the CSRC, or other PRC governmental authorities may be required in connection with our offshore listings under PRC law. Any actions by the Chinese government to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The approval of and filings with the CSRC or other PRC governmental authorities may be required in connection with our offshore listings under PRC law, and, if required, we cannot predict whether we will be able to obtain such approval or complete such filings or how long they might take."
- Cash transfers from our PRC subsidiaries to entities outside of China are subject to PRC government controls on currency conversion. To the extent cash in our business is in the PRC or a PRC entity, such cash may not be available to fund operations or for other use outside of the PRC due to restrictions and limitations imposed by the governmental authorities on currency conversion, cross-border transactions and cross-border capital flows. Shortages in the availability of foreign currency may temporarily delay the ability of our PRC subsidiaries and the consolidated affiliated entities to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. For more details, see "Item 3. Key Information —D. Risk Factors—Risks Relating to Doing Business in China—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business" and "—Governmental control of currency conversion may limit our ability to utilize our income effectively and affect the value of your investment."
- Our ADSs may be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, in the future if the Public Company Accounting Oversight Board, or the PCAOB, is unable to inspect or fully investigate auditors located in China. The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors with the benefits of such inspections. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. For more details, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors with the benefits of such inspections" and "—Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment."

Risks Relating to Our Shares and ADSs

- Our ADSs may be delisted if the trading price of our ADSs fails to comply with the minimum price requirement of the NYSE.
- The trading price of our ordinary shares or ADSs is likely to be volatile, which could result in substantial losses to investors.
- The sale or availability for sale of substantial amounts of our ordinary shares or ADSs could adversely affect their market price.

- We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, a majority of our directors and officers are nationals or residents of jurisdictions other than the United States or Hong Kong and most of their assets are located outside the United States or Hong Kong. As a result, it may be difficult or impossible for you to effect service of process within the United States or Hong Kong upon these individuals, or to bring an action against us or against these individuals in the United States or Hong Kong in the event that you believe your rights have been infringed under the U.S. federal securities laws, the Hong Kong securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of the PRC may render you unable to enforce a judgment against our assets or the assets of our directors and officers. See "Item 3. Key Information—D. Risk Factors—Risks Relating to our Shares and ADSs—You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. or Hong Kong courts may be limited, because we are incorporated under Cayman Islands law" and "—Certain judgments obtained against us by our shareholders may not be enforceable."

Please see "Item 3. Key Information—D. Risk Factors" and other information included elsewhere in this annual report for a discussion of these and other risks and uncertainties that we face.

FORWARD-LOOKING INFORMATION

This annual report contains forward-looking statements that involve risks and uncertainties. All statements other than statements of current or historical facts are forward-looking statements. These forward-looking statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify these forward-looking statements by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "likely to" or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but are not limited to, statements about:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our future general and administrative expenses;
- competition for, among other things, capital, technology and skilled personnel;
- our ability to control costs;
- our dividend policy;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate; and
- all other risks and uncertainties described in "Item 3. Key Information—D. Risk Factors."

You should read this annual report and the documents that we refer to in this annual report with the understanding that our actual future results may be materially different from and worse than what we expect. Other sections of this annual report include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

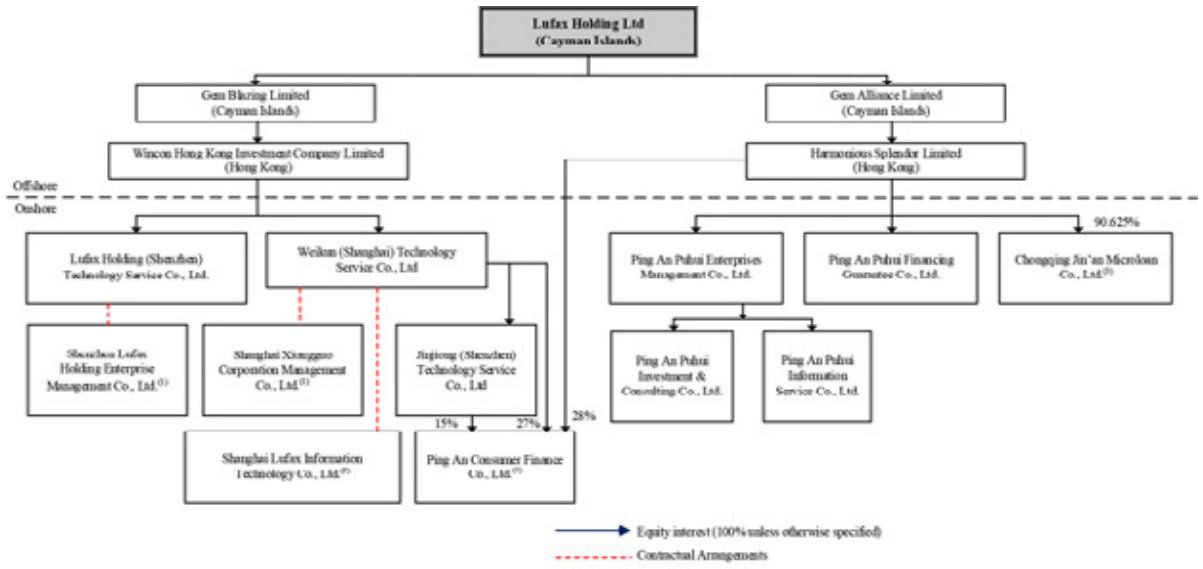
Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Our Holding Company Structure and Contractual Arrangements With the Consolidated Affiliated Entities

The following diagram illustrates our corporate structure as of the date of this annual report, including our principal subsidiaries and the principal consolidated affiliated entities:



(1) Shenzhen Ping An Financial Technology Consulting Co., Ltd, Xinjiang Tongjun Equity Investment Limited Partnership, Shanghai Lanbang Investment Limited Liability Company and Linzhi Jinsheng Investment Management Limited Partnership hold 49.99%, 29.55%, 18.29% and 2.17%, respectively, of the equity interests in each of Shanghai Xiongguo and Shenzhen Lufax Enterprise Management.

Shenzhen Ping An Financial Technology Consulting Co., Ltd is wholly owned by Ping An Insurance. Xinjiang Tongjun Equity Investment Limited Partnership is a limited partnership incorporated under the laws of the PRC, and each of the two individuals, Mr. Wenwei Dou and Ms. Wenjun Wang, owns 50% of Xinjiang Tongjun Equity Investment Limited Partnership's interests. Shanghai Lanbang Investment Limited Liability Company is a company incorporated under the laws of the PRC, and each of the two individuals, Mr. Xuelian Yang and Mr. Jingkui Shi, owns 50% of Shanghai Lanbang Investment Limited Liability Company's shares. Linzhi Jinsheng Investment Management Limited Partnership is a limited partnership incorporated under the laws of the PRC, and Mr. Xuelian Yang owns 60% and Mr. Jingkui Shi owns 40% of Linzhi Jinsheng Investment Management Limited Partnership's interests.

(2) Shanghai Xiongguo and Shanghai Huikang Information Technology Co., Ltd. hold 99.995% and 0.005%, respectively, of the equity interests in Shanghai Lufax. Shanghai Xiongguo holds 100% of the equity interests in Shanghai Huikang Information Technology Co., Ltd., which in turn beneficially owns 100% of the equity interests in Shanghai Lufax.

(3) Ping An Puhui Enterprises Management Co., Ltd. holds the remaining 9.375% of the equity interests in Chongqing Jin'an Microloan Co., Ltd.

(4) Ping An Insurance holds the remaining 30% of the equity interests in Ping An Consumer Finance Co., Ltd.

Lufax Holding Ltd is not an operating company in China but a Cayman Islands holding company with no equity ownership in its consolidated affiliated entities. We conduct operations in China through (i) our PRC subsidiaries, (ii) the consolidated affiliated entities with which we have contractual arrangements, and (iii) the subsidiaries of the consolidated affiliated entities. PRC laws and regulations restrict and impose conditions on foreign ownership and investment in certain internet-based businesses. Accordingly, we operate these businesses in China through the consolidated affiliated entities and their subsidiaries, and rely on contractual arrangements among our PRC subsidiaries, the consolidated affiliated entities and their respective shareholders to control the business operations of the consolidated affiliated entities and their subsidiaries. This structure provides investors with exposure to foreign investment in China-based companies where PRC laws and regulations prohibit or restrict direct foreign investment in operating companies in certain sectors. Revenues contributed by the consolidated affiliated entities and their subsidiaries accounted for 2.5%, 1.7% and 0.5% of our total revenues for 2021, 2022 and 2023, respectively. As used in this annual report, "we," "us," "our company" and "our" refer to Lufax Holding Ltd, its subsidiaries, and, in the context of describing our operations and consolidated financial information, the consolidated affiliated entities in China and their subsidiaries, including but not limited to (i) Shanghai Xiongguo Corporation Management Co., Ltd., or Shanghai Xiongguo, which was established in December 2014 and ultimately holds all equity interests of Shanghai Lufax (as defined below), (ii) Shanghai Lufax Information Technology Co., Ltd. (formerly known as Shanghai Lujiazui International Financial Asset Exchange Co., Ltd.), or Shanghai Lufax, which was established in September 2011 and currently operates the online wealth management business, and (iii) Shenzhen Lufax Holding Enterprise Management Co., Ltd., or Shenzhen Lufax Enterprise Management, which was established in May 2018 and currently has a wholly owned subsidiary that holds an internet content provider license, or ICP license. The consolidated affiliated entities are PRC companies conducting operations in China, and their financial results have been consolidated into our consolidated financial statements under IFRS for accounting purposes. Investors in our ADSs are not purchasing equity interests in the consolidated affiliated entities in China but instead are purchasing equity interests in a holding company incorporated in the Cayman Islands, and may never directly hold equity interests in the consolidated affiliated entities in China.

A series of contractual agreements, including exclusive business cooperation agreements, voting proxy agreements, share pledge agreements, exclusive option agreements, letters of undertakings and spousal consent letters, have been entered into by and among our PRC subsidiaries, the consolidated affiliated entities and their respective shareholders. As a result of the contractual arrangements, we are able to direct the activities of and are considered the primary beneficiary of the consolidated affiliated entities, and we have consolidated their financial results in our consolidated financial statements. For more details of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with the Principal Consolidated Affiliated Entities."

However, the contractual arrangements may not be as effective as equity ownership in providing us with control over the consolidated affiliated entities and we may incur substantial costs to enforce the terms of the arrangements. In addition, as of the date of this annual report, the legality and enforceability of these contractual arrangements, as a whole, have not been tested in any PRC court. There is no guarantee that these contractual arrangements, as a whole, would be enforceable if they were tested in a PRC court, and we may incur substantial costs to enforce the terms of the arrangements. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—The contractual arrangements with the consolidated affiliated entities and their shareholders may not be as effective as equity ownership in providing operational control or enabling us to derive economic benefits" and "—The shareholders of the consolidated affiliated entities may have actual or potential conflicts of interest with us, which may adversely affect our business and financial condition."

There are also substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules regarding the rights of our Cayman Islands holding company with respect to its contractual arrangements with the consolidated affiliated entities and their shareholders. It is uncertain whether any new PRC laws or regulations relating to the contractual arrangements of the consolidated affiliated entities will be adopted or, if adopted, what they would provide. If we or the consolidated affiliated entities are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the PRC regulatory authorities may have broad discretion to take action in dealing with such violations or failures. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations."

Our corporate structure is subject to risks associated with our contractual arrangements with the consolidated affiliated entities. If the PRC government deems that our contractual arrangements with the consolidated affiliated entities do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Our holding company, our PRC subsidiaries, the consolidated affiliated entities and their subsidiaries, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the consolidated affiliated entities and, consequently, significantly affect the financial performance of the consolidated affiliated entities and our company as a whole. The PRC regulatory authorities could disallow the contractual arrangements structure, which would likely result in a material change in our operations and cause the value of our securities to significantly decline or become worthless. For a detailed description of the risks associated with our corporate structure, please refer to risks disclosed under "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure."

We face various legal and operational risks and uncertainties related to doing business in China. Our business operations are primarily conducted through the consolidated affiliated entities and their subsidiaries in China, and we are subject to complex and evolving PRC laws and regulations. For example, we face risks associated with regulatory approvals on offshore offerings, anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy, which may impact our ability to conduct certain businesses, accept foreign investments, or list on a United States or other foreign exchange. These risks could result in a material adverse change in our operations and the value of our ordinary shares and ADSs, significantly limit or completely hinder our ability to continue to offer securities to investors, or cause the value of such securities to significantly decline or become worthless. For a detailed description of risks relating to doing business in China, please refer to risks disclosed under "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China."

The PRC government's significant authority in regulating our operations and its oversight and control over offerings conducted overseas by, and foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide regulations, including data security or anti-monopoly related regulations, of this nature may cause the value of such securities to significantly decline. For more details, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China —The PRC government's significant oversight and discretion over our business operations could result in a material adverse change in our operations and the value of our ordinary shares or ADSs."

Risks and uncertainties arising from the legal system in China, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations in China, could result in a material adverse change in our operations and the value of our ordinary shares and ADSs. For more details, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us" and "—We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related businesses and companies."

The Holding Foreign Companies Accountable Act

Pursuant to the HFCAA, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC will prohibit our shares or the ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, including our auditor.

In June 2022, the SEC conclusively listed us as a Commission-Identified Issuer under the HFCAA following the filing of this annual report on Form 20-F for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. As of the date of this annual report, the PCAOB has not issued any new determination that it is unable to inspect or investigate completely registered public accounting firms headquartered in any jurisdiction. For this reason, we do not expect to be identified as a Commission-Identified Issuer under the HFCAA after we file this annual report on Form 20-F.

Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we continue to use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. There can be no assurance that we would not be identified as a Commission-Identified Issuer for any future fiscal year, and if we were so identified for two consecutive years, we would become subject to the prohibition on trading under the HFCAA. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors with the benefits of such inspections" and "—Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment."

Permissions Required From the PRC Authorities for Our Operations

Our operations in China are governed by PRC laws and regulations. As of the date of this annual report, our PRC subsidiaries and the consolidated affiliated entities and their subsidiaries have obtained the requisite licenses and permits from the PRC governmental authorities that are material for the business operations of our holding company and the consolidated affiliated entities in China, including, among others, the financing guarantee business operation license and the financial business permit. Given the uncertainties of interpretation and implementation of laws and regulations and the enforcement practice of government authorities, we may be required to obtain additional licenses, permits, filings or approvals for the products and services we provide in the future. If we, our subsidiaries, the consolidated affiliated entities or their subsidiaries do not receive or maintain any necessary permissions or approvals from PRC authorities to operate business or offer securities, or inadvertently conclude that such permissions or approvals are not required, or if applicable laws, regulations, or interpretations change and we are required to obtain such permissions or approvals in the future, we cannot assure you that we will be able to obtain the necessary permissions or approvals in a timely manner, or at all, and such approvals may be rescinded even if obtained. Any such circumstance could subject us to penalties, including fines, suspension of business and revocation of required licenses, significantly limit or completely hinder our ability to continue to offer securities to investors, and cause the value of such securities to significantly decline or become worthless. For more detailed information, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—Any failure to obtain, renew or retain the requisite approvals, licenses or permits applicable to our retail credit and enablement business may have a material adverse effect on our business, financial condition and results of operations."

Furthermore, as advised by Haiwen & Partners, our PRC counsel, for historical issuances of securities to foreign investors, under current PRC laws, regulations and regulatory rules, as of the date of this annual report, we (i) are not required to obtain permissions from the CSRC, (ii) are not required to go through cybersecurity review by the Cyberspace Administration of China, and (iii) have neither received nor were denied such requisite permissions by any PRC authority. However, the PRC government has promulgated certain regulations and rules to exert more oversight and control over offerings that are conducted overseas or foreign investment in China-based issuers. On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines, or, collectively, the Filing Measures, effective March 31, 2023. According to the Filing Measures, domestic companies in the PRC that directly or indirectly offer or list their securities in an overseas market are required to file with the CSRC. In addition, an overseas listed company must also submit the filing with respect to its follow-on offerings, issuance of convertible corporate bonds and exchangeable bonds, and other equivalent offering activities, within a specific time frame requested under the Filing Measures. Therefore, we will be required to file with the CSRC for our overseas offering of equity and equity linked securities in the future within the applicable scope of the Filing Measures. For more detailed information, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The approval of and filings with the CSRC or other PRC governmental authorities may be required in connection with our offshore listings under PRC law, and, if required, we cannot predict whether we will be able to obtain such approval or complete such filings or how long they might take."

Enforceability of Civil Liabilities

We are incorporated under the laws of the Cayman Islands to take advantage of certain benefits associated with being a Cayman Islands exempted company, such as political and economic stability, an effective judicial system, a favorable tax system, the absence of foreign exchange control or currency restrictions and the availability of professional and support services. However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include, but are not limited to, (i) the Cayman Islands has a less exhaustive body of securities laws than the United States and these securities laws provide significantly less protection to investors; and (ii) with respect to Cayman Islands companies, plaintiffs may face special obstacles, including but not limited to those relating to jurisdiction and standing, in attempting to assert derivative claims in state or federal courts of the United States. Our memorandum and articles of association does not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between us, our officers, directors and shareholders, be arbitrated.

Substantially all of our assets are located outside the United States. In addition, a majority of our directors and officers are nationals or residents of jurisdictions other than the United States and most of their assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us or these persons, or to bring actions or enforce judgments obtained in U.S. courts against us or them, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

Maples and Calder (Hong Kong) LLP, our counsel as to Cayman Islands law, has advised us that there is uncertainty as to whether the courts of the Cayman Islands would (i) recognize or enforce judgments of U.S. courts obtained against us or our directors or officers to impose liabilities against us predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state in the United States, or (ii) in original actions brought in the Cayman Islands, to impose liabilities against us or our directors or officers that are predicated upon the federal securities laws of the United States or the securities laws of any state in the United States so far as the liabilities imposed by those provisions are penal in nature.

Maples and Calder (Hong Kong) LLP, our counsel as to Cayman Islands laws, has further advised us that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments), a judgment obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment (i) is given by a foreign court of competent jurisdiction, (ii) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given, (iii) is final, (iv) is not in respect of taxes, a fine or a penalty, and (v) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands. However, the Cayman Islands courts are unlikely to enforce a judgment of a United States court predicated upon the civil liability provisions of the federal securities laws in the United States if such judgment is determined by the courts of the Cayman Islands to give rise to obligations to make payments that are penal or punitive in nature. Because such a determination has not yet been made by a court of the Cayman Islands, it is uncertain whether such civil liability judgments from U.S. courts would be enforceable in the Cayman Islands.

Haiwen & Partners, our counsel as to PRC law, has advised us that (i) it would be highly uncertain that the courts of the PRC would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers that are predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state in the United States, and (ii) there is uncertainty as to whether the courts of the PRC would entertain original actions brought in the PRC against us or our directors or officers that are predicated upon the federal securities laws of the United States or the securities laws of any state in the United States.

Haiwen & Partners has advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedure Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements, public policy considerations and conditions set forth in applicable provisions of PRC laws, including of the PRC Civil Procedure Law based either on bilateral treaties or international conventions contracted by China and the country where the judgment is made or on reciprocity between jurisdictions. Haiwen & Partners has advised us further that under PRC law, a foreign judgment will not be recognized and enforced by a PRC court, if (i) the foreign court does not have jurisdiction over the case, (ii) the respondent has not been legitimately summoned, or if legitimately summoned, has not been provided a reasonable opportunity to make representation and debate, or the litigant without litigation capacity has not been assigned an appropriate agent, (iii) the foreign judgment is obtained by fraud, (iv) the PRC court has already made a judgment or ruling on the same dispute, or has recognized the judgment or ruling made by the foreign court for the same dispute, or (v) the foreign judgment violates basic legal principles, state sovereignty, safety or social public interest. As there currently exists no bilateral treaty, international convention or other form of reciprocity between China and the United States or the Cayman Islands governing the recognition of judgments, including those predicated upon the liability provisions of the U.S. federal securities laws, it would be highly uncertain that a PRC court would enforce judgments rendered by courts in the U.S. or in the Cayman Islands.

Cash and Asset Flows Through Our Organization

Lufax Holding Ltd is a holding company with no operations of its own. We conduct operations in China primarily through our PRC subsidiaries and the consolidated affiliated entities and their subsidiaries in China. As a result, although other means are available for us to obtain financing at the holding company level, Lufax Holding Ltd's ability to continue paying dividends to its shareholders and investors of the ADSs in the future, as well as its ability to service any debt it has incurred or may incur, may depend upon dividends paid by our PRC subsidiaries and, indirectly, on technical and consulting service fees paid by the consolidated affiliated entities in China. If any of our PRC subsidiaries or the consolidated affiliated entities incurs debt on its own behalf in the future, the instruments governing such debt may restrict our PRC subsidiaries' ability to pay dividends to Lufax Holding Ltd or the consolidated affiliated entities' ability to pay technical and consulting service fees. In addition, our PRC subsidiaries are permitted to pay dividends to Lufax Holding Ltd only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Further, our PRC subsidiaries and the consolidated affiliated entities are required to make appropriations to certain statutory reserve funds or may make appropriations to certain discretionary funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies. For more details, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Holding Company Structure."

Under PRC laws and regulations, our PRC subsidiaries and the consolidated affiliated entities are subject to restrictions with respect to paying dividends or otherwise transferring any of their net assets to us. Remittance of dividends by a wholly foreign-owned enterprise out of China is also subject to examination by the banks designated by the State Administration of Foreign Exchange, or SAFE. Furthermore, cash transfers from our PRC subsidiaries and the consolidated affiliated entities to entities outside of China are subject to PRC government controls on currency conversion. To the extent cash in our business is in the PRC or a PRC entity, such cash may not be available to fund operations or for other use outside of the PRC due to restrictions and limitations imposed by the governmental authorities on the ability of us, our subsidiaries, or the consolidated affiliated entities to transfer cash outside of the PRC. Shortages in the availability of foreign currency may temporarily delay the ability of our PRC subsidiaries and the consolidated affiliated entities to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. In view of the foregoing, to the extent cash in our business is held in China or by a PRC entity, such cash may not be available to fund operations or for other use outside of the PRC. For risks relating to the fund flows of our operations in China, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business" and "—Governmental control of currency conversion may limit our ability to utilize our income effectively and affect the value of your investment."

For the years ended December 31, 2021 and 2022, no dividends or distributions were made to Lufax Holding Ltd, the parent company, by our subsidiaries. For the year ended December 31, 2023, the total amount of dividends or distributions made to Lufax Holding Ltd, the parent company, by our subsidiaries was RMB5.8 billion (US$0.8 billion).

Under PRC law, Lufax Holding Ltd may provide funding to our PRC subsidiaries only through capital contributions or loans, and to the consolidated affiliated entities only through loans, subject to satisfaction of government registration and approval requirements.

For the years ended December 31, 2021, 2022 and 2023, Lufax Holding Ltd provided capital contributions of RMB0.1 billion, nil and nil, respectively, to its subsidiaries and received capital return of nil, RMB17.4 million and nil, respectively, from its subsidiaries. For the years ended December 31, 2021, 2022 and 2023, Lufax Holding Ltd provided loans with principal amount of RMB3.7 billion, RMB0.2 billion and RMB0.9 billion (US$0.1 billion), respectively, to its subsidiaries, and the subsidiaries repaid principal amount of RMB7.2 billion, RMB12.4 billion and RMB1.7 billion (US$0.2 billion), respectively, to Lufax Holding Ltd.

The consolidated affiliated entities may transfer cash to the relevant PRC subsidiaries by paying technical and consulting service fees according to the exclusive business cooperation agreements. Pursuant to these agreements between each of the consolidated affiliated entities and its corresponding PRC subsidiary, each of the consolidated affiliated entities agrees to pay service fees to the relevant PRC subsidiary on a quarterly basis. For the years ended December 31, 2021, 2022 and 2023, the service fees paid by the consolidated affiliated entities to the PRC subsidiaries pursuant to the exclusive business cooperation agreements were RMB433.6 million, RMB101.3 million and nil, respectively. If there is any amount payable to relevant PRC subsidiaries under the contractual arrangements, the consolidated affiliated entities will settle the amount accordingly.

The following table is a summary of cash transfers that have occurred between our subsidiaries and the consolidated affiliated entities:

	For the Year Ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Cash paid by the consolidated affiliated entities to our subsidiaries under service agreements[1]	(433,609)	(101,290)	—
Cash paid by the consolidated affiliated entities to our subsidiaries as advance payments[1]	(466,227)	(83)	—
Cash received by the consolidated affiliated entities from our subsidiaries as advance payments[1]	29,116	9,348	—
Net cash received/(paid) for intra-group centralized cash management activities by the consolidated affiliated entities to our subsidiaries for operating activities[1][7]	2,239,892	(533,569)	592,730
Collection of loans by the consolidated affiliated entities from our subsidiaries for intra-group investing[2]	1,064,669	158	—
Cash paid as loans by the consolidated affiliated entities to our subsidiaries for intra-group investing[3]	(500,000)	—	(700,000)
Cash received by the consolidated affiliated entities from our subsidiaries for sale of intangible assets[4]	—	15,035	—
Cash paid by the consolidated affiliated entities to our subsidiaries for purchase of intangible assets[4]	(15,023)	—	—
Net cash received/(paid) for intra-group centralized cash management activities by the consolidated affiliated entities to our subsidiaries for investing activities[4][7]	(720,304)	549,231	311,736
Repayment of loans by the consolidated affiliated entities to our subsidiaries for intra-group financing[5]	(17,114,012)	(10,755,583)	(4,679,877)
Cash received as loans by the consolidated affiliated entities from our subsidiaries for intra-group financing[6]	9,774,001	4,617,000	37,850

Notes:

(1) Represents the "inter-company cash flow" line item under operating activities of the consolidated affiliated entities and consolidated affiliated entities' subsidiaries as in the condensed consolidating schedule of cash flow data.

(2) Represents the "receipts of repayments of the advances from consolidated entities" line item of the consolidated affiliated entities and consolidated affiliated entities' subsidiaries as in the condensed consolidating schedule of cash flow data which represents the collection of loans by the consolidated affiliated entities and consolidated affiliated entities' subsidiaries from consolidated entities.

(3) Represents the "payment for advances to consolidated entities" line item of the consolidated affiliated entities and consolidated affiliated entities' subsidiaries as in the condensed consolidating schedule of cash flow data which represents the cash paid as loans by the consolidated affiliated entities and consolidated affiliated entities' subsidiaries to consolidated entities.

(4) Represents the "inter-company cash flow" line item under investing activities of the consolidated affiliated entities and consolidated affiliated entities' subsidiaries as in the condensed consolidating schedule of cash flow data.

(5) Represents the "repayment for advances to consolidated entities" line item of the consolidated affiliated entities and consolidated affiliated entities' subsidiaries as in the condensed consolidating schedule of cash flow data which represents the repayment of loans by the consolidated affiliated entities and consolidated affiliated entities' subsidiaries to consolidated entities.

(6) Represents the "receipts of advances from consolidated entities" line item of the consolidated affiliated entities and consolidated affiliated entities' subsidiaries as in the condensed consolidating schedule of cash flow data which represents the cash received as loans by consolidated affiliated entities and consolidated affiliated entities' subsidiaries from consolidated entities.

(7) The centralized cash management activities involve a large number of high-frequency transactions, and the gross presentation is so large and does not reflect any substances of its economic activities, so it is presented on a net basis here. For the subsidiary of consolidated affiliated entity that purely operates the centralized cash management function, the relevant cash flows were recorded as operating activities while for other subsidiaries or consolidated affiliated entities and their subsidiaries that participate in the cash management function, the relevant cash flows were recognized as investment or financing activities. Due to frequent and short-term capital transactions, presenting them on a net basis is more practical.

For the years ended December 31, 2021, 2022 and 2023, except as disclosed above, no transfers of other assets, dividends or distributions were made between the holding company, our subsidiaries, and the consolidated affiliated entities.

On March 9, 2023, our board of directors approved a revised semi-annual cash dividend policy. Under the revised dividend policy, starting from 2023, we will declare and distribute a recurring cash dividend semi-annually in which the aggregate amount of the semi-annual dividend distributions for each year is equivalent to approximately 20% to 40% of our net profit in such fiscal year, or as otherwise authorized by the board of directors. The determination to make dividend distributions and the exact amount of such distributions in any particular semi-annual period will be based upon our operations and earnings, cash flow, financial condition, and other factors, and subject to adjustment and determination by the board of directors. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy." For PRC and United States federal income tax considerations of an investment in our ADSs, see "Item 10. Additional Information—E. Taxation."

We distributed cash dividends to our shareholders as follows: US$0.68 per ordinary share (US$0.34 per ADS) in April 2022, based on our net profits for the financial year 2021; US$0.34 per ordinary share (US$0.17 per ADS) in October 2022, based on our net profits for the six-month period ended June 30, 2022; US$0.10 per ordinary share (US$0.05 per ADS) in April 2023, based on the profits for the six-month period ended December 31, 2022; and US$0.078 per ordinary share (US$0.039 per ADS) in October 2023, based on the profits for the six-month period ended June 30, 2023. For the years ended December 31, 2021, 2022 and 2023, dividends made to U.S. investors were nil, RMB7,628.6 million and RMB1,438.8 million (US$202.6 million).

In March 2024, our board of directors resolved to recommend the declaration and distribution of a special dividend in the amount of US$1.21 per ordinary share or US$2.42 per ADS, subject to the approval of shareholders at the forthcoming annual general meeting to be held on May 30, 2024. If approved, this special dividend will be payable in cash, with eligible holders of ordinary shares given an option to elect to receive the special dividend wholly in the form of new ordinary shares and eligible holders of ADSs given an option to elect to receive the special dividend wholly in the form of new ADSs (except for Hong Kong Securities Clearing Company Nominees Limited, the depositary bank for the ADS program and other intermediaries such as brokers that are aggregating the elections of more than one holder, which may elect to receive their entitlement partly in cash and partly in the form of new ordinary shares or ADSs). Our ability to pay this special dividend depends on one-off dividends that were paid by our PRC subsidiaries in 2024. In March 2024, some of our PRC subsidiaries declared dividends to Harmonious Splendor Limited, our Hong Kong subsidiary, for an aggregate amount of RMB10.5 billion (US$1.5 billion), including the withholding tax of RMB1,050 million (US$147.9 million).

Under the current laws of the Cayman Islands, Lufax Holding Ltd is not subject to tax on income or capital gains. Payments of dividends to its shareholders are not subject to any Cayman Islands withholding tax. For purposes of illustration, the following discussion reflects the hypothetical taxes that might be required to be paid in China and Hong Kong, assuming that we have taxable earnings in the consolidated affiliated entities and we pay a dividend to shareholders of Lufax Holding Ltd:

	Taxation Scenario Statutory Tax and Standard
Hypothetical pre-tax earnings in the consolidated affiliated entities[1]	100.00%
Tax on earnings at statutory rate of 25% at the level of the wholly foreign-owned enterprise[2]	(25.00)%
Net earnings available for distribution	75.00%
Withholding tax at standard rate of 10%[3]	(7.50)%
Net distributions to Lufax Holding Ltd/Shareholders	67.50%

Notes:

(1) For purposes of this example, the tax calculation has been simplified. The hypothetical book pre-tax earnings amount is assumed to equal Chinese taxable income.

(2) Certain of our subsidiaries and consolidated affiliated entities qualify for a 15% preferential income tax rate in China. However, such rate is subject to qualification, is temporary in nature, and may not be available in a future period when distributions are paid. For purposes of this hypothetical example, the table above reflects a maximum tax scenario under which the full statutory rate would be effective.

(3) The PRC Enterprise Income Tax Law imposes a withholding income tax of 10% on dividends distributed by a foreign invested enterprise to its immediate holding company outside of China. A lower withholding income tax rate of 5% is applied if the foreign invested enterprise's immediate holding company is a tax resident in Hong Kong, subject to a qualification review at the time of the distribution. For purposes of this hypothetical example, the table above assumes a maximum tax scenario under which the full withholding tax would be applied.

The table above has been prepared under the assumption that all profits of the consolidated affiliated entities will be distributed as fees to our PRC subsidiaries under tax neutral contractual arrangements. If, in the future, the accumulated earnings of the consolidated affiliated entities exceed the service fees paid to our PRC subsidiaries (or if the current and contemplated fee structure between the intercompany entities is determined to be non-substantive and disallowed by Chinese tax authorities), the consolidated affiliated entities could make a non-deductible transfer to our PRC subsidiaries for the amounts of the stranded cash in the consolidated affiliated entities. This would result in such transfer being non-deductible expenses for the consolidated affiliated entities but still taxable income for the PRC subsidiaries. Such a transfer and the related tax burdens would reduce our after-tax income to approximately 50.6% of the pre-tax income. We believe that there is only a remote possibility that this scenario would happen.

Financial Information Related to the Consolidated Affiliated Entities

The following tables present the condensed consolidating schedule of financial position for the consolidated affiliated entities and other entities as of the dates presented.

Selected Condensed Consolidating Statements of Operations Information

	For the Year Ended December 31, 2023					
	Lufax Holding Ltd	Subsidiaries That Are Not Primary Beneficiaries of Consolidated Affiliated Entities	Primary Beneficiaries of Consolidated Affiliated Entities	Consolidated Affiliated Entities and Consolidated Affiliated Entities' Subsidiaries	Elimination	Consolidated
	(RMB in thousands)					
Technology platform-based income	—	14,712,670	491,117	122,039	—	15,325,826
Net interest income	—	12,348,357	—	—	—	12,348,357
Guarantee income	—	4,392,376	—	—	—	4,392,376
Other income	—	1,142,033	—	1,737	—	1,143,770
Investment income	8,105	1,056,014	36,155	(49,821)	—	1,050,453
Share of net profit/(loss) of investments accounted for using the equity method	—	—	(5,416)	—	—	(5,416)
Inter-company revenues from transactions[1][3]	—	(26,829)	2,099,755	90,513	(2,163,439)	—
Income/(loss) from subsidiaries and the consolidated affiliated entities[2]	2,042,751	560,773	117,913	—	(2,721,437)	—
Total income	**2,050,856**	**34,185,394**	**2,739,524**	**164,468**	**(4,884,876)**	**34,255,366**
Operating expenses	(155,610)	(17,485,891)	(2,008,507)	(28,005)	—	(19,678,013)
Credit impairment losses	(7)	(12,758,713)	26,351	35,061	—	(12,697,308)
Asset impairment losses	—	—	(31,246)	—	—	(31,246)
Finance costs	(996,833)	584,708	(5,558)	3,660	—	(414,023)
Other gains/(losses) – net	(5,638)	342,380	(129,724)	3,318	—	210,336
Inter-company expenses from transactions[1][3]	(5,903)	(1,822,148)	(61,255)	(311,248)	2,200,554	—
Total expenses	**(1,163,991)**	**(31,139,664)**	**(2,209,939)**	**(297,214)**	**2,200,554**	**(32,610,254)**
Profit/(loss) before income tax	**886,865**	**3,045,730**	**529,585**	**(132,746)**	**(2,684,322)**	**1,645,112**
Less: Income tax expenses	—	(649,448)	28,981	9,841	—	(610,626)
Net profit/(loss) for the year	**886,865**	**2,396,282**	**558,566**	**(122,905)**	**(2,684,322)**	**1,034,486**
Net profit/(loss) attributable to: Owners of Lufax Holding Ltd	886,865	2,042,751	558,566	(122,905)	(2,478,412)	886,865
Non-controlling interests	—	353,531	—	—	(205,910)	147,621
	886,865	**2,396,282**	**558,566**	**(122,905)**	**(2,684,322)**	**1,034,486**

	For the Year Ended December 31, 2022					
	Lufax Holding Ltd	Subsidiaries That Are Not Primary Beneficiaries of Consolidated Affiliated Entities	Primary Beneficiaries of Consolidated Affiliated Entities	Consolidated Affiliated Entities and Consolidated Affiliated Entities' Subsidiaries	Elimination	Consolidated
	(RMB in thousands)					
Technology platform-based income	—	27,456,609	1,256,039	505,784	—	29,218,432
Net interest income	—	18,981,376	—	—	—	18,981,376
Guarantee income	—	7,372,509	—	—	—	7,372,509
Other income	—	1,180,841	56,403	760	—	1,238,004
Investment income	4,667	860,985	136,350	303,623	—	1,305,625
Share of net profit/(loss) of investments accounted for using the equity method	—	—	(218)	—	—	(218)
Inter-company revenues from transactions[1][3]	34,028	(70,828)	2,577,531	156,029	(2,696,760)	—
Income/(loss) from subsidiaries and the consolidated affiliated entities[2]	10,683,088	163,230	(272,669)	—	(10,573,649)	—
Total income	**10,721,783**	**55,944,722**	**3,753,436**	**966,196**	**(13,270,409)**	**58,115,728**
Operating expenses	(113,983)	(23,207,619)	(3,419,557)	(148,192)	—	(26,889,351)
Credit impairment losses	6,525	(16,183,163)	(44,963)	(328,864)	—	(16,550,465)
Asset impairment losses	—	(7,101)	—	(420,007)	—	(427,108)
Finance costs	(1,753,486)	546,691	(73,922)	41,725	—	(1,238,992)
Other gains/(losses) – net	(161,917)	36,186	(34,050)	163,240	—	3,459
Inter-company expenses from transactions[1][3]	447	(2,132,463)	(66,242)	(540,809)	2,739,067	—
Total expenses	**(2,022,414)**	**(40,947,469)**	**(3,638,734)**	**(1,232,907)**	**2,739,067**	**(45,102,457)**
Profit before income tax	**8,699,369**	**14,997,253**	**114,702**	**(266,711)**	**(10,531,342)**	**13,013,271**
Less: Income tax expenses	—	(4,160,102)	48,839	(126,969)	—	(4,238,232)
Net profit for the year	**8,699,369**	**10,837,151**	**163,541**	**(393,680)**	**(10,531,342)**	**8,775,039**
Net profit/(loss) attributable to: Owners of Lufax Holding Ltd	8,699,369	10,683,088	163,541	(393,798)	(10,452,831)	8,699,369
Non-controlling interests	—	154,063	—	118	(78,511)	75,670
	8,699,369	**10,837,151**	**163,541**	**(393,680)**	**(10,531,342)**	**8,775,039**

	For the Year Ended December 31, 2021					
	Lufax Holding Ltd	Subsidiaries That Are Not Primary Beneficiaries of Consolidated Affiliated Entities	Primary Beneficiaries of Consolidated Affiliated Entities	Consolidated Affiliated Entities and Consolidated Affiliated Entities' Subsidiaries	Elimination	Consolidated
	(RMB in thousands)					
Technology platform-based income	—	36,018,357	917,668	1,358,292	—	38,294,317
Net interest income	—	14,174,231	—	—	—	14,174,231
Guarantee income	—	4,370,342	—	—	—	4,370,342
Other income	—	3,860,371	5,925	9,111	—	3,875,407
Investment income	2,289	712,174	215,380	221,910	—	1,151,753
Share of net profit of investments accounted for using the equity method	—	—	(3,428)	(27,715)	—	(31,143)
Inter-company revenues from transactions[1][3]	57,717	320,693	2,585,766	5,249	(2,969,425)	—
Income/(loss) from subsidiaries and the consolidated affiliated entities[2]	18,035,463	(511,184)	(747,604)	—	(16,776,675)	—
Total income	**18,095,469**	**58,944,984**	**2,973,707**	**1,566,847**	**(19,746,100)**	**61,834,907**
Operating expenses	(113,056)	(26,446,062)	(3,303,952)	(330,914)	—	(30,193,984)
Credit impairment losses	49	(6,315,341)	(10,901)	(317,534)	—	(6,643,727)
Asset impairment losses	—	(814,558)	(283,809)	(2,515)	—	(1,100,882)
Finance costs	(1,380,292)	360,141	(90,530)	115,166	—	(995,515)
Other gains/(losses) – net	197,807	267,902	32,137	1,533	—	499,379
Inter-company expenses from transactions[1][3]	6,916	(1,703,489)	11,700	(1,422,021)	3,106,894	—
Total expenses	**(1,288,576)**	**(34,651,407)**	**(3,645,355)**	**(1,956,285)**	**3,106,894**	**(38,434,729)**
Profit before income tax	**16,806,893**	**24,293,577**	**(671,648)**	**(389,438)**	**(16,639,206)**	**23,400,178**
Less: Income tax expenses	(2,513)	(6,496,596)	65,495	(257,504)	—	(6,691,118)
Net profit for the year	**16,804,380**	**17,796,981**	**(606,153)**	**(646,942)**	**(16,639,206)**	**16,709,060**
Net profit/(loss) attributable to: Owners of Lufax Holding Ltd	16,804,380	18,035,463	(606,153)	(646,942)	(16,782,368)	16,804,380
Non-controlling interests	—	(238,482)	—	—	143,162	(95,320)
	16,804,380	**17,796,981**	**(606,153)**	**(646,942)**	**(16,639,206)**	**16,709,060**

Selected Condensed Consolidating Balance Sheets Information

	As of December 31, 2023					
	Lufax Holding Ltd	Subsidiaries That Are Not Primary Beneficiaries of Consolidated Affiliated Entities	Primary Beneficiaries of Consolidated Affiliated Entities	Consolidated Affiliated Entities and Consolidated Affiliated Entities' Subsidiaries	Elimination	Consolidated
	(RMB in thousands)					
ASSETS						
Cash at bank	68,371	39,191,594	31,121	307,699	—	39,598,785
Restricted cash	—	10,605,141	—	540,697	—	11,145,838
Financial assets at fair value through profit or loss	—	26,547,142	500,798	1,844,664	—	28,892,604
Financial assets at amortized cost	—	351,655	—	2,659,915	—	3,011,570
Accounts and other receivables and contract assets	111,852	6,214,003	365,317	602,499	—	7,293,671
Loans to customers	—	129,693,954	—	—	—	129,693,954
Investments accounted for using the equity method	—	—	2,609	—	—	2,609
Investment in subsidiaries and the consolidated affiliated entities[2][6]	102,403,569	10,299,452	(842,014)	—	(111,861,007)	—
Assets arising from intra-group transactions[1]	—	3,702	70,309	9,200	(83,211)	—
Amounts due from consolidated entities[4]	762	701,520	10,542,393	2,313,929	(13,558,604)	—
Other assets[5]	—	16,586,663	428,622	368,693	—	17,383,978
Total assets	**102,584,554**	**240,194,826**	**11,099,155**	**8,647,296**	**(125,502,822)**	**237,023,009**
LIABILITIES						
Payable to platform investors	—	121,273	—	864,488	—	985,761
Borrowings	4,080,860	34,692,296	50,128	—	—	38,823,284
Bond payable	—	—	—	—	—	—
Accounts and other payables and contract liabilities	25,228	6,499,377	356,309	96,204	—	6,977,118
Payable to investors of consolidated structured entities	—	83,221,428	—	43,310	—	83,264,738
Convertible promissory note payable	5,650,268	—	—	—	—	5,650,268
Optionally convertible promissory notes	—	—	—	—	—	—
Amounts due to consolidated entities[4]	639,976	2,381,188	21,534	10,515,906	(13,558,604)	—
Other liabilities[5]	45,734	7,184,671	352,779	54,874	—	7,638,058
Total liabilities	**10,442,066**	**134,100,233**	**780,750**	**11,574,782**	**(13,558,604)**	**143,339,227**
EQUITY						
Total equity attributable to owners of the company[1]	**92,142,488**	**102,403,569**	**10,318,405**	**(2,927,486)**	**(109,794,488)**	**92,142,488**
Non-controlling interests[6]	—	3,691,024	—	—	(2,149,730)	1,541,294
Total equity	**92,142,488**	**106,094,593**	**10,318,405**	**(2,927,486)**	**(111,944,218)**	**93,683,782**
Total liabilities and equity	**102,584,554**	**240,194,826**	**11,099,155**	**8,647,296**	**(125,502,822)**	**237,023,009**

	As of December 31, 2022					
	Lufax Holding Ltd	Subsidiaries That Are Not Primary Beneficiaries of Consolidated Affiliated Entities	Primary Beneficiaries of Consolidated Affiliated Entities	Consolidated Affiliated Entities and Consolidated Affiliated Entities' Subsidiaries	Elimination	Consolidated
	(RMB in thousands)					
ASSETS						
Cash at bank	1,644,302	39,262,021	526,040	2,449,764	—	43,882,127
Restricted cash	—	25,975,201	—	533,430	—	26,508,631
Financial assets at fair value through profit or loss	767,636	23,950,065	39,097	4,332,649	—	29,089,447
Financial assets at amortized cost	6,814	528,331	1,629,734	2,551,569	—	4,716,448
Accounts and other receivables and contract assets	925,798	12,246,665	1,013,976	1,571,696	—	15,758,135
Loans to customers	—	211,446,645	—	—	—	211,446,645
Investments accounted for using the equity method	—	—	39,271	—	—	39,271
Investment in subsidiaries and the consolidated affiliated entities[2][6]	106,288,653	9,754,538	(967,425)	—	(115,075,766)	—
Assets arising from intra-group transactions[1]	—	3,702	110,117	10,328	(124,147)	—
Amounts due from consolidated entities[4]	850,333	5,141,170	9,866,828	2,412,424	(18,270,755)	—
Other assets[5]	—	17,139,782	397,099	285,222	—	17,822,103
Total assets	**110,483,536**	**345,448,120**	**12,654,737**	**14,147,082**	**(133,470,668)**	**349,262,807**
LIABILITIES						
Payable to platform investors	—	185,561	—	1,383,806	—	1,569,367
Borrowings	136,014	35,344,846	1,434,653	—	—	36,915,513
Bond payable	—	2,143,348	—	—	—	2,143,348
Accounts and other payables and contract liabilities	3,802,566	7,336,063	352,711	707,314	—	12,198,654
Payable to investors of consolidated structured entities	—	177,105,210	—	42,516	—	177,147,726
Convertible promissory note payable	5,164,139	—	—	—	—	5,164,139
Optionally convertible promissory notes	8,142,908	—	—	—	—	8,142,908
Amounts due to consolidated entities[4]	4,117	3,012,166	629,106	14,625,366	(18,270,755)	—
Other liabilities[5]	43,946	10,496,140	462,140	192,251	—	11,194,477
Total liabilities	**17,293,690**	**235,623,334**	**2,878,610**	**16,951,253**	**(18,270,755)**	**254,476,132**
EQUITY						
Total equity attributable to owners of the company[1]	**93,189,846**	**106,288,653**	**9,776,127**	**(2,805,289)**	**(113,259,491)**	**93,189,846**
Non-controlling interests[6]	—	3,536,133	—	1,118	(1,940,422)	1,596,829
Total equity	**93,189,846**	**109,824,786**	**9,776,127**	**(2,804,171)**	**(115,199,913)**	**94,786,675**
Total liabilities and equity	**110,483,536**	**345,448,120**	**12,654,737**	**14,147,082**	**(133,470,668)**	**349,262,807**

Selected Condensed Consolidating Cash Flows Information

	For the Year Ended December 31, 2023					
	Lufax Holding Ltd	Subsidiaries That Are Not Primary Beneficiaries of Consolidated Affiliated Entities	Primary Beneficiaries of Consolidated Affiliated Entities	Consolidated Affiliated Entities and Consolidated Affiliated Entities' Subsidiaries	Elimination	Consolidated
	(RMB in thousands)					
Cash flows from operating activities						
Inter-company cash flow[3][7]	—	(2,702,602)	1,941,230	592,730	168,642	—
Reclassification[8]	—	—	—	(538,060)	538,060	—
Other operating activities	(100,314)	15,309,043	(793,439)	614,996	—	15,030,286
Net cash (used in)/generated from operating activities	**(100,314)**	**12,606,441**	**1,147,791**	**669,666**	**706,702**	**15,030,286**
Cash flows from investing activities						
Inter-company cash flow[7]	(4,600)	359,783	(802,767)	311,736	135,848	—
Reclassification[8]	—	—	—	538,060	(538,060)	—
Payment for advances to consolidated entities	(948,295)	(5,304,798)	—	(700,000)	6,953,093	—
Receipts of repayments of the advances and capital return from consolidated entities	1,669,873	10,008,874	—	—	(11,678,747)	—
Receipts of dividends from consolidated entities	5,833,440	—	—	—	(5,833,440)	—
Proceeds and interest from sale of investment assets	774,498	62,963,558	1,723,709	2,539,903	—	68,001,668
Payment for acquisition of investment assets	—	(72,564,823)	(500,000)	(859,230)	—	(73,924,053)
Other investing activities	—	(16,773)	1,907	(181)	—	(15,047)
Net cash generated from/(used in) investing activities	**7,324,916**	**(4,554,179)**	**422,849**	**1,830,288**	**(10,961,306)**	**(5,937,432)**
Cash flows from financing activities						
Inter-company cash flow[7]	—	304,490	—	—	(304,490)	—
Payment of dividends to consolidated entities	—	(5,833,440)	—	—	5,833,440	—
Repayment for advances and capital return to consolidated entities	(4,695,913)	(1,669,873)	(633,084)	(4,679,877)	11,678,747	—
Receipts of advances from consolidated entities	5,266,949	1,648,294	—	37,850	(6,953,093)	—
Proceeds from issuance of shares and other equity securities	—	—	—	—	—	—
Proceeds from exercise of share-based payment	252	—	—	—	—	252
Proceeds from borrowings	4,069,584	10,498,705	50,178	—	—	14,618,467
Repayment of interest expenses, borrowings, dividends, and principal of convertible promissory notes	(14,292,086)	(19,611,418)	(1,451,039)	—	—	(35,354,543)
Payment for repurchase of ordinary shares	—	—	—	—	—	—
Other financing activities	854,624	(642,061)	(31,685)	—	—	180,878
Net cash (used in)/generated from financing activities	**(8,796,590)**	**(15,305,303)**	**(2,065,630)**	**(4,642,027)**	**10,254,604**	**(20,554,946)**

	For the Year Ended December 31, 2022					
	Lufax Holding Ltd	Subsidiaries That Are Not Primary Beneficiaries of Consolidated Affiliated Entities	Primary Beneficiaries of Consolidated Affiliated Entities	Consolidated Affiliated Entities and Consolidated Affiliated Entities' Subsidiaries	Elimination	Consolidated
	(RMB in thousands)					
Cash flows from operating activities						
Inter-company cash flow[3][7]	—	(837,108)	55,488	(625,594)	1,407,214	—
Reclassification[8]	—	—	—	1,487,448	(1,487,448)	—
Other operating activities	166,134	6,000,987	(795,511)	(916,309)	—	4,455,301
Net cash (used in)/generated from operating activities	**166,134**	**5,163,879**	**(740,023)**	**(54,455)**	**(80,234)**	**4,455,301**
Cash flows from investing activities						
Inter-company cash flow[7]	—	(108,890)	(45,083)	564,266	(410,293)	—
Reclassification[8]	—	—	—	(1,487,448)	1,487,448	—
Payment for advances to consolidated entities	(160,000)	(4,617,000)	—	—	4,777,000	—
Receipts of repayments of the advances and capital return from consolidated entities	12,450,046	10,135,729	3,861,461	158	(26,447,394)	—
Proceeds and interest from sale of investment assets	419,538	89,438,697	1,668,394	9,229,963	—	100,756,592
Payment for acquisition of investment assets	(764,885)	(89,491,629)	(1,801,200)	(5,675,189)	—	(97,732,903)
Other investing activities	—	(119,372)	(583)	5,543,944	—	5,423,989
Net cash generated from/(used in) investing activities	**11,944,699**	**5,237,535**	**3,682,989**	**8,175,694**	**(20,593,239)**	**8,447,678**
Cash flows from financing activities						
Inter-company cash flow[7]	—	996,921	—	—	(996,921)	—
Repayment for advances and capital return to consolidated entities	—	(15,084,790)	(607,021)	(10,755,583)	26,447,394	—
Receipts of advances from consolidated entities	—	160,000	—	4,617,000	(4,777,000)	—
Proceeds from issuance of shares and other equity securities	—	15,938	—	—	—	15,938
Proceeds from exercise of share-based payment	95,911	—	—	—	—	95,911
Proceeds from borrowings	134,228	8,822,110	90,000	—	—	9,046,338
Repayment of interest expenses, borrowings and dividends	(12,460,570)	(3,685,647)	(1,890,327)	(436,274)	—	(18,472,818)
Payment for repurchase of ordinary shares	—	—	—	—	—	—
Other financing activities	—	(577,973)	(25,199)	(1,000)	—	(604,172)
Net cash (used in)/generated from financing activities	**(12,230,431)**	**(9,353,441)**	**(2,432,547)**	**(6,575,857)**	**20,673,473**	**(9,918,803)**

	For the Year Ended December 31, 2021					
	Lufax Holding Ltd	Subsidiaries That Are Not Primary Beneficiaries of Consolidated Affiliated Entities	Primary Beneficiaries of Consolidated Affiliated Entities	Consolidated Affiliated Entities and Consolidated Affiliated Entities' Subsidiaries	Elimination	Consolidated
	(RMB in thousands)					
Cash flows from operating activities						
Inter-company cash flow[3][7]	—	920,254	(314,385)	1,369,172	(1,975,041)	—
Reclassification[8]	—	—	—	327,497	(327,497)	—
Other operating activities	(105,253)	5,515,423	230,532	(653,230)	—	4,987,472
Net cash (used in)/generated from operating activities	**(105,253)**	**6,435,677**	**(83,853)**	**1,043,439**	**(2,302,538)**	**4,987,472**
Cash flows from investing activities						
Inter-company cash flow[7]	—	(157,536)	(1,085,232)	(735,327)	1,978,095	—
Reclassification[8]	—	—	—	(327,497)	327,497	—
Capital contribution to consolidated entities	(109,635)	—	—	—	109,635	—
Payment for advances to consolidated entities	(3,689,678)	(9,474,627)	(2,800,000)	(500,000)	16,464,305	—
Receipts of repayments of the advances from consolidated entities	7,249,502	16,407,898	706,741	1,064,669	(25,428,810)	—
Proceeds and interest from sale of investment assets	6,522	111,524,589	1,720,840	20,633,784	—	133,885,735
Payment for acquisition of investment assets	(383,798)	(116,771,357)	(1,996,000)	(9,440,542)	—	(128,591,697)
Other investing activities	—	(130,716)	(22,656)	(4,826,844)	—	(4,980,216)
Net cash generated from/(used in) investing activities	**3,072,913**	**1,398,251**	**(3,476,307)**	**5,868,243**	**(6,549,278)**	**313,822**
Cash flows from financing activities						
Inter-company cash flow[7]	—	—	3,054	—	(3,054)	—
Capital contribution from consolidated entities	—	109,635	—	—	(109,635)	—
Repayment for advances to consolidated entities	—	(7,222,326)	(1,092,472)	(17,114,012)	25,428,810	—
Receipts of advances from consolidated entities	—	6,190,304	500,000	9,774,001	(16,464,305)	—
Proceeds from issuance of shares and other equity securities	—	22,333	—	—	—	22,333
Proceeds from exercise of share-based payment	43,456	—	—	—	—	43,456
Proceeds from borrowings	319,535	3,197,000	3,173,900	572,000	—	7,262,435
Repayment of interest expenses and borrowings	(925,233)	(635,029)	(444,760)	(664,880)	—	(2,669,902)
Payment for repurchase of ordinary shares	(6,438,455)	—	—	—	—	(6,438,455)
Other financing activities	(1,131)	(619,797)	(46,493)	(474)	—	(667,895)
Net cash (used in)/generated from financing activities	**(7,001,828)**	**1,042,120**	**2,093,229**	**(7,433,365)**	**8,851,816**	**(2,448,028)**

Notes:

(1) This represents the elimination of intercompany transactions among Lufax Holding Ltd, subsidiaries that are not primary beneficiaries of consolidated affiliated entities, the primary beneficiaries of consolidated affiliated entities, and consolidated affiliated entities and consolidated affiliated entities' subsidiaries, including the elimination of the unrealized profit from inter-company platform services provided and inter-company transfer of assets.

(2) This represents the elimination of the investment among Lufax Holding Ltd, subsidiaries that are not the primary beneficiaries of consolidated affiliated entities, the primary beneficiaries of consolidated affiliated entities.

(3) Intercompany revenues between consolidated affiliated entities and consolidated affiliated entities' subsidiaries and the primary beneficiaries of consolidated affiliated entities.

Primary beneficiaries of consolidated affiliated entities provide technical and consulting service and provide advances to consolidated affiliated entities to operate their business, the primary beneficiaries of consolidated affiliated entities charged service in the amounts of RMB979.5 million, RMB351.6 million and RMB165.1 million, and charged finance cost in the amounts of RMB390.6 million, RMB124.8 million and RMB133.0 million, from consolidated affiliated entities and consolidated affiliated entities' subsidiaries for the years ended December 31, 2021, 2022 and 2023, respectively.

For the years ended December 31, 2021, 2022 and 2023, cash paid by consolidated affiliated entities and consolidated affiliated entities' subsidiaries to the primary beneficiaries of consolidated affiliated entities for technical and consulting service fees was RMB433.6 million, RMB101.3 million and nil, respectively.

(4) This represents the elimination of intercompany balances among Lufax Holding Ltd, subsidiaries that are not primary beneficiaries of consolidated affiliated entities, the primary beneficiaries of consolidated affiliated entities, and consolidated affiliated entities and consolidated affiliated entities' subsidiaries.

(5) This represents other total immaterial assets or liabilities of each component.

(6) In April 2020, one subsidiary of Lufax Holding Ltd included in the "subsidiaries that are not primary beneficiaries of consolidated affiliated entities" column in the above schedules, two subsidiaries included as "primary beneficiaries of consolidated affiliated entities" and Ping An Group entered into a joint investment of the establishment of Ping An Consumer Finance Co., Ltd., or Ping An Consumer Finance. After the investment, our company as a whole was able to control Ping An Consumer Finance. The shareholding ratio between the subsidiary included in the "subsidiaries that are not primary beneficiaries of consolidated affiliated entities" column and the other two subsidiaries included as "primary beneficiaries of consolidated affiliated entities" was 28%, 27% and 15% as of December 31, 2023. In this consolidated affiliated entity consolidating schedule, Ping An Consumer Finance's financial information was recorded in the "subsidiaries that are not primary beneficiaries of consolidated affiliated entities" column. The three subsidiaries applied equity method in accounting for their investments in Ping An Consumer Finance. Each of the three subsidiaries has significant influence but not control over Ping An Consumer Finance. Total assets for Ping An Consumer Finance was RMB18,484.7 million, RMB34,774.7 million and RMB40,591.2 million as of December 31, 2021, 2022 and 2023. Total liabilities for Ping An Consumer Finance was RMB14,052.6 million, RMB30,154.7 million and RMB35,481.1 million as of December 31, 2021, 2022 and 2023. Investments in Ping An Consumer Finance included in "primary beneficiaries of consolidated affiliated entities" was RMB1,861 million, RMB1,940 million and RMB2,150 million as of December 31, 2021, 2022 and 2023.

(7) This represents the elimination of intercompany transactions, besides capital contribution, loans and borrowings among subsidiaries that are not primary beneficiaries of consolidated affiliated entities, the primary beneficiaries of consolidated affiliated entities, consolidated affiliated entities and consolidated affiliated entities' subsidiaries, including offsetting the cash flows for intra-group centralized cash management activities. For the subsidiary of consolidated affiliate entity that purely operates the centralized cash management function, the relevant cash flows were recorded as operating activities while for other subsidiaries or consolidated affiliated entities that participate in the cash management function, the relevant cash flows were recognized as investment or financing activities.

(8) This represents the reclassification of certain cash flows that were considered as investing activities in the financial statements of consolidated affiliated entities and consolidated affiliated entities' subsidiaries and as operating activities in the consolidated financial statements.

A. Selected Financial Data

Not applicable.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Relating to Our Business and Industry

Our industry is rapidly changing, and our business has evolved significantly in recent years, which makes it difficult to evaluate our future prospects.

We operate in China's SBO financial services industry, which is rapidly changing and may not develop as we anticipate. The regulatory framework governing the SBO financial services industry continues to develop rapidly and may remain uncertain for the foreseeable future. In addition, our business and business model have evolved significantly in recent years. As this industry and our business continue to develop, we may further modify our business model, services and solutions. These modifications may not achieve the expected results and may have a material and adverse impact on our financial condition and results of operations.

You should consider our business and future prospects in light of the risks and challenges we may encounter in this rapidly changing industry, including our ability to:

- improve our financial performance;
- attract and retain small business owners and other borrowers;
- navigate a complex and evolving regulatory environment;
- continue to develop, maintain and scale our mobile apps;
- convince prospective borrowers, users and partners of the value of products and services on our mobile apps;
- increase our market share and offer personalized and competitive services;
- offer or maintain attractive fees while driving the growth and profitability of our business;
- develop sufficient, diversified, sustainable, cost-efficient and reputable institutional funding partners;
- grow our balance sheet to support our financing guarantee business to meet the demands of our funding partners;
- continue to develop and improve the effectiveness, accuracy and efficiency of our proprietary credit assessment and risk management technology;
- improve our operational efficiency and maintain profitability;
- enhance our technology infrastructure to support the growth of our business, maintain the security of our system and the confidentiality of the information provided and utilized across our system;
- effectively maintain, upgrade and scale our financial and risk management controls and procedures;
- defend ourselves against legal proceedings and regulatory actions, such as claims against us relating to our sales and collection efforts, fee structures, employee and third-party misconduct, intellectual property, cybersecurity or privacy;
- operate without being adversely affected by negative publicity about our industry in general and our company in particular, including baseless or ill-intentioned negative publicity; and
- navigate fluctuations in economic conditions.

If we fail to address any or all of these risks and challenges, our business may be materially and adversely affected.

Updates that we are in the process of making to our business model may not be successful.

Previously, we shared credit risk with our funding partners by utilizing a combination of our licensed financing guarantee subsidiary and collaborations with third-party credit enhancement providers. In the fourth quarter of 2023, we successfully completed the transformation of our business to a 100% guarantee business model, under which our licensed financing guarantee subsidiary provides a guarantee for each new loan transaction without the use of third-party credit enhancement. As a result, the percentage of outstanding loans with credit risk exposure for our company has increased from 16.6% as of December 31, 2021, to 23.5% as of December 31, 2022, and further to 39.8% as of December 31, 2023. As we increase the volume of outstanding loans on which we bear credit risk, our direct exposure to the risk of loss stemming from any failure to effectively evaluate borrowers' credit profiles or manage default risks has also increased. The profitability of this update to our business model has yet to be proven.

In the past, we have encountered instances where attempts to update our business model or practices did not yield the anticipated success. For example, we launched a new service branded Lujintong in 2019, aiming to help our financial institution partners to acquire borrowers directly through dispersed sourcing nationwide as an additional way for us to cooperate with them. The borrowers under Lujintong referrals were customers acquired by third party loan agents served on the Lujintong platform. These borrowers were individuals or SMBs who were of a lower risk profile than the target customers for our core retail credit and enablement model, and therefore qualified for loans directly from banks at lower interest rates without requiring our enablement services. However, we downscaled the operations of Lujintong in 2023 and plan to cease its operation by the end of April 2024. In addition, we launched a small business owner value-added services platform in November 2022 to foster the growth of an SBO ecosystem, but we ceased the operation of this SBO ecosystem in 2023. Changing our business model may present operating and marketing challenges that are different from those that we currently encounter. Making this update to our business model may cause us to oversee opportunities that we could have pursued if we had not made this update or if we had made different updates. We cannot assure you that making these changes to our business model will be successful enough to justify the time, effort and resources that we devote to implementing them.

The total fees charged to borrowers for loans we enable may be deemed to be in excess of interest rate limits imposed by laws or regulatory authorities. As a result, part of the interest and fees may not be valid or enforceable through the PRC judicial system.

Our income, including retail credit and enablement service fees and other fees, to the extent they are deemed to be or related to loan interest, are subject to the restrictions on interest rates as specified in rules on private lending. According to the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases took effect on September 1, 2015, in the event the sum of the annualized interest that lenders charge and the fees we and our business partners charge exceeded the 24% limit, and borrowers refused to pay the portion that exceeds the 24% limit, PRC courts would not uphold our request to demand the portion of the fees that exceeds the 24% limit from such borrowers. If the sum of the annual interest that lenders charge and the fees we and our business partners charge exceeds 36%, the portion that exceeds the 36% limit is invalid.

The Supreme People's Court approved two amendments to the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases on August 19, 2020 and December 29, 2020, pursuant to which the PRC courts will support a non-financial institution's claim for interest on loans if their annual interest rate does not exceed four times the one-year Loan Prime Rate at the time of the establishment of the loan agreements. The aforementioned one-year Loan Prime Rate refers to the one-year loan market quoted interest rate issued by the National Bank Interbank Funding Center. As of the date of this annual report, the most recent one-year loan market quoted interest rate issued by the National Bank Interbank Funding Center was 3.45%. Also on December 29, 2020, the Supreme People's Court further issued the Reply Regarding the Scope of Application of the New Private Lending Judicial Interpretation, which provides that the amended Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases are not applicable to disputes arising from the financial business of microloan companies, financing guarantee companies, and five other types of local financial organizations which are regulated by local financial authorities.

However, there remain uncertainties in the interpretation and implementation of the abovementioned provisions of the Supreme People's Court and the two amendments, including their applicability in practice, the basis of the formula used to calculate the interest limit, the scope of inclusion of related fees and insurance premiums, and variations between the standard and the level of enforcement by different PRC courts depending on the circumstances. We cannot assure you that there will not be any changes to the detailed formula used to calculate the interest limit, that our future fee rates will not be lowered as a result of the limit described above, or that the limit will not be applied to our historical products. In such cases, we and our business partners may be required to repay certain borrowers if our historical loan products are deemed to have violated the laws and regulations concerning the limit on lending interest and fee rates, and our business, results of operations and financial condition may therefore be materially and adversely affected.

In addition to rules, opinions and decisions issued by the PRC courts, we and our business partners are also subject to regulatory agencies' requirements, supervision or guidance. We have lowered the APR on loans we enable since early September 2020 and may further lower the APR or even be required to change our charging strategies from time to time as a result of changes in regulation or our business strategy. We may also reduce our outstanding loan volumes, significantly modify our fee rate structure within a prescribed period of time or modify our business cooperation model with third-party business partners. If we are unable to comply with such regulatory requirements, supervision or guidance, we may be deemed to be charging above the maximum interest rates permitted by the relevant laws, regulations, policies or guidance, and as a result, we could be subject to orders of suspension, cessation or rectification, cancelation of qualifications, or other penalties, and our business, financial condition, results of operations and our cooperation with business partners could be materially and adversely affected as a result. See "—Our business is subject to laws, regulations, and supervision by national, provincial and local government and judicial authorities, industry associations and other regulatory bodies. The laws, regulations and official guidance relating to our business are complex and evolving rapidly and may be subject to further changes. Non-compliance with any existing or new regulation may result in penalties, limitations and prohibitions on our business activities, and we have been modifying and may need to continue to modify our business operations in response to changes in laws and regulations."

Furthermore, there remain uncertainties regarding whether our charging strategies for service fees and the amount of service fees charged by our financing guarantee company could be accepted or supported by the local courts, and we cannot rule out the possibility that we may be required to change our charging strategies for service fees and the amount of service fees charged by our financing guarantee company if there is any change in the interpretation and implementation of applicable laws, regulations and governmental policies in the future.

Our business is subject to laws, regulations, and supervision by national, provincial and local government and judicial authorities, industry associations and other regulatory bodies. The laws, regulations and official guidance relating to our business are complex and evolving rapidly and may be subject to further changes. Non-compliance with any existing or new regulation may result in penalties, limitations and prohibitions on our business activities, and we have been modifying and may need to continue to modify our business operations in response to changes in laws and regulations.

The industry in which we operate is highly regulated. Our businesses are subject to national, provincial and local laws, rules, regulations, policies and measures in China. See "Item 4. Information on the Company—B. Business Overview—Regulation." These laws, rules, regulations, policies and measures are issued by the National People's Congress of the PRC and its standing committee, the State Council, and different central government ministries and departments as well as provincial and local governmental authorities, and are enforced by different levels of regulatory agencies and by local authorities in each province in which we operate. As a result, there may be inconsistencies between the rules, regulations, policies, orders and guidance of different regulatory agencies. In order to comply with the existing and new rules, regulations, policies and measures of each regulatory agency, we have modified, and may continue to modify, our business models from time to time, which could cause us to incur significant costs and expenses, divert resources and materially disrupt our operations, which could have a material adverse effect on our results of operations and financial condition.

For example, on January 13, 2021, the China Banking and Insurance Regulatory Commission and the People's Bank of China released the Notice on Regulating Personal Deposit Business by Commercial Banks through the Internet, which provides detailed rules for the conduct of a deposit business by commercial banks through the internet and further prohibits commercial banks from conducting a time deposit and time-demand optional deposit business through online platforms that they do not operate themselves, including such services as marketing and promotion, product display, information transmission, access to purchase and interest subsidies. We ceased to enable the bank deposit products provided by our bank partners in December 2020. However, the PRC governmental authorities may further tighten the requirements that regulate the industry we operate in, which may result in fines or penalties, limit or restrict our current practices and may require changes to our business model or operations.

On April 29, 2021, the People's Bank of China, together with the China Banking and Insurance Regulatory Commission, the CSRC and other regulatory authorities, jointly conducted a regulatory interview with 13 companies, including us, as part of special work on self-investigation and rectification of online financial platforms. We have carried out self-investigation and rectification work in various aspects, including prudential supervision, financial consumer protection, integrated operation of financial business, personal credit business, capital market business, and third-party internet deposits. As of the date of this annual report, we have completed all of the rectification measures in principle based on our self-examination results according to the guidance provided by the authorities. The regulatory authorities will maintain normalized supervision in general going forward, according to the guidance provided by the regulatory authorities. We cannot assure you that the measures we have taken and rectifications we have made will satisfy the requirements from the regulators in the future. If our practices do not comply with any regulatory requirements and the regulators take additional regulatory actions against us, there may be a material and adverse effect on our business, results of operations, financial conditions and prospects. Our reputation may also be harmed.

On December 31, 2021, the People's Bank of China, the Ministry of Industry and Information Technology, the China Banking and Insurance Regulatory Commission, the CSRC, the Cybersecurity Administration of China, SAFE and the State Intellectual Property Office issued the Measures for Administration of Internet Marketing of Financial Products (Draft for Comments), which regulates financial institutions and internet platform operators entrusted by such financial institutions with carrying out internet marketing activities of financial products. Pursuant to this draft measure, financial institutions may not entrust any other entities or individuals to carry out internet marketing of financial products unless otherwise provided or authorized by laws and regulations. The draft measure also prohibits third-party online platform operators from participating in the sale of financial products, including interactive consultation with consumers on financial products, suitability assessment of financial consumers, execution of sale contracts and transfer of funds. In addition, online platform operators are not allowed to share the income of financial business by setting various charging mechanisms linked to the loan scale and interest scale. If this draft measure is enacted as proposed, our retail credit and enablement business will be subject to additional regulatory requirements and restrictions.

We are also subject to oversight by the Ministry of Industry and Information Technology, the Cybersecurity Administration of China and the National Internet Finance Association of China in connection with our mobile applications. If we fail to comply with the requirements and standards set by the authorities or if our apps fail to remain on the white list, mobile app stores including the iOS App Store and Android app stores may cease the distribution of our mobile apps and our business may be materially and adversely affected.

We expect the laws, rules, regulations, policies and measures governing our business, our cooperation with third-party business partners and the loans we enable to continue to evolve. Our business activities and growth may be adversely affected if we do not respond to regulatory changes in a timely manner. Non-compliance with the applicable laws, rules, regulations, policies and measures, including as a result of ambiguities in them, may subject us to sanctions by regulatory authorities, monetary penalties, or restrictions on our business activities or new product introduction or revocation of our licenses, all of which could have material and adverse effects on our business, financial condition and results of operations.

The percentage of outstanding loans with credit risk exposure for our company increased in recent years. If we fail to effectively manage credit risk of our loans and our overdue loans increase, our business, financial condition and results of operations may be materially adversely affected.

We have increased the percentage of outstanding loans with credit risk exposure for our company from 16.6% as of December 31, 2021, to 23.5% as of December 31, 2022, and further to 39.8% as of December 31, 2023. The percentage will continue to increase under our new 100% guarantee business model, under which our licensed financing guarantee subsidiary provides a guarantee for each new loan transaction, until we have no remaining loans with third-party credit enhancement still outstanding. As the volume of outstanding loans on which we bear credit risk increases, our direct exposure to the risk of loss stemming from any failure to effectively evaluate borrowers' credit profiles or manage default risks also increases. As of December 31, 2021, 2022 and 2023, the outstanding balance of loans on which we bore credit risks totaled RMB109.9 billion, RMB135.5 billion and RMB125.6 billion (US$17.7 billion), respectively. In 2021, 2022 and 2023, we made a payment of RMB1.5 billion, RMB6.8 billion and RMB10.8 billion (US$1.5 billion), respectively, to our funding partners for claims against defaults.

Any deterioration in our loan portfolio quality and increase in default risks could materially adversely affect our results of operations. We may not be able to effectively control the level of our overdue loans in the future. Our default risks may increase in the future due to a variety of factors, including factors beyond our control, such as a slowdown in economic growth, a deepening of a credit crisis or other adverse macroeconomic trends. Such factors may cause operational, financial and liquidity issues for our borrowers and affect their ability to make loan repayments in a timely manner. Also, our licensed financing guarantee subsidiary may face a potential reduction in its assets if our funding partners claim substantial repayments due to defaults, and we may need to provide additional capital injections into our licensed financing guarantee subsidiary, which may adversely affect our financial condition. If we fail to effectively manage credit risk of our loans and our overdue loans increase, our business, financial condition and results of operations may be materially adversely affected.

Our access to sufficient and sustainable funding at commercially attractive costs cannot be assured.

The growth and success of our future operations depend on the availability of adequate lending capital to meet borrowers' demands for loans. To maintain sufficient and sustainable funding to meet borrower demands, we need to keep expanding our funding base and secure a stable stream of funds from our funding partners.

The availability of funding from our funding partners depends on many factors, some of which are out of our control. Changes in the credit environment may impact the funding costs and the terms of our agreements with funding partners, and we may not be able to obtain sufficient and sustainable funding from our funding partners if the funding cost increases significantly. Funding costs may also be affected by the willingness of our funding partners to rely on the guarantee provided by our financing guarantee subsidiary. In addition, our competitors may offer better terms to attract institutional funding partners away from us or form exclusive partnerships with them. We may not be able to maintain long-term business relationships with institutional funding partners in this evolving market. In addition, some of our funding partners have limited operating histories and experiences and we cannot rely on them for our funding.

Our funding partners are subject to PRC laws and regulations, and they may have to cease or modify their operations and cooperation with us as a result of existing or new regulatory requirements. For example, in July 2020, the China Banking and Insurance Regulatory Commission issued the Interim Measures for the Administration of Online Loans by Commercial Banks to provide detailed rules on online loans provided by commercial banks. On February 19, 2021, the China Banking and Insurance Regulatory Commission further issued the Notice of Further Regulating Online Loan Business of Commercial Banks, also known as Circular 24, supplementary to the Interim Measures for the Administration of Online Loans by Commercial Banks. Circular 24 reiterates that the commercial banks shall independently carry out the risk management of online loans and are forbidden from outsourcing the key procedures of loan management. Moreover, regional commercial banks are prohibited from engaging in an online loan business outside the region of their registration. In addition, under Circular 24, the China Banking and Insurance Regulatory Commission and its local offices shall, under the principle of "one policy for one bank and smooth transition" urge commercial banks to rectify their non-compliant online loan business. It is also provided that Circular 24 will apply by analogy to branches of foreign banks, trusts, consumer finance companies and auto finance companies. These rules and regulations may require some of our funding partners to evaluate their cooperation entities and adjust their cooperation with us and thus may potentially have a material impact on the availability of our funding.

In addition, we cannot assure you that we will be successful in diversifying our funding sources or funding sources for the loans we enable will remain or become increasingly diversified in the future. If we become dependent on a small number of funding partners and any such funding partners decide not to collaborate with us, change the commercial terms to the extent unacceptable to our borrowers or limit the funding available for loans we enable, such constraints may materially limit our ability to enable loans and adversely affect our user experience. As a result, our business, financial condition, results of operations and cash flow may be materially and adversely affected.

Any failure to obtain, renew or retain the requisite approvals, licenses or permits applicable to our retail credit and enablement business may have a material adverse effect on our business, financial condition and results of operations.

The PRC government extensively regulates internet-related businesses, including supervising foreign ownership and requiring licenses and permits pertaining to the companies in internet-related businesses. These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations.

We are required to obtain certain approvals, licenses, permits and certificates in the PRC for our retail credit and enablement business, including a license for our financing guarantee business and a license for our consumer finance business. For details of these requirements, please refer to "Item 4. Information on the Company—B. Business Overview—Regulation" in this annual report. However, there is no assurance that we will be able to obtain or renew such licenses, permits and certificates upon their expiration. In addition, the eligibility criteria for such licenses, permits and certificates may change from time to time and we may be required to observe stricter compliance standards in respect of such licenses, permits and certificates. In the event of the introduction of any new laws and regulations or changes in the interpretation of any existing laws and regulations that increase compliance costs for us, or prohibit or make it more expensive for us to continue with the operation of any part of our business, our business, financial condition and results of operations may be materially and adversely affected.

Moreover, the PRC government has adopted a series of regulations governing credit investigation businesses. Among those regulations, the Regulation for the Administration of Credit Investigation Industry, promulgated by the State Council and effective in March 2013, provides that credit investigation business means the activities of collecting, organizing, storing and processing credit-related information of individuals and enterprises, as well as providing such information to parties that may use such information. To further strengthen the supervision for credit investigation businesses, the People's Bank of China issued the Administrative Measures for Credit Investigation Business, effective January 1, 2022, which stipulate a broad definition of credit information to include all types of information in connection with the provision of services in financial or other activities to assess credit of individuals or enterprises. According to these measures, such information may include an individual's or enterprise's identity, address, transportation, communication, indebtedness, property, payment, consumption, production and operation, fulfillment of legal obligations and other information, as well as the analysis and evaluation based on such information. Although there are substantial uncertainties as to the interpretation and application of these measures, because we may collect, store and analyze certain information which falls within the scope of so-called credit-related information and conduct credit assessment based on such information and we may also share such information with our business partners under proper authorization, we may be deemed to be collecting and processing credit information of individuals and enterprises, and may be required to obtain credit data collection licenses and complete filing formalities. However, due to the evolving regulatory environment of the credit investigation industry, we cannot assure you that our retail credit and enablement business will not be regarded as credit investigation business and we will not be required to obtain the approval or license for credit investigation business or have to modify our business model, which could cause us to incur significant costs and expenses, divert resources and disrupt our operations, which may materially and adversely affect our results of operations and financial condition.

Historically, the regulators have given us verbal and written guidance on our business practices, and we have modified our business operations based on such guidance. We may be subject to additional regulatory warnings, correction orders, condemnation and fines and may be required to further modify our business if any of our financing guarantee companies is deemed to have violated national, provincial or local laws and regulations or regulatory orders and guidance. On December 31, 2021, the People's Bank of China published the Regulations on the Local Financial Supervision and Administration (Draft for Comments), which requires that, among other things, financing guarantee companies are required to operate their business within the area approved by the competent provincial regulatory authorities and in principle are not allowed to conduct business across provinces. The rules for cross-province business carried out by local financing guarantee companies will be formulated by the State Council or the financial regulatory department of the State Council as authorized by the State Council. For details of these requirements, please refer to "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Retail Credit Enablement" in this annual report. Currently, our financing guarantee company provides services for loans to borrowers across provinces. As uncertainties remain regarding when these rules would be adopted and become effective, and to what extent we would be subject to these rules, we cannot rule out the possibility that we may be required to obtain additional licenses, permits, filings or approvals in the future. We cannot assure you that we will be able to comply with such regulations in all respects in a timely manner, or at all, and since our financing guarantee subsidiary has been playing an increasingly important role in our retail credit and enablement business, any failure to do so could materially impair our ability to conduct our business and materially and adversely affect our results of operations and financial condition.

We have modified our business model and practices in the past as a result of changes in laws, regulations, policies, measures and guidance, and we are subject to risks in connection with our discontinued products and historical practices. If any of our discontinued products and historical practices is deemed to violate any PRC laws or regulations, our business, financial condition and results of operations would be materially and adversely affected.

Given the complexities, uncertainties and changes in laws, rules, regulations, policies and measures, including changes in their interpretation and implementation, we have historically modified our business models and practices due to shifts in regulatory requirements and our strategies. Among wealth management products, we ceased to enable the offering of structured alternative products originated by financial institutions for individual investors, which we refer to as business-to-consumer, or B2C products, in the second half of 2017. We also ceased to enable the bank deposit products provided by our bank partners in December 2020. Among retail credit and enablement products, we ceased to enable the offering of peer-to-peer products in August 2019, as well as stopped using funding from peer-to-peer individual investors as a funding source for our retail credit and enablement business in 2019. As of December 31, 2021, no peer-to-peer products enabled by our company remained outstanding, and none of the new loans we have enabled since August 2019 were funded by peer-to-peer individual investors.

To facilitate the exit of investors after we discontinued our enablement of the offering of B2C products in the second half of 2017, we decided to repurchase certain trust plans, asset management plans and debt investments from our investors as a one-time event. The performance of these trust plans, asset management plans and debt investments, with an aggregate net balance of RMB1.3 billion as of December 31, 2023, may continue to have an adverse impact on our financial condition. We are currently pursuing claims against the debtors related to some of our historical B2C products. While none of these claims is considered material to our business on an individual basis, the overall results of these ongoing litigations may have continued impact on our financial condition. We are currently unable to estimate the possible outcome or possible range of recovery, if any, associated with the resolution of these cases, and adverse outcome of our claims could have a material adverse effect on our business, results of operations, cash flows and reputation.

We ceased using individual funding as a funding source for loans in 2019 in response to new regulations on peer-to-peer lending. Under existing regulations, entities engaging in peer-to-peer lending are required to apply for record-filings with authorities. In addition, in January 2019, the PRC government issued the Notice on Further Implementing the Compliance Inspection and Follow-up Work of Peer-to-Peer Online Lending, which requires all peer-to-peer lending platforms to reduce the total outstanding peer-to-peer lending balance, the total number of borrowers, and the total number of individual investors. Three platforms operated by the consolidated affiliated entities were engaging in peer-to-peer lending services at that time. After close consultation with regulators, we ceased enabling new loans using peer-to-peer funding since August 2019, and as of December 31, 2023, none remained outstanding. Nevertheless, we cannot assure you that we will not be subject to fines or other regulatory penalties for our historical peer-to-peer loans. Any of such events may materially and adversely affect our client relationship, reputation, and business operations.

Furthermore, the PRC legal system is based in part on government policies and internal rules. We may not be aware of our violation of these policies and rules until sometime after the violation, and we cannot assure you that our historical practices would not be deemed to be a violation of any applied policies or rules, which may subject us to fines and other administrative sanctions and adversely affect our reputation, business prospects and financial condition.

Changes to our business model may subject us to similar risks with respect to our current products or services that we discontinue, including complaints from customers, damage to our brand, and regulatory scrutiny. See also "—We may be subject to risks due to the business conducted by our microloan subsidiaries prior to 2021."

If our credit assessment and risk management model is flawed or ineffective, or if the data that we collect for credit analysis inaccurately reflects borrowers' creditworthiness, or if we fail or are perceived to fail to effectively manage the default risks of loans we enable for any other reason, our business and results of operations may be adversely affected.

Our ability to attract borrowers and funding partners and build trust in our capabilities is significantly dependent on our ability to effectively evaluate borrowers' credit profiles and manage default risks. If any of our decision-making and scoring systems, including the algorithms, data processing and other technologies underlying our credit assessment and risk management model, contain programming or other errors, or are ineffective or the data provided by borrowers or third parties are incorrect or stale, our loan pricing and approval process could be negatively affected, resulting in mispriced or misclassified loans or incorrect approvals or denials of loans.

In addition, if we fail to discover borrower fraud or intentional deceit, the quality of our credit management may be compromised and we may be subject to liability under the relevant laws and regulations. We cannot assure you that we would not be subject to liability if we fail to detect any fraudulent behavior. If we incur such liabilities, our results of operations and financial condition could be materially and adversely affected.

The completeness and reliability of consumer credit history information may be relatively limited. The information and data we obtain ourselves or from external parties for credit assessment and risk management purposes may be inaccurate or incomplete. We are also unable to accurately monitor whether a prospective borrower has obtained loans through online retail credit enablement platforms, creating the risk whereby a borrower may utilize our credit products to pay off loans from other sources. There is also a risk that, following our access to a borrower's information, the borrower may have become delinquent in the payment of an outstanding obligation, defaulted on a pre-existing debt obligation, taken on additional debt, or sustained other adverse financial events.

In addition, various factors could affect our borrowers' repayment ability, such as economic and other conditions affecting our borrowers and their businesses and industries, the cash flow of individual borrowers and the amounts and terms of the loans. If a borrower's financial condition deteriorates after his or her loan application is approved, we may not be able to take sufficient and effective measures in time to prevent default on the part of the borrower. We may also be unable to monitor our borrowers' actual use of the loans we enabled, verify if our borrowers have other undisclosed borrowings, or detect our borrowers' suspicious or illegal transactions, such as money laundering activities in our business, which may expose us to financial and/or reputational damage. If we are unable to effectively maintain a reasonably low default rate for loans we enable, our financial condition, results of operations and business prospects may be materially and adversely affected.

A severe or prolonged downturn in the Chinese or global economy could materially and adversely affect our business and financial condition.

COVID-19 had a severe and negative impact on the Chinese and the global economy from 2020 through 2022, and the global macroeconomic environment still faces numerous challenges. The growth rate of the Chinese economy has been slowing since 2010 and the Chinese population began to decline in 2022. The Federal Reserve and other central banks outside of China have raised interest rates. The Russia-Ukraine conflict, the Hamas-Israel conflict and the attacks on shipping in the Red Sea have heightened geopolitical tensions across the world. The impact of the Russia-Ukraine conflict on Ukraine food exports has contributed to increases in food prices and thus to inflation more generally. There have also been concerns about the relationship between China and other countries which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to a wide range of issues including trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. In addition, SBOs as our customers are more vulnerable to changes in macroeconomic conditions. If macroeconomic conditions deteriorate, SBOs may be directly hit, which in turn may lead to higher default rates or decreasing borrowings. As a result, any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

A credit crisis or a prolonged downturn in the credit markets may materially and adversely impact our reputation, business, results of operations and financial position.

Our business is subject to credit cycles associated with the volatility of the overall economy. In particular, the operations of our business may be severely affected in a credit crisis or prolonged downturn in the credit markets. For example, we may face increased risk of default or delinquency of borrowers, which will result in lower returns or losses for our funding partners and us. In the event that the creditworthiness of our borrowers deteriorates or we cannot accurately track the deterioration of their creditworthiness, the criteria we use for the analysis of borrower credit profiles may be rendered inaccurate, and our risk management system may be rendered ineffective. This in turn may lead to higher default rates and an adverse impact on our reputation, business, results of operations and financial position as well as our ability to retain existing or attract new funding partners.

In addition, a credit crisis or prolonged downturn in the credit markets might cause tightening in credit guidelines, limited liquidity, deterioration in credit performance and increased foreclosure activities. Since we generate a large proportion of our income from fees charged for services, a decrease in loans enabled could cause a material decline in our income for the duration of a crisis or downturn. Funding partners may increase their fees when they perceive heightened credit risks, which may have a material and adverse impact on our profitability. Moreover, a financial and credit crisis may be coupled with or trigger a downturn in the macroeconomic environment, which could cause a general decrease in lending and investment activities over a prolonged period of time and materially and adversely impact the industry we operate in. If a credit crisis or prolonged downturn were to occur, particularly in China's credit markets, our business, financial performance and prospects may be materially and adversely affected.

Furthermore, a credit crisis may lead to fluctuations in interest rates. If the prevailing market interest rates rise while borrowers are unwilling to accept a corresponding increase in interest rates, funding partners may be deterred from providing funding. Funding from trusts may be more sensitive to volatility in the credit markets than funding from commercial banks or other financial institutions, and to the extent that we rely on funding from trusts, we may be unable to obtain sufficient funding for loans we enable. If our borrowers decide not to utilize our credit products because of increases in interest rates, our ability to retain existing borrowers and attract or engage prospective borrowers as well as our competitive position may be severely limited. We cannot assure you that we will be able to effectively manage such interest rate risk at all times or pass on any increase in interest rates to our borrowers. If we are unable to effectively manage such an increase, our business, profitability, results of operations and financial condition could be materially and adversely affected. If the prevailing market interest rates decrease and we fail to adjust the interest rates for borrowers, prospective borrowers may choose to borrow from other sources to take advantage of the lower funding cost offered elsewhere. As a result, any fluctuation in the overall interest rate environment may discourage borrowers from making credit applications from us or utilize their approved credit, which may adversely affect our business.

Our transaction process may result in misunderstanding among our borrowers.

Our paperless application process is implemented primarily on our mobile apps, which involves certain inherent risks. Our borrowers may not read the electronic agreements closely, which may result in misunderstanding of certain terms and conditions. Furthermore, information in our product promotion materials and on our app may result in misunderstanding among our borrowers and be deemed misleading. Borrowers may be confused by the fee structure that is applied to their loans or allege that the fees were not presented and explained in a transparent manner. If the government authorities or the courts determine that information disclosed in our product promotion materials and on our app is misleading, the courts may support the borrower's request to rescind the agreement or determine a lower interest and service fee to be payable by the borrower, and we may be subject to fines and penalties by the courts and government authorities for the misleading promotion. In addition, misunderstandings may give rise to negative publicity and complaints among our borrowers, harm our brand name and reputation and in turn hurt our ability to retain and attract borrowers, which could have a material adverse effect on our business, financial condition and results of operations.

Information regarding individuals to whom we provide our financial services may not be complete, and our ability to perform due diligence, detect borrower fraud or manage our risks may be compromised as a result.

Our operations depend heavily on the effectiveness of our KYC (know-your-customer), KYB (know-your-business) and other due diligence efforts. For example, we rely on our KYC and KYB data to assess borrowers' creditworthiness for our retail credit and enablement business. We also rely on borrowers themselves and our internal and external data sources to conduct due diligence and verify the information obtained. For more details, see "Item 4. Information on the Company—B. Business Overview—How We Enable Our Institutional Partners—Credit Analytics—Data." Incomplete or inaccurate information may not only result in additional efforts and related costs, but may also undermine the effectiveness of our KYC, KYB and other due diligence efforts. We cannot assure you that we will uncover all material information necessary to make fully informed decisions, nor can we assure you that our KYC and KYB will be sufficient to assess borrowers' creditworthiness or detect fraud committed by borrowers in all cases. In addition to the risk of default, there is a risk that ineffective KYC, KYB and other due diligence efforts could expose us to scrutiny from regulators regarding the suitability of borrowers for whom we enable loans. Any such failures could have a material adverse effect on our business, financial condition, results of operations and prospects.

If our ability to collect delinquent loans is impaired, or if there is actual or perceived misconduct in our collection efforts, our business, financial condition and results of operations might be materially and adversely affected.

We have implemented payment and collection policies and practices work, we retain both an internal collection team and outsource part of collection work to third parties. We cannot assure you that we will be able to collect payments on the transactions we enable as expected. In addition, we aim to control bad debts by utilizing and enhancing our credit assessment system rather than relying on collection efforts to maintain healthy credit performance. As such, our collection team may not possess adequate resources or workforce to collect payment on the loans we enabled. If we fail to adequately collect amounts owed, payments of principals and retail credit service fees may be delayed or reduced and our results of operations will be adversely affected. If the quality of our loan portfolio were to deteriorate as a result of ineffective collection, our funding partners may decide not to continue to cooperate with us. See "—If our credit assessment and risk management model is flawed or ineffective, or if the data that we collect for credit analysis inaccurately reflects borrowers' creditworthiness, or if we fail or are perceived to fail to effectively manage the default risks of loans we enable for any other reason, our business and results of operations may be adversely affected." If the volume of loans we enable grows in the future, we may devote additional resources into our collection efforts. However, there can be no assurance that we would be able to utilize such additional resources in a cost-efficient manner.

The labor intense nature of collection work also makes it susceptible to disruption during emergencies, including during public health crises and similar events. Our collection team was not always capable of operating at full efficiency during the COVID-19 pandemic.

Moreover, the current regulatory regime for debt collection in the PRC remains unclear and continues to evolve. The Notice on the Regulation and Rectification of the "Cash Loan" Business, or Circular 141, and subsequent rules and regulations provide that no institution or third-party agency shall collect loans by actual or threatened violence, intimidation, insult, defamation, harassment, disseminating private information, or other ways that cause harm. The Notice on Strengthening the Supervision and Management of Microloan Companies, issued by the China Banking and Insurance Regulatory Commission in September 2020, provides that microloan companies and third-party loan collection agencies may not collect loans by violence, or threats of violence, or intentionally inflicting bodily injury, or infringing upon personal freedom, or illegally occupying property, or interfering with daily life through insults, slander, harassment, or illegal infringement on privacy, or other illegal methods. However, there is uncertainty with respect to the definition and interpretation of the prohibited conducts. We may also be subject to new regulations that require licenses or certain qualifications for conducting a loan collection business. Also, we cannot assure you that our collection team or third-party collection service providers have not engaged in or will not engage in any aggressive practices or misconduct as part of their collection efforts. Any such historical or future misconduct by our collection team or the third-party service providers we work with, or the perception that our collection practices are aggressive or not compliant with the relevant laws and regulations, may result in harm to our reputation and business, which could further reduce our ability to collect payments from borrowers, lead to decrease in the willingness of prospective borrowers to apply for loans, as well as orders of suspension or rectification, cancelation of qualifications or fines and penalties imposed by the regulatory authorities, any of which may have a material adverse effect on our results of operations.

We have extensive cooperation with Ping An Group in our business. If such cooperation is subject to any change or if Ping An Group cannot continue to support us, our business, financial performance and results of operations may be adversely affected.

We have extensive history and business relationships with Ping An Group and its related parties. Our strategic partnership with Ping An Group has contributed to our growth significantly. We provided a number of services, including loan account management, wealth management product enablement and other services, to Ping An Group in 2021, 2022 and 2023. Ping An Group also provided us with accounting processing, data communication, transaction settlement, custodian, office premise rental services, technology support, HR support and other services during the same periods.

There can be no assurance that Ping An Group will maintain its influence over us or will continue to support our business. If our relationship with Ping An Group or its related parties deteriorates and we are no longer able to access Ping An Group's or its related parties' services or continue to provide our services to them, we may not be able to continue certain of our business lines, which may have significant adverse impact on our business and results of operations. When entities within Ping An Group or its related parties which serve as our business partners and suppliers modify their fee structures or otherwise change their cooperation model with us, our business, results of operations and financial condition are affected, sometimes adversely and sometimes to a material extent. We may also face competition in a number of areas, including innovations in our businesses, which may be replicated quickly by our competitors, including members of Ping An Group or its related parties. Such competition may adversely affect our competitive position and business prospects.

Our cooperation with various third parties is integral to the smooth operation of our business. If these third parties fail to perform or provide reliable or satisfactory services, our business, financial condition and results of operations may be materially and adversely affected.

We rely on third-party business partners and service providers, including Ping An Group, to operate various aspects of our business. In particular, third parties provide us with funding for our SBO financial services business. In the past, they also provided credit enhancement for loans we enabled, though we no longer rely on third-party credit enhancement under our new business model. Furthermore, third-party service providers maintain part of our technology systems and we rely on third parties for secure fund management and online payment and settlement.

Our relationships with various third parties are integral to the smooth operation of our business. Most of our agreements with third-party service providers are non-exclusive and do not prohibit third-party service providers from working with our competitors or from offering competing services. If our relationships with third-party service providers deteriorate or third-party service providers decide to terminate our respective business relationships for any reasons, such as to work with our competitors on more exclusive or favorable terms or if they themselves become our competitors, our operation may be disrupted. In addition, our third-party service providers may not meet the standards that we expect and require under our agreements, and disagreements or disputes may arise between us and the third-party service providers.

We rely on third-party payment channels and custodian banks in handling fund transfers and settlements. Third-party payment agents in China are subject to oversight by the People's Bank of China and must comply with complex rules and regulations, licensing and examination requirements. If our third-party payment agents or the custodian banks we collaborate with are to suspend, limit, adjust or cease their operations or are subject to regulations or regulatory rectifications required by various regulatory authorities, or if our relationships with our third-party payment agents deteriorate or they were to otherwise terminate, we would need to arrange substantially similar arrangements with other third-party payment agents. Negative publicity about our third-party payment agents or the industry in general may also adversely affect funding partners' or borrowers' confidence and trust in the use of third-party payment agents to provide payment and custodian services. In addition, our third-party payment channels or custodian banks may fail to function effectively. If any of the foregoing were to happen, our operations could be materially impaired and our results of operations would suffer.

If we are unable to maintain or increase the amount of loans we enable or if we are unable to retain existing borrowers or attract new borrowers, our business, financial condition and results of operations will be adversely affected.

The volume of new loans we enable is one of the key metrics for our financial performance. Our total volume of new loans decreased from RMB648.4 billion in 2021 to RMB495.4 billion in 2022 and RMB208.0 billion (US$29.3 billion) in 2023. The success of our business depends on whether we can retain existing borrowers and continually attract additional borrowers and funding partners.

If there are insufficient qualified loan requests, funding partners may be unable to deploy their capital through loans we enable in a timely or efficient manner and may seek other opportunities, including those offered by our competitors. Conversely, if there are insufficient commitments from funding partners, borrowers may not obtain enough capital through loans we enable and may turn to other sources for their needs.

The overall transaction volume may be affected by the following factors:

- our brand recognition and reputation;
- the cost the borrowers bear;
- the return rates offered to funding partners relative to market rates;
- the financing service fees charged;

- our efficiency in acquiring and engaging prospective borrowers;
- utilization of the credit we approve;
- the effectiveness of our credit assessment model and risk management system;
- our ability to secure sufficient and cost-efficient funding;
- borrowers' experience on our mobile apps; and
- the PRC regulatory environment governing our industry and the macroeconomic environment.

In connection with the introduction of new products or in response to general economic conditions, we may impose more stringent borrower or product provider qualifications to ensure the quality of the transactions we enable, which may negatively affect the growth of transactions we enable.

If any of our current borrower acquisition channels becomes less effective, or any of our borrower acquisition channel partners are no longer able or willing to continue to work with us for regulatory or other reasons, or we are otherwise unable to continue to use any of these channels, or we are not successful in using new channels, we may not be able to attract new borrowers and funding partners in a cost-effective manner or convert potential borrowers into active borrowers, and may lose our existing borrowers to our competitors. If any of the above occurs, we may be unable to increase our loan transaction volume and income as we expect, and our business and results of operations may be adversely affected.

Declines in the retail credit and enablement service fees we charge could harm our business, financial condition and results of operations.

We generate a significant part of our income from the retail credit and enablement service fees we charge. Our retail credit and enablement service fees decreased from RMB36.8 billion in 2021 to RMB28.6 billion in 2022 and RMB15.1 billion (US$2.1 billion) in 2023, representing for 59.5% of our total income in 2021, 49.2% in 2022 and 44.2% in 2023. Decreases in our retail credit and enablement service fees have a substantial and adverse impact on our income and profitability. For example, our borrowers' repayment behaviors and early repayment options affect the effective tenors of the loans we enable. Borrowers' early repayments of loans reduce the number of months that our retail credit and enablement service fees or interest income can be recognized and thus affect the total amount of our fees and interest income in absolute terms. In the event that the amount of retail credit and enablement service fees we charge for loans we enabled continue to decrease in the future and we are not able to reduce our costs and expenses, our business, financial condition and results of operations will be harmed.

The level of retail credit and enablement service fees we charge may be affected by a variety of factors, including our borrowers' creditworthiness, the competitive landscape of our industry, the availability of funding and existing or new regulatory requirements. Our retail credit and enablement service fees may also be affected by changes in product and service mix and changes to our borrower engagement initiatives. Our competitors may offer more attractive fees, which may require us to reduce our retail credit and enablement service fees to compete effectively. Furthermore, as our borrowers establish their credit profile over time, they may qualify for and develop other consumer financing solutions with lower fees, including those offered by traditional financial institutions. In addition, our retail credit and enablement service fees are sensitive to many macroeconomic factors that are beyond our control, such as inflation, recession, the performance of credit markets, global economic disruptions, unemployment and fiscal and monetary policies. If the service fees we charge decrease significantly due to factors beyond our control, our business, financial condition and results of operations will be materially and adversely affected.

Failure to comply with existing or future laws and regulations related to data protection, data security, cybersecurity or personal information protection could lead to liabilities, administrative penalties or other regulatory actions, which could negatively affect our operating results and business.

The regulatory framework for the collection, use, safeguarding, sharing, transfer and other processing of data and personal information worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Regulatory authorities in virtually every jurisdiction in which we operate have implemented and are considering a number of legislative and regulatory proposals concerning data protection.

In recent years, the PRC government has tightened the regulation of the storage, sharing, use, disclosure and protection of personal data and user data, particularly personal data obtained through individuals' use of websites and online services. PRC laws and regulations require internet service providers and other network operators to clearly state the authorized purpose, methods and scope of the collection and usage of personal data and obtain the consent of users for the processing of this personal data, as well as to establish user information protection systems with remedial measures. For details of these regulations, please refer to "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Information Security and Privacy Protection."

In particular, on December 28, 2021, the Cybersecurity Administration of China and twelve other government authorities published a new version of the Cybersecurity Review Measures, which replaced the Cybersecurity Review Measures published in 2020 and became effective on February 15, 2022. In accordance with the new version of the Cybersecurity Review Measures, critical information infrastructure operators that intend to purchase internet products and services and online platform operators engaging in data processing activities, which affects or may affect national security, must be subject to cybersecurity review. Additionally, the new version of the Cybersecurity Review Measures also grant the Cybersecurity Administration of China and other competent authorities the right to initiate a cybersecurity review without application, if any member organization of the cybersecurity review mechanism has reason to believe any internet products, services or data processing activities affect or may affect national security. The PRC government authorities may have wide discretion in the interpretation of "affect or may affect national security." If any of our business are deemed to "affect or may affect national security," we may be subject to cybersecurity review.

Furthermore, on December 13, 2022, the Ministry of Industry and Information Technology released the Administrative Measures for Data Security in Industry and Information Technology Sectors (Trial), which came into effect on January 1, 2023. The measures apply to data management in certain industries, including telecommunication sectors, where certain data we process is generated from. These measures set out three categories of data: ordinary data, important data and core data. The processing of important data and core data is subject to certain filing and reporting obligations. Since the categories of important data and core data have not been released, it is uncertain how the measures will be interpreted and implemented. We have sorted and cataloged data we process and will take further measures as required.

The regulatory authorities in China continue to monitor websites and apps in relation to the protection of personal information and data, privacy and information security, and may impose additional requirements from time to time. There are uncertainties as to the interpretation and application of laws in one jurisdiction which may be interpreted and applied in a manner inconsistent to another jurisdiction and may conflict with our current policies and practices or require changes to the features of our system. As a result, we cannot assure that our existing user information protection system and technical measures will be considered sufficient under all applicable laws and regulations. If we are unable to address any information protection concerns, any compromise of security that results in unauthorized disclosure or transfer of personal data, or to comply with the then applicable laws and regulations, we may incur additional costs and liability and result in governmental enforcement actions, litigation, fines and penalties or adverse publicity and could cause our borrowers and institutional partners to lose trust in us, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

We collect, process and store significant amounts of personal information and data concerning our borrowers and investors, as well as personal information and data pertaining to our business partners and employees. Compliance with applicable personal data and data security laws and regulations is a rigorous and time-intensive process. As global data protection laws and regulations increase in number and complexity, we cannot assure you that our data protection systems will be considered sufficient under all applicable laws and regulations due to factors including the uncertainty of the interpretation and implementation of these laws and regulations. Furthermore, we cannot assure you that the information we receive from our third-party data partners are obtained and transmitted to us in full compliance with laws and regulations. Moreover, there could be new laws, regulations or industry standards that require us to change our business practices and privacy policies, and we may also be required to put in place additional mechanisms ensuring compliance with new data protection laws, all of which may increase our costs and materially harm our business, prospects, financial condition and results of operations. We will actively monitor future regulatory and policy changes to ensure strict compliance with all then applicable laws and regulations. However, as the regulatory authorities have wide discretion on the interpretation and implementation of the applicable laws and regulations, we cannot assure you that the regulatory authorities will form the similar opinions as ours. Any failure or perceived failure by us to comply with applicable laws and regulations could result in reputational damage or proceedings or actions against us by governmental entities, individuals or others. These proceedings or actions could subject us to significant civil or criminal penalties and negative publicity, result in the delayed or halted processing of personal data that we need to undertake to carry on our business, as well as the forced transfer or confiscation of certain personal data.

Misconduct and errors by our employees and our third-party business partners and service providers could subject us to liability and harm our business and reputation.

We operate in an industry in which integrity and the confidence of our borrowers and institutional partners are of critical importance.

During our daily operations, we are subject to the risk of errors, misconduct and illegal activities by our employees and third-party business partners and service providers, including:

- engaging in misrepresentation or fraudulent activities when marketing our products or performing our services to borrowers;
- improperly acquiring, using or disclosing confidential information of our borrowers or other parties;
- failing to report conflicts of interest accurately or timely;
- concealing unauthorized or unsuccessful illegal activities; or
- otherwise not complying with applicable laws and regulations or our internal policies or procedures.

We have used and continue to use third-party sales channels for some of the products we enable. Our ability to supervise third parties is limited. If third-party sales agents misrepresent the terms and conditions of the loans we enable or the risks of the wealth management products we enable, customers may be unable to repay their loans or they may lose money on their investments. If customers seek to hold us responsible through the courts, the government or the media, we may incur legal liability, we may be required to indemnify customers for their losses and our reputation may be damaged.

Errors, misconduct and illegal activities by our employees, or even unsubstantiated allegations of them, could result in a material adverse effect on our reputation and our business. It is not always possible to identify and deter misconduct or errors by employees or third-party partners, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses. If any of our employees engages in misrepresentation, illegal or suspicious activities or other misconduct, we could suffer economic losses and may be subject to regulatory sanctions and significant legal liability, and our financial condition, customer relationships and our ability to attract new customers may be adversely affected as a result. If any sanction was imposed against an employee during his employment with us, even for matters unrelated to us, we may be subject to negative publicity which could adversely affect our brand, public image and reputation, as well as potential challenges, suspicions, investigations or alleged claims against us. We could also be perceived to have enabled or participated in the misrepresentation, illegal activities or misconduct, and therefore be subject to civil or criminal liability. See "—Fraudulent activities on our mobile apps could negatively impact our operating results, brand and reputation and cause the use of our retail credit and enablement products and services to decrease." In addition, if any third-party business partners or service providers become unable to continue to provide services to us or cooperate with us as a result of regulatory actions, our business, results of operations and financial condition may also be materially and adversely affected.

We and our directors, management and employees have been and may continue to be subject to complaints, claims, controversies, regulatory actions, arbitration and legal proceedings, which could have a material adverse effect on our results of operations, financial condition, liquidity, cash flows and reputation.

We and our directors, management and employees have been and may continue to be subject to or involved in various complaints, claims, controversies, regulatory actions, arbitration, and legal proceedings. Complaints, claims, arbitration, lawsuits and litigations are subject to inherent uncertainties, and we are uncertain whether the foregoing claims would develop into lawsuits or regulatory penalties and other disciplinary actions. Lawsuits, litigations, arbitration and regulatory actions may cause us to incur substantial costs or fines, utilize a significant portion of our resources and divert management's attention from our day-to-day operations, or materially modify or suspend our business operations, any of which could materially and adversely affect our financial condition, results of operations and business prospects. A significant judgment or regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against our directors, officers or employees would have a material adverse effect on our liquidity, business, financial condition, results of operations, reputation and prospects.

Defending litigation or other claims against us is costly and can impose a significant burden on our management and employees, and there can be no assurances that favorable final outcomes will be obtained in all cases. For example, we may not have kept sufficient or complete record to defend ourselves against potential claims from borrowers or investors who used our services. Such claims may result in liability and harm our reputation. In addition, there can be no assurance that we will be successful in the claims we pursue against delinquent borrowers or other parties. Any resulting liability, losses or expenses, or changes required to our businesses to reduce the risk of future liability, may have a material adverse effect on our business, financial condition and prospects. There remain uncertainties in the interpretation of PRC laws in different jurisdictions, and an adverse outcome of a single claim against us in one jurisdiction regarding our business practices may result in significant negative publicity and heightened scrutiny by regulators and courts of our business and operations across the country, or potential penalties or other regulatory actions against us. Any of such outcomes may cause significant disruptions to our operations and materially and adversely affect our results of operations and financial condition.

We may be subject to claims under consumer protection laws and regulations.

The PRC government, media outlets and public advocacy groups have been increasingly focused on consumer protection, especially on financial consumer protection, in recent years. On November 21, 2020, the Inspection Office of General Office of the State Council and the General Office of the China Banking and Insurance Regulatory Commission issued a public announcement regarding non-compliance by certain banks and financial institutions that increased the financing cost of small and micro business owners. The announcement said that loan products offered to small and micro business owners by a certain bank and enabled by Puhui, as a cooperative institution, had been compulsorily bundled with insurance products and a high rate of service fees had been charged, resulting in increasing comprehensive financing costs to the borrowers. Before transitioning to the 100% guarantee business model, we modified our cooperation model with banks such that loan products issued by such institutions that we enable provide several options of insurance companies for borrowers to choose from. Nevertheless, any customer complaints, negative media coverage and claims or litigations as a result of alleged violation of consumer protection laws and regulations may materially harm our reputation and have an adverse impact on our business, results of operations and financial condition. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to the Protection of Consumers Rights and Interests."

If the products and services we offer do not maintain or achieve sufficient market acceptance, or if we are unable to effectively manage complaints and claims against us, our financial results and competitive position will be harmed.

We have devoted significant resources to, and will continue to put an emphasis on, upgrading and marketing the existing financial services products available on our mobile apps and our services as well as enhancing their market awareness. We also incur expenses and expend resources to develop and market new products and services that incorporate additional features, improve functionality or otherwise make our mobile apps more attractive to borrowers and funding providers. Nevertheless, products and services we offer may fail to attain sufficient market acceptance for many reasons, including:

- users may not find the terms of retail credit products we offer competitive or appealing;
- we may fail to predict market demand accurately and provide products and services that meet this demand in a timely fashion;
- borrowers and funding partners using our mobile apps may not like, find useful or agree with the changes we adopt from time to time;

- there may be defects, errors or failures on our mobile apps;
- there may be negative publicity, including baseless or ill-intentioned negative publicity, about the products or services available on our mobile apps, or the performance or effectiveness of our mobile apps; and
- regulations or rules applicable to us may constrain our operations and growth.

In addition, we have been subject to and may continue to face borrower and investor complaints, negative media coverage and claims or litigation. Large-scale complaints and negative publicity about us could materially harm acceptance of the products and services on our mobile apps. Short sellers may publish, circulate or otherwise amplify negative publicity about us in order to drive down the market value of our ADSs and ordinary shares and profit from their short positions. Any complaint or claim, with or without merit, could be time-consuming and costly to investigate or defend, and may divert our management's and employees' time and attention, draw scrutiny, penalties or other disciplinary actions from regulatory bodies and materially harm our reputation. See "—We and our directors, management and employees have been and may continue to be subject to complaints, claims, controversies, regulatory actions, arbitration and legal proceedings, which could have a material adverse effect on our results of operations, financial condition, liquidity, cash flows and reputation" and "—Our business, financial condition, results of operations and prospects may be adversely affected as a result of any failure to protect or promote our brand and reputation, or negative media coverage of our industry or our principal shareholders." In such events, our competitive position, results of operations and financial condition could be materially and adversely affected.

We face competition in the SBO financial services industry.

The SBO financial services industry in China is becoming increasingly competitive. We compete primarily with non-traditional financial service providers such as MYbank, WeBank, Du Xiaoman Financial and JD Technology and with traditional financial institutions, such as traditional banks, which are focused on retail and SMB lending. Many non-traditional financial service providers trace their origins back to services offered by a technology company, so they tend to compete with us in segments of the market that are more amenable to purely technological solutions and do not necessarily require strong financial expertise. Banks may compete with us as lenders or cooperate with us as funding partners. The PRC government is encouraging banks to increase their lending to the small business sector, which may cause them to pay more attention to the kinds of borrowers that we target than they have in the past. In addition, decreases in the maximum APR that can be charged to borrowers and our own increasing focus on high-quality borrowers to maintain credit quality may also cause our target borrowers to overlap more with those that banks have targeted in the past. Some of our larger competitors have significant financial resources to support heavy spending on sales and marketing and to provide more services to customers. We believe that our ability to compete effectively for borrowers depends on many factors, including the variety of our products, user experience on our mobile apps, effectiveness of our risk management, our partnership with third parties, our marketing and selling efforts and the strength and reputation of our brand. Furthermore, as our business continues to grow rapidly, we face significant competition for highly skilled personnel. The success of our growth strategy depends in part on our ability to retain existing personnel and add additional highly skilled employees. Failure to compete effectively in our industry can lead to reduced income and market recognition, and result in material and adverse impact on our business, financial condition and results of operations.

We may enter into new business lines and offer new products or services. Development and innovation in our business may expose us to new challenges and risks, including regulation or supervision of regulatory authorities.

From time to time we may expand into new business lines and introduce new products or services. Entering into new areas of business and introducing new products and services may have inherent and unforeseeable risks and may attract the attention of regulatory authorities. Regulatory measures may impede the conduct of our new businesses and render future innovation unsuccessful. New business operations, products and services also require significant expense and resources to attract and acquire customers, and they may fail to gain market acceptance for a variety of reasons:

- our estimate of market demand may not be accurate so that we may not be able to launch products and services that align with and meet specific market demand, or there may not be sufficient market demand for our new business operations;

- changes on our mobile apps, including the introduction of new services and mobile app functions, may not be favorably accepted by existing users;
- we may fail to properly assess creditworthiness of new borrowers, or accurately price new loan products;
- negative publicity or news about our existing products and services may dissuade customers from trying new products and services;
- we may experience delays in launching the new business operations or loan and investment products or services; and
- our competitors may offer products and services that are more attractive.

If our current or future products and services are not sufficiently attractive to our customers, become obsolete or fail to satisfy the demands of borrowers, we may be unable to successfully compete. Our market share may decline, and our business, financial condition and results of operations will be materially affected.

Fraudulent activities on our mobile apps could negatively impact our operating results, brand and reputation and cause the use of our retail credit and enablement products and services to decrease.

We are subject to risks associated with fraudulent activities on our mobile apps as well as risks associated with handling borrower and client information. Our resources, technologies and fraud detection tools may be insufficient to accurately detect and prevent fraud. Fraudulent information such as fake identification information and fraudulent credit card transaction records and statements could compromise the accuracy of our credit analysis and adversely affect the effectiveness of our control over our delinquency rates. See "—If our credit assessment and risk management model is flawed or ineffective, or if the data that we collect for credit analysis inaccurately reflects borrowers' creditworthiness, or if we fail or are perceived to fail to effectively manage the default risks of loans we enable for any other reason, our business and results of operations may be adversely affected." Third parties and our employees may also engage in fraudulent activities, such as conducting organized fraud schemes and fraudulently inducing funding partners to lend. In addition, a significant increase in high profile fraudulent activities could negatively impact our brand name and reputation, discourage funding partners and borrowers from extending credit on or using our mobile apps, lead to regulatory intervention, significantly divert our management's attention and cause us to incur additional expenses and costs. If any of the foregoing were to occur, our business, results of operations and financial condition could be materially and adversely affected.

If we fail to protect our mobile apps or the confidential information of our borrowers, whether due to cyber-attacks, computer viruses, physical or electronic break-in, breaches by employees and third parties or other reasons, we may be subject to liabilities imposed by relevant laws and regulations, and our reputation and business may be materially and adversely affected.

Our computer system and data storage facilities, the networks we use, the networks of other third parties with whom we interact, are potentially vulnerable to physical or electronic computer break-ins, viruses and similar disruptive problems or security breaches. A party that is able to circumvent our security measures could misappropriate proprietary information or customer information, jeopardize the confidential nature of the information we transmit over the internet and mobile network or cause interruptions in our operations. We or our service providers may be required to invest significant resources to protect against the threat of security breaches or to alleviate problems caused by any breaches.

In addition, we collect, store and process certain personal and other sensitive data concerning our borrowers and investors, which makes us a potentially vulnerable target to cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions, some of which could breach our security measures. Because the techniques used to sabotage or obtain unauthorized access to systems change frequently and generally are not recognized until they are launched against a target, we may not be able to anticipate these techniques or implement adequate preventative measures. Any accidental or willful security breaches or other unauthorized access to our system could cause confidential information to be stolen and used for criminal purposes. Security breaches or unauthorized access to or sharing of confidential information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity. In addition, leakages of confidential information may be caused by third-party service providers or business partners. If security measures are breached because of third-party action, employee misconduct or error, failure in information security management, malfeasance or otherwise, or if design flaws in our technology infrastructure are exposed and exploited, our relationships with borrowers and institutional partners could be severely damaged, we may become susceptible to future claims if our borrowers and institutional partners suffer damages, and could incur significant liability, and our business and operations could be adversely affected.

We are subject to governmental regulation and other legal obligations related to the protection of personal data, privacy and information security in the regions where we do business, and there has been and may continue to be a significant increase in such laws that restrict or control the use of personal data. See "—Failure to comply with existing or future laws and regulations related to data protection, data security, cybersecurity or personal information protection could lead to liabilities, administrative penalties or other regulatory actions, which could negatively affect our operating results and business."

Our business, financial condition, results of operations and prospects may be adversely affected as a result of any failure to protect or promote our brand and reputation, or negative media coverage of our industry or our principal shareholders.

Our reputation and brand recognition plays an important role in earning and maintaining the trust and confidence of our existing and potential borrowers and institutional partners. Our reputation and brand are vulnerable to many threats that can be difficult or impossible to control, and costly or impossible to remediate. Regulatory inquiries or investigations, lawsuits initiated by borrowers, users or other third parties, employee misconduct, and perceptions of conflicts of interest and rumors, among other things, could substantially damage our reputation, even if they are baseless or satisfactorily addressed. In addition, any perception that the quality of products and services available on our mobile apps may not be the same as or better than those available elsewhere can also damage our reputation. Moreover, any negative media publicity about the financial services industry in general or product or service quality problems of others in our industry, including our competitors, may also negatively impact our reputation and brand. In addition, Ping An Group, one of our principal shareholders, may from time to time be subject to negative media coverage. If we are unable to maintain a good reputation or further enhance our brand recognition, our ability to attract and retain users, customers, third-party partners and key employees could be harmed and, as a result, our business and income would be materially and adversely affected.

Ping An Insurance has considerable influence over us and our affairs and strategy and some of their interests may not be aligned with the interests of our other shareholders.

Ping An Insurance is one of our principal shareholders. As of March 31, 2024, the total of all the ordinary shares beneficially owned by Ping An Insurance, through An Ke Technology Company Limited and China Ping An Insurance Overseas (Holdings) Limited, was approximately 41.4% of our issued and outstanding ordinary shares. As a result, Ping An Insurance exerts considerable influence on our board of directors and management. They will continue to have considerable influence over our corporate affairs, including significant corporate actions such as mergers, consolidations, election of directors and amending our constitutional documents.

When exercising its rights as our shareholder, Ping An Insurance may take into account not only the interests of our company and our other shareholders but also its own interests, the interests of its shareholders and the interests of its other affiliates. The interests of our company and our other shareholders may conflict with the interests of Ping An Insurance and its shareholders and other affiliates. These types of conflicts may result in our losing business opportunities, including opportunities to enter into lines of business that may directly or indirectly compete with those pursued by Ping An Insurance or the companies within its ecosystem, and will limit your ability to influence corporate matters and may discourage, delay or prevent potential merger, takeover or other change of control transactions, which could have the effect of depriving holders of our ordinary shares or ADSs of the opportunity to sell their ordinary shares or ADSs at a premium over the prevailing market price.

Our shareholding structure is subject to further change, which could dilute the interests of existing shareholders or have a material adverse effect on our share price, our ability to raise funds and our funding costs.

In October 2015, in connection with our acquisition of the retail credit and enablement business from Ping An Insurance, we issued convertible promissory notes in a total principal amount of US$1,953.8 million to China Ping An Insurance Overseas (Holdings) Limited, and subsequently China Ping An Insurance Overseas (Holdings) Limited agreed to transfer US$937.8 million of the outstanding principal amount of the convertible promissory notes and all rights, benefits and interests attached thereunder to An Ke Technology Company Limited. In December 2022, our company, China Ping An Insurance Overseas (Holdings) Limited and An Ke Technology Company Limited entered into an amendment and supplemental agreement to amend the terms of the convertible promissory notes, pursuant to which our company agreed to redeem 50% of the outstanding principal amount of the convertible promissory notes from China Ping An Insurance Overseas (Holdings) Limited and An Ke Technology Company Limited, and the remaining outstanding principal amount of the convertible promissory notes can be converted into the shares of our company at any time from April 30, 2026 until the date which is five business days before (and excluding) October 8, 2026, at an initial conversion price of US$14.8869 per ordinary share subject to certain adjustments as set forth in each of the convertible promissory notes. In addition, as of March 31, 2024, options to purchase a total of 12,482,505 ordinary shares and performance share units to receive a total of 1,789,050 ordinary shares were outstanding under the share incentive plans. In the event of the conversion of the convertible promissory notes, exercise of the outstanding options or the vesting of performance share units, our shareholding structure may change and the shareholding percentage of our existing shareholders and investors will be diluted.

Further, the China Banking and Insurance Regulatory Commission promulgated the Measures for the Supervision and Administration of Insurance Group Companies on November 24, 2021 to strengthen the supervision and management of insurance companies. The measures restated that an insurance group company cannot hold a more than 25% shareholding in a non-financial enterprise or have a material influence in a non-financial enterprise, with certain exceptions. Ping An Insurance is one of our principal shareholders. As of March 31, 2024, the total of all the ordinary shares beneficially owned by Ping An Insurance, through An Ke Technology Company Limited and China Ping An Insurance Overseas (Holdings) Limited, was approximately 41.4% of our issued and outstanding ordinary shares. As the measures are relatively new, there are still uncertainties regarding its interpretation and implementation. If the government authorities determine that we are a non-financial enterprise, Ping An Insurance may need to adjust its shareholding percentage in our company. In the event that Ping An Insurance ceases to be our principal shareholder, we believe that our company can continue to maintain its collaborative relationship with Ping An Group on an on-going basis as our business and the business of Ping An Insurance are complementary and our business cooperation with Ping An Group is mutually beneficial. Through such cooperations, Ping An Group will continue to benefit from the revenue generated from the service fees charged for the provision of credit enhancement services to the borrowers we enabled in the past and the fees charged for the provisions of other services and products to us. In addition, Ping An Group will also continue to benefit from the services and products we provide to them. However, change in Ping An Insurance's shareholding in our company could have a material adverse effect on our share price, our ability to raise funds and our funding costs.

We may be subject to risks due to the business conducted by our microloan subsidiaries prior to 2021.

Our three microloan subsidiaries stopped funding new loans in December 2020 in response to regulatory changes in China. However, our microloan subsidiaries were and are subject to laws, regulations and supervision by national, provincial and local government and judicial authorities, and we may be subject to risks due to the business conducted by our microloan subsidiaries prior to 2021.

The Civil Code of the PRC provides that no interest shall be deducted from the principal of loans in advance, and if any interest amount is deducted, the amount of principal and interest to be repaid by the borrower shall be calculated based on the actual amount borrowed. The Notice on Specific Rectification Implementation Measures for Risk of Online Microloan Businesses of Microloan Companies further prohibits the upfront deduction of interest, commission fees, management fees or deposits from loans by microloan companies before they are released to the borrowers. Such prohibition is also highlighted by the Notice on Strengthening the Supervision and Management of Microloan Companies issued by the China Banking and Insurance Regulatory Commission in September 2020, which provides that where a microloan company has deducted any upfront fees in violation of rules and regulations, the borrower will only need to repay the actual loan amount after the exclusion of the interest and fees deducted, and the loan's interest rate shall be calculated accordingly. Furthermore, Circular 141 prohibits third-party platforms that cooperate with banking institutions to enable loans from collecting interest or fees from borrowers. Historically, the service fees and interest payment for a small part of our retail credit and enablement services by our microloan subsidiaries were arranged to be paid by the borrowers simultaneously when the principals of the funds were released to the borrowers. We ceased this upfront deduction collection method in 2018 and, as of December 31, 2023, none of our outstanding loans had fees deducted up-front in the past. We have gradually adjusted to charge fees through our licensed financing guarantee subsidiaries since early 2018.

In addition, some of our microloan subsidiaries maintained leverage ratios that were above the maximum level allowed historically. Since 2021, we have modified our microloan companies' business models in order to comply with the leverage ratio requirements and other laws, regulations, policies and measures for these companies in all of these jurisdictions. For example, on September 7, 2020, the China Banking and Insurance Regulatory Commission issued the Notice on Strengthening the Supervision and Management of Microloan Companies. Adopted to regulate the operations of microloan companies, this notice stipulates that the financing balance of a microloan company's funding by bank loans, shareholder loans and other non-standard financing instruments shall not exceed such company's net assets, and the financing balance of the microloan company funding by issuance of bonds, asset securitization products and other instruments of standardized debt assets shall not exceed four times of its net assets. Local financial regulatory authorities may further lower the leverage limits mentioned above.

On November 2, 2020, the China Banking and Insurance Regulatory Commission, the People's Bank of China and other regulatory authorities released a consultation draft of the Interim Measures for the Administration of Online Microloan Business, which states that a microloan company must obtain the official approval of the China Banking and Insurance Regulatory Commission to conduct online micro lending businesses outside the province where it is registered. In addition, the draft provides the statutory qualified requirements for an online microloan company, covering such things as registered capital, controlling shareholders, and use of the internet to engage in an online microloan business. In response to this, we stopped using our microloan subsidiaries to fund new loans in December 2020. We canceled the microloan business licenses held by our Shenzhen and Hunan microloan subsidiaries in May 2022 and April 2022. We completed the de-registration of our Hunan microloan subsidiary at the local Administration of Market Regulation in December 2022. As of the date of this annual report, our Shenzhen microloan subsidiary has ceased its business operations and is in the process of de-registration. Our application to change the business scope of our Chongqing microloan subsidiary to offline microloans has been approved. As a result, our Chongqing microloan subsidiary may only conduct an offline microloan business in the future. As of December 31, 2023, the balance of legacy business of our Chongqing microloan subsidiary was RMB240 thousand (US$34 thousand).

On July 12, 2021, our Chongqing microloan subsidiary was fined RMB340,000 (US$47,888) by the Chongqing Branch of the People's Bank of China for non-compliance that occurred in 2017, including, among other things, our overdue response to objections to personal credit information. As of the date of this annual report, we had paid the fine in full and completed the rectification. We may be subject to further regulatory warnings, correction orders, condemnation and fines regarding our historical microloan business and may be required to further modify our business if our microloan company is deemed to have violated national, provincial or local laws and regulations or regulatory orders and guidance in the future.

If we are unable to provide a high-quality customer experience, our reputation and business may be materially and adversely affected.

The success of our SBO financial services business largely depends on our ability to provide a high-quality customer experience, which in turn depends on factors such as our ability to provide a reliable and easy-to-use customer interface for our users, our ability to further improve and streamline our service process and our ability to continue to make available products and services at competitively low costs or high returns for our borrowers. If borrowers are not satisfied with our services, or if our system is severely interrupted or otherwise fails to meet their demand, our reputation could be adversely affected and we could fail to maintain user loyalty.

Our ability to provide high-quality customer experience also depends on the quality of the products and services provided by our business partners, such as third-party service providers who maintain our security systems and ensure confidentiality and security, over which we have limited or no control. In the event that a user is dissatisfied with the quality of the products and services provided by our business partners, we have limited means to directly make improvements in response to customer complaints, and our business, reputation, financial performance and prospects could be materially and adversely affected.

Furthermore, we depend on our customer service hotlines and online customer service centers to provide certain services to our users. If our customer service representatives fail to provide satisfactory services, or if waiting time is too long due to the high volume of calls from users at peak times, our brands and user loyalty may be adversely affected. In addition, any negative publicity or poor feedback regarding our customer service may harm our brands and reputation and in turn cause us to lose users and market share. As a result, if we are unable to continue to maintain or enhance our user experience and provide a high quality customer service, we may not be able to retain borrowers or attract prospective borrowers, which could have a material adverse effect on our business, financial condition and results of operations.

Our success and future growth depend significantly on our marketing efforts, and if we are unable to promote and maintain our brands in an effective and cost-efficient way, our business and financial results may be harmed.

Our brand and reputation are integral to our acquisition of borrowers and institutional partners. Our marketing channels include traditional marketing media, social media, word of mouth and channel partners. As part of our overall effort to reduce our expenses, we have reduced our sales and marketing expenses from RMB18.0 billion in 2021 to RMB15.8 billion in 2022 and RMB9.9 billion (US$1.4 billion) in 2023. If our current marketing efforts and channels are less effective or become inaccessible to us, or if we are unable to operate such channels as effectively with fewer resources or we cannot penetrate the market with new channels, we may not be able to promote and maintain our brands and reputation to maintain or grow the existing app user base.

In addition, our future marketing efforts may require us to incur significant additional expenses. These efforts may not result in increased income in the immediate future or at all and, even if they do, any increases in income may not offset the expenses incurred. If we are unable to promote and maintain our brands and reputation in a cost-efficient manner, our market share could diminish or we could experience a lower growth rate than we anticipated, which would harm our business, financial condition and results of operations.

We may not be able to prevent others from making unauthorized use of our intellectual property, which could harm our business and competitive position.

We regard our software registrations, trademarks, domain names, know-how, proprietary technologies and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality and non-compete agreements with our employees and others, to protect our proprietary rights. See "Item 4. Information on the Company—B. Business Overview—Intellectual Property." Any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. For example, we regularly file applications to register our trademarks in China, but these applications may not be timely or successful and may be challenged by third parties. Meanwhile, intellectual property protection is still a developing legal sector in China. We cannot predict the effect of future developments in this legal sector, including the promulgation of new laws and changes to existing laws or the interpretation thereof. As a result, we may not be able to adequately protect our intellectual property rights, which could adversely affect our income and competitive position. In addition, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties on reasonable terms, or at all.

It is often difficult to maintain and enforce intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China. Preventing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in such litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. To the extent that our employees or consultants use intellectual property owned by others in their work for us, disputes may arise as to the rights in related know-how and inventions. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.

We cannot be certain that our operations or any aspects of our business have not or will not infringe upon or otherwise violate trademarks, patents, copyrights, know-how or other intellectual property rights held by third parties. From time to time in the future, we may be subject to legal proceedings, claims or penalties relating to the intellectual property rights of others. In addition, there may be third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed by the products and services available on our mobile apps or other aspects of our business without our awareness. Holders of such intellectual property rights may seek to enforce such intellectual property rights against us in mainland China, the United States or other jurisdictions. If any third-party infringement claims are brought against us, we may be forced to divert management's time and other resources from our business and operations to defend against these claims, regardless of their merits.

Additionally, the application and interpretation of China's intellectual property right laws and the procedures and standards for granting trademarks, patents, copyrights, know-how or other intellectual property rights in China are still evolving and are uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we were found to have violated the intellectual property rights of others, we may be subject to liability and penalties for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. As a result, our business and results of operations may be materially and adversely affected.

Our website, apps and internal systems rely on software that is highly technical, and if it contains undetected errors, our business could be adversely affected.

Our website, apps and internal systems rely on software that is highly technical and complex. In addition, our website, apps and internal systems depend on the ability of the software to store, retrieve, process and manage immense amounts of data. The software on which we rely has contained, and may now or in the future contain, undetected errors or bugs. Some errors may only be discovered after the code has been released for use. Errors or other design defects within the software on which we rely may result in a negative experience for users and our funding and other business partners, delay introductions of new features or enhancements, result in errors or compromise our ability to protect data or our intellectual property. Any errors, bugs or defects discovered in the software on which we rely could result in harm to our reputation, loss of users or financial service provider partners or liability for damages, any of which could adversely affect our business, results of operations and financial conditions.

Any significant disruption in service on our website, apps or computer systems, including events beyond our control, could reduce the attractiveness of our services and solutions and result in a loss of users or financial service provider partners.

In the event of a system outage and physical data loss, the performance of our website, apps, services and solutions would be materially and adversely affected. The satisfactory performance, reliability and availability of our website, apps, services and solutions and the technology infrastructure that underlies them are critical to our operations and reputation and our ability to retain existing and attract new users and partners. Much of our system hardware is hosted in leased facilities located in Shanghai and Shenzhen that are operated by our IT staff. We also maintain a real-time backup system and a remote backup system at separate facilities also located in Shanghai and Shenzhen. Our operations depend on our ability to protect our systems against damage or interruption from natural disasters, power or telecommunications failures, air quality issues, environmental conditions, computer viruses or other attempts to harm our systems, criminal acts and similar events. If there is a lapse in service or damage to our facilities, we could experience interruptions and delays in our service and may incur additional expense in arranging new facilities.

Any interruptions or delays in the availability of our website, apps, services or solutions, whether accidental or willful, and whether as a result of our own or third-party error, natural disasters or security breaches, could harm our reputation and our relationships with users and partners. Our disaster recovery plan has not been tested under actual disaster conditions, and we may not have sufficient capacity to recover all data and services in the event of an outage, and such recovery may take a prolonged period of time. These factors could damage our brand and reputation, divert our employees' attention and subject us to liability, any of which could adversely affect our business, financial condition and results of operations.

Our operations depend on the performance of the internet infrastructure and telecommunications networks in China.

Almost all access to the internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology. We primarily rely on a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and internet data centers to host our servers. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's internet infrastructure or the fixed telecommunications networks provided by telecommunication service providers. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our mobile apps. We cannot assure you that the internet infrastructure and the fixed telecommunications networks in China will be able to support the demands associated with the continued growth in internet usage. In addition, we have no control over the costs of the services provided by telecommunication service providers. If the prices we pay for telecommunications and internet services rise significantly, our financial performance may be adversely affected. Furthermore, if internet access fees or other charges to internet users increase, our user traffic may decline and our business may be harmed.

Our services depend on the effective use of mobile operating systems and the efficient distribution through mobile application stores, which we do not control.

Our products, services and solutions are available through our mobile apps. It is difficult to predict the problems we may encounter in developing mobile apps for newly released devices and mobile operating systems, and we may need to devote significant resources to the development, support and maintenance of such apps. We are dependent on the interoperability of providing our services on popular mobile operating systems that we do not control, such as Android and iOS, and any changes in such systems that degrade the accessibility of our services or give preferential treatment to competing products and services could adversely affect the usability of our services on mobile devices. In addition, we rely upon third-party mobile app stores for users to download our mobile apps. Consequently, the promotion, distribution and operation of our mobile apps are subject to app stores' standard terms and policies for application developers. Our future growth and results of operations could suffer if it is difficult for our users to access and utilize our services on their mobile devices.

We may be held liable for information or content displayed on, retrieved from or linked to our mobile applications, which may materially and adversely affect our business and operating results.

Our mobile apps are regulated by the Administrative Provisions on Mobile Internet Applications Information Services, promulgated by the Cybersecurity Administration of China in 2022. According to these provisions, an app provider shall be responsible for the display results of the information content, and shall not generate or spread illegal information, and shall consciously prevent and resist illegal or harmful information. We cannot assure that with our internal control procedures in place screening the information and content on our mobile applications, all the information or content displayed on, retrieved from or linked to our mobile applications complies with the requirements of these provisions at all times. If our mobile applications were found to be violating any requirements of these provisions, we may be subject to penalties, including warning, service suspension or removal of our mobile applications from mobile application stores, which may materially and adversely affect our business and operating results.

We make some use of open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

We make some use of software covered by open source licenses. Open source license terms are often ambiguous, and there is little or no legal precedent governing the interpretation of many of the terms of certain of these licenses. Therefore, the potential impact of such terms on our business is somewhat unknown. If portions of our proprietary software are determined to be subject to an open source license, we could be required to release the affected portions of our source code, re-engineer all or a portion of our technologies or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our technologies and loan products. There can be no assurance that efforts we take to monitor the use of open source software to avoid uses in a manner that would require us to disclose or grant licenses under our proprietary source code will be successful, and such use could inadvertently occur. This could harm our intellectual property position and have a material adverse effect on our business, results of operations, cash flow and financial condition. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with the use of open source software cannot be eliminated, and could adversely affect our business.

We may be subject to domestic and overseas anti-money laundering and anti-terrorist financing laws and regulations and any failure by us, funding partners or payment agents to comply with such laws and regulations could damage our reputation, expose us to significant penalties and decrease our income and profitability.

We are subject to anti-money laundering and anti-terrorist laws and regulations in PRC and other jurisdictions where we operate. We have implemented various policies and procedures in compliance with all applicable anti-money laundering and anti-terrorist financing laws and regulations, including internal controls and KYC procedures, for preventing money laundering and terrorist financing. In addition, we rely on our funding partners and payment agents, in particular banks and online payment companies that handle the transfer of funds from funding partners to the borrowers, to have their own appropriate anti-money laundering policies and procedures. Certain of our funding partners, including banks, are subject to domestic and overseas anti-money laundering obligations under applicable anti-money laundering laws and regulations and are regulated in that respect by the People's Bank of China, the Hong Kong Monetary Authority or the Indonesia Financial Services Authority.

Our anti-money laundering and anti-terrorist financing policies and procedures may not be completely effective in preventing other parties from using us, any of our users, clients or third-party partners as a conduit for money laundering (including illegal cash operations), terrorist financing or sanctioned activities without our knowledge. If we were to be associated with money laundering (including illegal cash operations), terrorist financing or sanctioned activities, our reputation could suffer and we could become subject to regulatory fines, sanctions, or legal enforcement, including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with us, all of which could have a material adverse effect on our financial condition and results of operations. In addition, the laws and regulations on anti-money laundering and anti-terrorist financing might be tightened in the future, which may impose more obligations on us and our users, clients and third-party partners. Even if we, our users, clients and business partners comply with the applicable domestic and overseas anti-money laundering laws and regulations, we may not be able to fully eliminate money laundering and other illegal or improper activities in light of the complexity and the secrecy of these activities. Any negative perception of the industry, such as that arises from any failure of other credit enablement businesses to detect or prevent money laundering activities, even if factually incorrect or based on isolated incidents, could compromise our image, undermine the trust and credibility we have established, and negatively impact our financial condition and results of operations.

We may need additional capital to accomplish our business objectives, pursue business opportunities and maintain and expand our business, and financing may not be available on terms acceptable to us, or at all.

Historically, we have issued equity and convertible debt securities to support the growth of our business. As we intend to continue to make investments to support the growth of our business, we may require additional capital to accomplish our business objectives and pursue business opportunities, and maintain and expand our business, including developing new products and services, further enhancing our risk management capabilities, increasing our marketing expenditures to improve brand awareness, enhancing our operating infrastructure, acquiring complementary businesses and technologies, obtaining necessary approvals, licenses or permits and pursuing international expansion.

Due to the unpredictable nature of the capital markets and our industry, we cannot assure you that we will be able to raise additional capital on terms favorable to us, or at all, if and when required, especially if we experience disappointing operating results. If adequate capital is not available to us as required, our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our infrastructure or respond to competitive pressures could be significantly limited, which would adversely affect our business, financial condition and results of operations. If we do raise additional funds through the issuance of equity or convertible debt securities, the ownership interests of our shareholders could be significantly diluted. These newly issued securities may also have rights, preferences or privileges senior to those of existing shareholders.

We continually evaluate and consummate strategic investments, acquisitions and strategic alliances and investments, which could be difficult to integrate and could require significant management attention, disrupt our business and adversely affect our financial results if such investment fails to meet our expectations.

We evaluate and consider strategic investments, combinations, acquisitions or alliances to further increase the value of our mobile apps and better serve borrowers and funding partners. For example, in order to further diversify our operations, we entered into a share purchase agreement in November 2023 to acquire a virtual bank in Hong Kong. Please refer to "Item 4. Information on the Company—History and Development of the Company" for details.

If we fail to identify or secure suitable acquisition and business partnership opportunities or our competitors capitalize on such opportunities before we do, it could impair our ability to compete with our competitors and adversely affect our growth prospects and results of operations.

Even if we are able to identify an attractive business opportunity, we may not be able to successfully consummate the transaction or may need to compete with other participants. In addition, investments or acquisitions may be subject to PRC and overseas regulation and supervision, and might be vetoed by regulatory agencies. Even if we do consummate such transactions, they may not be successful. They may not benefit our business strategy or generate sufficient income to offset the associated acquisition costs.

In addition, strategic investments and acquisitions will involve risks commonly encountered in business relationships. If we fail to properly evaluate and manage the risks, our business and prospects may be seriously harmed and the value of your investment may decline. Such risks include:

- difficulties in assimilating and integrating the operation, personnel, systems, data, technologies, products and services of the acquired business;
- inability of the acquired technologies, products or businesses to achieve expected levels of income, profitability, productivity or other benefits;
- difficulties in retaining, training, motivating and integrating key personnel;
- diversion of management's time and resources from our normal daily operations and potential disruptions to our ongoing business;
- difficulties in successfully incorporating licensed or acquired technology and rights into our mobile apps;
- difficulties in maintaining uniform standards, controls, procedures and policies within the combined organization;
- difficulties in retaining relationships with customers, employees and suppliers of the acquired business;
- risks of entering markets in which we have limited or no prior experience;
- regulatory risks, including remaining in good standing with existing regulatory bodies or being subject to new regulators with oversight over an acquired business;
- assumption of contractual obligations that contain terms that are not beneficial to us;
- liability for activities of the acquired business before the acquisition, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities, labor disputes, regulatory actions and penalties and other known and unknown liabilities; and
- unexpected costs and unknown risks and liabilities associated with strategic investments or acquisitions. Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.

Our quarterly operational results, including the levels of our income, expenses and other key metrics, may vary significantly in the future due to a variety of factors, some of which are outside of our control, and period-to-period comparisons of our operating results may not be meaningful, especially given our relatively limited operating history.

Our business depends on the continued efforts of our senior management. If one or more of our key executives were unable or unwilling to continue in their present positions, our business may be severely disrupted.

Our business operations depend on the continued services of our senior management, particularly the executive officers named in this annual report. We cannot assure you that we can continue to retain their services. If one or more of our key executives were unable or unwilling to continue in their present positions, we might not be able to replace them easily or at all, our future growth may be constrained, our business may be severely disrupted and our financial condition and results of operations may be materially and adversely affected. In addition, although we have entered into confidentiality and non-competition agreements with our management, there is no assurance that any member of our management team will not join our competitors or form a competing business. If any dispute arises between our current or former officers and us, we may have to incur substantial costs and expenses in order to enforce such agreements in China or we may not be able to enforce them at all.

We have granted, and may continue to grant, share options and other forms of share-based incentive plans, which may result in increased share-based compensation expenses.

We have adopted the share incentive plans for the purposes of attracting and retaining the best available personnel by linking the personal interests of our employees to our success and by providing such individuals with an incentive for outstanding performance to generate superior returns for the shareholders. As of March 31, 2024, options to purchase a total of 12,482,505 ordinary shares and performance share units to receive a total of 1,789,050 ordinary shares were outstanding under the share incentive plans. In 2021, 2022 and 2023, we recorded share-based compensation expenses of RMB133 million and RMB46 million, but reversed RMB36 million (US$5 million) of share-based compensation expenses in 2023. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

We compete for skilled and quality employees, and failure to attract and retain them may adversely affect our business and prevent us from achieving our intended level of growth.

We believe our success depends on the efforts and talent of our employees, including sales and marketing, technology and product development, risk management, operation management and finance personnel. Our future success depends on our continued ability to attract, develop, motivate and retain qualified and skilled employees. The upgrades to our business model to create a new ecosystem for small business owners will put additional demands on our ability to attract and retain employees, as we will need employees who combine skills and experience in a number of areas, including credit enablement, small businesses and social media. Finding these people and retaining them as they learn how our tools work and gain experience in advising small business owners in using those tools will be important to the success of our business model. Competition for highly skilled sales, technical, risk management, operation management and financial personnel is extremely intense. We may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. Some of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment.

In addition, we invest significant time and resources in the training of our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements, and the quality of our services and our ability to serve borrowers and institutional partners could diminish, resulting in a material adverse effect to our business.

If labor costs in the PRC increase substantially, our business and costs of operations may be adversely affected.

The Chinese economy has experienced inflation and labor cost increases in recent years. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2021, 2022 and 2023 were an increase of 1.5%, an increase of 1.8% and a decrease of 0.3%, respectively. For the years ended December 31, 2021, 2022 and 2023, our employee benefit expenses were RMB16.4 billion, RMB15.1 billion and RMB12.5 billion (US$1.8 billion), respectively. If we are unable to control our labor costs or pass on these increased labor costs, our financial condition and results of operations may be adversely affected.

International expansion may expose us to additional risks.

While our historical operations have been focused in China, we have expanded our operations internationally in recent years. We launched our operations in Singapore in 2017 to provide multiple investment related services to clients, and we expanded into Hong Kong and Indonesia in 2019. There can be no assurance that our international expansion will be successful. We have closed down our operations in Singapore. While our income from international operations is not yet material to our company as a whole, our current or future international expansion may expose us to additional risks, including:

- challenges associated with relying on local partners in markets that are not as familiar to us, including local joint venture partners to help us establish our business;
- the burden of compliance with additional regulations and government authorities in a highly regulated industry;
- potentially adverse tax consequences from operating in multiple jurisdictions;
- complexities and difficulties in obtaining protection and enforcing our intellectual property in multiple jurisdictions;
- increased demands on our management's time and attention to deal with potentially unique issues arising from local circumstances; and
- general economic and political conditions internationally.

In particular, data is important to our business, and many jurisdictions across the world have been tightening regulations on protection of data security. For example, in May 2018, a new data protection regime, the European Union's General Data Protection Regulation, came into effect. The General Data Protection Regulation can apply to the processing of personal data by companies outside of the European Union, including where the processing of personal data relates to the offering of goods and services to, or monitoring the behavior of, individuals in the European Union. The General Data Protection Regulation and data protection laws in other jurisdictions may apply to our processing of personal data in the future. The application of such laws to our business may impose on us more stringent compliance requirements with more significant penalties for non-compliance than PRC data protection laws and regulations, and compliance with different requirements imposed by different jurisdictions could require significant resources and result in substantial costs, which may materially and adversely affect our business, financial condition, results of operations and prospects.

Any failure to comply with PRC property laws and regulations regarding certain of our leased properties may negatively affect our business, results of operations and financial condition.

We operated our businesses primarily in leased properties in Shenzhen, Shanghai, Chongqing and other cities in China. With respect to a portion of such leased properties, the lessors failed to provide title certificates evidencing property ownership of these lessors. According to PRC laws and regulations, where a landlord lacks title evidence or rights to lease, the lease contracts may be terminated or deemed unenforceable under PRC laws and regulations, and may also be subject to challenge by third parties.

In addition, under PRC law, landlords must complete registration procedures and obtain approval from competent PRC land administration authorities and pay land transfer fees before they lease certain kinds of stated-owned lands. However, as of the date of this annual report, not all of our landlords for certain kinds of stated-owned lands had provided us with those approvals and payment documents, and there is a risk that those landlords may not have completed these procedures. If we were challenged by competent authorities or third parties on these types of issues, we may have to vacate the relevant properties.

Additionally, certain of our leased properties' current usages are not in conformity with the permitted usages prescribed in the relevant title certificates. Nonconformity with the property's planned use may lead to fines imposed by the competent authority, and in extreme cases, government order to revoke the lease or reclaim the land.

Moreover, a small portion of the leased properties may also be subject to mortgage at the time the leases were entered into. In case the mortgagees enforce the mortgage, we may not be able to continue using our leased properties.

In addition, under PRC laws, all lease agreements must be registered with the local housing authorities. As of the date of this annual report, not all landlords of the premises we lease had completed their registration of ownership rights or the registration of our leases. Pursuant to PRC laws and regulations, failure to complete these registrations may expose us to potential monetary fines ranging from RMB1,000 to RMB10,000 per lease.

We cannot assure you that defects in our leased contracts or leased properties will be cured in a timely manner, or at all and that there will not be any material action, claim or investigation threatened or conducted by the regulatory authorities. Our business may be interrupted and additional relocation costs may be incurred if we are required to relocate operations affected by such defects. Moreover, if our lease contracts are challenged by third parties, it could result in diversion of management attention and cause us to incur costs associated with defending such actions, even if such challenges are ultimately determined in our favor.

We have limited insurance coverage, which could expose us to significant costs and business disruption.

We maintain various insurance policies to safeguard against risks and unexpected events. Additionally, we provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees. However, as the insurance industry in China is still evolving, insurance companies in China currently offer limited business-related insurance products. We do not maintain business interruption insurance or general third-party liability insurance, nor do we maintain product liability insurance or key-man insurance. We consider our insurance coverage to be in line with that of other companies in the same industry of similar size in China, but we cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud.

We are subject to reporting obligations under the U.S. securities laws. The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on the company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of its internal control over financial reporting. In addition, an independent registered public accounting firm must attest to and report on the effectiveness of the company's internal control over financial reporting.

Our directors are of the view that we have adequate and effective internal control procedures. See "Item 4. Information on the Company—B. Business Overview—Risk Management and Internal Control." Our management has concluded that our internal control over financial reporting was effective as of December 31, 2023. Our independent registered public accounting firm has issued an attestation report, which has concluded that our internal control over financial reporting was effective in all material aspects as of December 31, 2023. However, if we fail to maintain an effective system of internal control over financial reporting in the future, our management and our independent registered public accounting firm may not be able to conclude that we have effective internal control over financial reporting at a reasonable assurance level. This could in turn result in loss of investor confidence in the reliability of our financial statements and negatively impact the trading price of our ordinary shares or ADSs. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs, management time and other resources in an effort to comply with Section 404 of the Sarbanes-Oxley Act and other requirements.

We face risks related to natural disasters and health epidemics.

Our business could be materially and adversely affected by natural disasters, health epidemics or other public safety concerns affecting the PRC, and particularly Shanghai. Natural disasters may give rise to server interruptions, breakdowns, system failures, website or app failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware, as well as adversely affecting our ability to operate our website or apps and provide services and solutions. Our business could also be adversely affected if our employees are affected by health epidemics, such as new variants of COVID-19 or outbreaks of other diseases. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the Chinese economy in general. Our headquarters are located in Shanghai, where most of our directors and management and many of our employees currently reside. Most of our system hardware and back-up systems are hosted in facilities located in Shanghai and Shenzhen. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect Shanghai or Shenzhen, our operation may experience material disruptions, which may materially and adversely affect our business, financial condition and results of operations.

Risks Relating to Our Corporate Structure

If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

PRC laws and regulations impose restrictions on foreign ownership and investment in certain internet-based businesses. We are an exempted company incorporated in the Cayman Islands and our PRC subsidiaries are considered foreign-invested enterprises. To comply with PRC laws, regulations and regulatory requirements, we set up a series of contractual arrangements entered into among some of our PRC subsidiaries, consolidated affiliated entities, and their shareholders to conduct some of our operations in China. For more details about these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with the Principal Consolidated Affiliated Entities." As a result of these contractual arrangements, we are able to direct the activities of the operation of the consolidated affiliated entities and their subsidiaries and consolidate their operating results in our financial statements under IFRS.

In the opinion of our PRC counsel, Haiwen & Partners, (i) the structures of the consolidated affiliated entities and our WFOEs currently do not result in violation of PRC laws and regulations currently in effect; and (ii) except for certain clauses regarding the remedies or reliefs that may be awarded by an arbitration tribunal and the power of courts to grant interim remedies in support of the arbitration and winding-up and liquidation arrangements, and the share pledge arrangement under the Share Pledge Agreement in respect of Chongqing Exchange, the agreements under the contractual arrangements between our WFOEs, the consolidated affiliated entities and their shareholders governed by PRC law are valid, binding and enforceable against each party thereto in accordance with their terms and applicable PRC laws and regulations currently in effect, and do not result in violation of PRC laws or regulations currently in effect. See "—We conduct a part of our business operations in the PRC through the consolidated affiliated entities and their subsidiaries by way of our contractual arrangements, but certain of the terms of our contractual arrangements may not be enforceable under PRC laws."

However, we are a Cayman Islands holding company with no equity ownership in the consolidated affiliated entities and we conduct our wealth management business in China primarily through the consolidated affiliated entities with which we have contractual arrangements. Investors in our ordinary shares or ADSs thus are not purchasing equity interests in the consolidated affiliated entities in China but instead are purchasing equity interests in a Cayman Islands holding company. If the PRC government deems that our contractual arrangements with the consolidated affiliated entities do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Our ordinary shares or ADSs may decline in value or become worthless if we are unable to assert our contractual control rights over the assets of our PRC subsidiaries. Our holding company in the Cayman Islands, the consolidated affiliated entities, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the consolidated affiliated entities and, consequently, significantly affect the financial performance of the consolidated affiliated entities and our company as a group.

We have been further advised by our PRC counsel, Haiwen & Partners, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Thus, the PRC regulatory authorities may take a view contrary to or otherwise different from the opinion of our PRC counsel stated above. It is also uncertain whether any new PRC laws, regulations or interpretations relating to consolidated affiliated entity structure will be adopted, or if adopted, what they would provide. On February 17, 2023, the CSRC released a set of regulations consisting of six documents, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines, collectively, the Filing Measures, effective March 31, 2023. On the same day, at the press conference held for the Filing Measures on February 17, 2023, the officials from the CSRC confirmed that if a company with a contractual arrangement structure is in compliance with applicable PRC laws, regulations and regulatory requirements, the CSRC may permit its filing application after soliciting opinions from relevant authorities. However, given that the Filing Measures were recently promulgated and there is no further explanation on such compliance requirements, there remain substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing and there can be no assurance that we will be able to satisfy the compliance requirements. Failure to satisfy such requirements could have a material adverse effect on us or our contractual arrangements. If we fail to complete the filing with the CSRC in a timely manner or at all, for any future offering, listing or any other capital raising activities, which are subject to the filings under the Filing Measures, due to our contractual arrangements, our ability to raise or utilize funds could be materially and adversely affected, and we may even need to unwind our contractual arrangements or restructure our business operations to rectify the failure to complete the filings. If we or the consolidated affiliated entities are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals to operate our business, the PRC regulatory authorities, including the Ministry of Commerce and the Ministry of Industry and Information Technology, may have broad discretion to take action in dealing with such violations or failures, including:

- revoking the business licenses and/or operating licenses of such entities;
- imposing fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations;
- discontinuing or placing restrictions or onerous conditions on our operations;
- placing restrictions on our right to collect income;
- shutting down our servers or blocking our app/websites;
- requiring us to restructure our ownership structure or operations;
- restricting or prohibiting our use of the proceeds from our initial public offering or other of our financing activities to finance the business and operations of the consolidated affiliated entities and their subsidiaries;
- imposing conditions or requirements with which we may not be able to comply; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these events could cause disruption to some of our business operations and damage our reputation, which would in turn have an adverse effect on our financial condition and results of operations. If occurrences of any of these events results in our inability to direct the activities of the consolidated affiliated entities in China that most significantly impact its economic performance, and/or our failure to receive the economic benefits and residual returns from the consolidated affiliated entities, and we are not able to restructure our ownership structure and operations in a satisfactory manner, we may not be able to consolidate the financial results of the consolidated affiliated entities in our consolidated financial statements in accordance with IFRS. It is also uncertain whether any new PRC laws, regulations or rules relating to such contractual arrangements will be adopted or if adopted, what they would provide.

Although we believe we, our PRC subsidiaries and the consolidated affiliated entities comply with current PRC laws and regulations, we cannot assure you that the PRC government would agree that our contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. The PRC government may have broad discretion in determining rectifiable or punitive measures for non-compliance with or violations of PRC laws and regulations. If the PRC government determines that we or the consolidated affiliated entities do not comply with applicable law, it could revoke the consolidated affiliated entities' business and operating licenses, require the consolidated affiliated entities to discontinue or restrict the consolidated affiliated entities' operations, restrict the consolidated affiliated entities' right to collect revenues, block the consolidated affiliated entities' websites, require the consolidated affiliated entities to restructure their operations, impose additional conditions or requirements with which the consolidated affiliated entities may not be able to comply, impose restrictions on the consolidated affiliated entities' business operations or on customers, or take other regulatory or enforcement actions against the consolidated affiliated entities that could be harmful to their business. Any of these or similar occurrences could significantly disrupt our or the consolidated affiliated entities' business operations or restrict the consolidated affiliated entities from conducting a substantial portion of their business operations, which could materially and adversely affect the consolidated affiliated entities' business, financial condition and results of operations. If any of these occurrences results in our inability to direct the activities of the consolidated affiliated entities that most significantly impact our economic performance, or our failure to receive the economic benefits from the consolidated affiliated entities, we may not be able to consolidate these entities in our consolidated financial statements in accordance with IFRS.

The contractual arrangements with the consolidated affiliated entities and their shareholders may not be as effective as equity ownership in providing operational control or enabling us to derive economic benefits.

We have relied and expect to continue to rely on the contractual arrangements with the consolidated affiliated entities and their shareholders to operate our business in areas where foreign ownership is restricted. These contractual arrangements, however, may not be as effective as equity ownership in providing us with control over the consolidated affiliated entities. For example, the consolidated affiliated entities and their shareholders could breach their contractual arrangements with us by failing to conduct the operations of the consolidated affiliated entities in an acceptable manner or taking other actions that are detrimental to our interests.

If we had direct ownership of the consolidated affiliated entities in China, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of the consolidated affiliated entities, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by the consolidated affiliated entities and their shareholders of their obligations under the contracts to direct the activities of the operation of the consolidated affiliated entities. The shareholders of the consolidated affiliated entities may not act in the best interests of our company or may not perform their obligations under these contracts. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system.

Any failure by the consolidated affiliated entities or their shareholders to perform their obligations under our contractual arrangements with them would have an adverse effect on our business.

If the consolidated affiliated entities or their shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For example, if the shareholders of the consolidated affiliated entities or the consolidated affiliated entities were to refuse to transfer their equity interests in or assets of the consolidated affiliated entities to us or our designee if we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

All the agreements under our contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is evolving rapidly. The interpretations of many laws, regulations, and rules may exhibit inconsistencies, and the enforcement of these laws, regulations, and rules may also involve uncertainties. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. These arbitration provisions relate to claims arising from the contractual relationship created by the agreements with the consolidated affiliated entities, rather than claims under U.S. federal securities laws, and they do not prevent our shareholders or ADS holders from pursuing claims under U.S. federal securities laws in the United States. See "—Risks Relating to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us." Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated affiliated entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC law, rulings by arbitrators are final, parties generally cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to direct the activities of the operation of the consolidated affiliated entities, and our ability to conduct our business may be negatively affected.

The shareholders of the consolidated affiliated entities may have actual or potential conflicts of interest with us, which may adversely affect our business and financial condition.

The shareholders of the consolidated affiliated entities may have actual or potential conflicts of interest with us. These shareholders may breach, or cause the consolidated affiliated entities to breach, or refuse to renew, the existing contractual arrangements we have with them and the consolidated affiliated entities, which would have an adverse effect on our ability to effectively control the consolidated affiliated entities and receive economic benefits from them. For example, the shareholders of the consolidated affiliated entities may be able to cause our agreements with the consolidated affiliated entities to be performed in a manner adverse to us by failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor.

The shareholders of the consolidated affiliated entities have executed powers of attorney to appoint the relevant WFOEs or directors authorized by such WFOEs and their successors to vote on their behalf and exercise voting rights as shareholders of the consolidated affiliated entities. If we cannot resolve any conflict of interest or dispute between us and the shareholders of the consolidated affiliated entities, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to uncertainty as to the outcome of any such legal proceedings.

The indirect shareholders of the consolidated affiliated entities may be involved in personal disputes with third parties or other incidents that may have an adverse effect on their respective equity interests in the consolidated affiliated entities and the validity or enforceability of our contractual arrangements with the consolidated affiliated entities and their shareholders. For example, in the event that any of the individual shareholders who indirectly holds any equity interests in some of the consolidated affiliated entities divorces his or her spouse, the spouse may claim that the equity interest of the consolidated affiliated entities held by such shareholder is part of their community property and should be divided between such shareholder and his or her spouse. If such claim is supported by the court, the equity interest may be indirectly held by the shareholder's spouse or another third party who is not subject to obligations under our contractual arrangements, which could result in a loss of the effective control over those consolidated affiliated entities by us. Similarly, if any of the equity interests of some of the consolidated affiliated entities is inherited by a third party with whom the current contractual arrangements are not binding, we could lose our ability to direct the activities of the operation of the consolidated affiliated entities or have to maintain such control by incurring unpredictable costs, which could cause disruption to our business and operations and harm our financial condition and results of operations.

Although under our current contractual arrangements, (i) the spouses of some of the indirect shareholders of some of the consolidated affiliated entities has respectively executed a spousal consent letter, under which each spouse agrees that he/she will not raise any claims against the equity interest, and will take every action to ensure the performance of the contractual arrangements, and (ii) the consolidated affiliated entities and their shareholders shall not assign any of their respective rights or obligations to any third party without the prior written consent of our WFOEs, we cannot assure you that these undertakings and arrangements will be complied with or effectively enforced. In the case any of them is breached or becomes unenforceable and leads to legal proceedings, it could disrupt our business, distract our management's attention and subject us to uncertainties as to the outcome of any such legal proceedings.

We conduct a part of our business operations in the PRC through the consolidated affiliated entities and their subsidiaries by way of our contractual arrangements, but certain of the terms of our contractual arrangements may not be enforceable under PRC laws.

All the agreements that constitute our contractual arrangements with the consolidated affiliated entities, their respective subsidiaries and shareholders are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws, and disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is evolving rapidly. The interpretations of many laws, regulations, and rules may exhibit inconsistencies, and the enforcement of these laws, regulations, and rules may also involve uncertainties. As a result, uncertainties in the PRC legal system could limit our ability to enforce the contractual arrangements. If we are unable to enforce the contractual arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to direct the activities of the operation of the consolidated affiliated entities and their subsidiaries, and our ability to conduct a part of our business and our financial condition and results of operations may be adversely affected.

The contractual arrangements contain provisions to the effect that the arbitral body specified in them may award remedies over the equity interest, assets or properties of the consolidated affiliated entities, their subsidiaries, and/or shareholders; provide compulsory relief (for example, for the conduct of business or to compel the transfer of assets); or order the winding-up of the consolidated affiliated entities, their subsidiaries, and/or shareholders. These agreements also contain provisions to the effect that courts of competent jurisdiction are empowered to grant interim relief to a party when requested, for the purpose of preserving the assets and properties, or grant enforcement measures, subject to the requirements under PRC laws. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting the assets of or equity interest in the consolidated affiliated entities in case of disputes. In addition, interim remedies or enforcement orders granted by courts in other jurisdictions such as the United States and the Cayman Islands may not be recognizable or enforceable in the PRC. PRC laws may allow the arbitral body to grant an award of transfer of assets of or equity interests in the consolidated affiliated entities in favor of an aggrieved party.

Furthermore, the contractual arrangements provide that (i) in the event of a dissolution or a mandatory liquidation required by PRC laws, the consolidated affiliated entity will sell all of its assets to the extent permitted by PRC law to the relevant WFOE or its designated qualifying designee, at the lowest price permitted under applicable PRC laws; and (ii) any obligation for the WFOE or its designated qualifying designee to pay the consolidated affiliated entity as a result of such transaction shall be forgiven, or any proceeds from such transaction shall be paid to the relevant WFOE or its designated qualifying designee in partial satisfaction of the service fees under the exclusive business cooperation agreements. These provisions may not be enforceable under PRC laws in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation.

Therefore, in the event of a breach of any agreements constituting the contractual arrangements by the consolidated affiliated entities, their respective subsidiaries and/or shareholders, we may not be able to direct the activities of the operation of the consolidated affiliated entities due to the inability to enforce the contractual arrangements, which could adversely affect our ability to conduct a part of our business.

There may be an impact on our company if our contractual arrangements with the consolidated affiliated entities, their respective subsidiaries and shareholders are not treated as domestic investment.

If the operation of our businesses conducted through the consolidated affiliated entities is subject to any restrictions pursuant to the Special Administrative Measures for Foreign Investment Access (Negative List 2021) jointly promulgated by the Ministry of Commerce and the National Development and Reform Commission, or any successor regulations, and the contractual arrangements are not treated as domestic investment, the contractual arrangements may be regarded as invalid and illegal. If this were to occur, we would not be able to operate the relevant businesses through the contractual arrangements and would lose our rights to receive the economic benefits of the consolidated affiliated entities. As a result, we would no longer consolidate the financial results of the consolidated affiliated entities into our financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. If we do not receive any compensation, we would recognize an investment loss as a result of such derecognition.

Contractual arrangements with the consolidated affiliated entities may be subject to scrutiny by the PRC tax authorities and they may determine that we or the consolidated affiliated entities owe additional taxes, which could negatively affect our financial condition and the value of your investment.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements with the consolidated affiliated entities were not entered into on an arm's-length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust income of the consolidated affiliated entities in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by the consolidated affiliated entities for PRC tax purposes, which could in turn increase its tax liabilities without reducing our PRC subsidiaries' tax expenses. In addition, the PRC tax authorities may impose late payment fees and other penalties on the consolidated affiliated entities for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if the consolidated affiliated entities' tax liabilities increase or if they are required to pay late payment fees and other penalties.

Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may affect the viability of our current corporate structure, corporate governance and business operations.

On March 15, 2019, the National People's Congress of the PRC promulgated the Foreign Investment Law, which took effect on January 1, 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Cooperative Joint Ventures and the Law on Foreign Capital Enterprises and became the legal foundation for foreign investment in the PRC. The Implementation Regulations for the Foreign Investment Law was promulgated by the State Council on December 26, 2019, became effective on January 1, 2020, and replaced the corresponding implementation rules of the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Cooperative Joint Ventures and the Law on Foreign-Capital Enterprises. The Foreign Investment Law stipulates certain forms of foreign investment. However, the Foreign Investment Law does not explicitly stipulate contractual arrangements such as those we rely on as a form of foreign investment.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors investing through any other methods under laws, administrative regulations or provisions prescribed by the State Council." Future laws, administrative regulations or provisions prescribed by the State Council may possibly regard contractual arrangements as a form of foreign investment. If this happens, it is uncertain whether our contractual arrangements with the consolidated affiliated entities, their respective subsidiaries and shareholders would be recognized as foreign investment, or whether our contractual arrangements would be deemed to be in violation of the foreign investment access requirements. As well as the uncertainty on how our contractual arrangements will be handled, there is substantial uncertainty regarding the interpretation and the implementation of the Foreign Investment Law. The government authorities may have broad discretion in interpreting the law. Therefore, there is no guarantee that our contractual arrangements, the business of the consolidated affiliated entities and our financial conditions will not be materially and adversely affected.

Our holding company in the Cayman Islands, the consolidated affiliated entities, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the consolidated affiliated entities and, consequently, the business, financial condition, and results of operations of the consolidated affiliated entities and our company as a group. Depending on future developments under the new Foreign Investment Law, we could be required to unwind the contractual arrangements and/or dispose of the consolidated affiliated entities, which would have a material and adverse effect on our business, financial conditions and result of operations.

We may lose the ability to use and enjoy assets held by the consolidated affiliated entities that are critical to the operation of our business if the consolidated affiliated entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

The consolidated affiliated entities hold certain assets that may be critical to the operation of part of our business. If the shareholders of the consolidated affiliated entities breach the contractual arrangements and voluntarily liquidate the consolidated affiliated entities or their subsidiaries, or if the consolidated affiliated entities or their subsidiaries declare bankruptcy and all or part of their assets become subject to liens or rights of third-party creditors or are otherwise disposed of without our consent, we may be unable to continue some of our business activities, which could adversely affect our business, financial condition and results of operations. In addition, if the consolidated affiliated entities or their subsidiaries undergo involuntary liquidation proceedings, third-party creditors may claim rights to some or all of their assets, thereby hindering our ability to operate part of our business, which could adversely affect our business, financial condition and results of operations.

If we exercise the option to acquire equity interest of the consolidated affiliated entities, the equity interest transfer may subject us to certain limitations and substantial costs.

Pursuant to the contractual arrangements, our WFOEs have the irrevocable and exclusive right to purchase all or any part of the relevant equity interests in the consolidated affiliated entities from the consolidated affiliated entities' shareholders at any time and from time to time in their absolute discretion to the extent permitted by PRC laws. This equity transfer may be subject to approvals from, filings with, or reporting to competent PRC authorities, such as the Ministry of Commerce, the Ministry of Industry and Information Technology, the State Administration for Market Regulation of the PRC, and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the tax authorities. The equity transfer price to be received by the consolidated affiliated entities' shareholders under the contractual arrangements may also be subject to enterprise income tax, and these amounts could be substantial.

Risks Relating to Doing Business in China

Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business, financial conditions and results of operations.

Substantially all of our operations are located in China. Accordingly, our business, prospects, financial condition and results of operations may be affected to a significant degree by political, economic and social conditions in China generally.

The Chinese economy differs from the economies of most developed countries in many respects, including the degree of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China are still owned or controlled by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, the growth rate has gradually slowed since 2010, and growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. Any prolonged slowdown in the Chinese economy may reduce the demand for our products and services and materially and adversely affect our business and results of operations.

Uncertainties with respect to the PRC legal system could adversely affect us.

The PRC legal system is a civil law system based on written statutes, where prior court decisions have limited precedential value. The PRC legal system is evolving rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies and enforcement of these laws, regulations and rules involves uncertainties.

In particular, PRC laws and regulations concerning internet-related industries and the financial services industry are developing and evolving. Although we have taken measures to comply with the laws and regulations applicable to our business operations and to avoid conducting any non-compliant activities under these laws and regulations, the PRC governmental authorities may promulgate new laws and regulations regulating internet-related and financial services industries. We cannot assure you that our business operations would not be deemed to violate any such new PRC laws or regulations. Moreover, developments in internet-related industries and the financial services industry may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies, which in turn may limit or restrict us, and could materially and adversely affect our business and operations.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC judicial and administrative authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of a judicial or administrative proceeding than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business and results of operations.

Furthermore, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, but which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations.

The PRC government has significant oversight over the conduct of our business and it has exerted more oversight over offerings that are conducted overseas and foreign investment in China-based issuers. As a result, it may significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related businesses and companies.

The PRC government extensively regulates the internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies operating in the internet industry. These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations.

We only have contractual control over the consolidated affiliated entities. Such corporate structure may subject us to sanctions and compromise the enforceability of related contractual arrangements, which may result in significant disruption to our business.

The evolving PRC regulatory system for the internet industry may lead to the establishment of new regulatory agencies. For example, in May 2011, the State Council announced the establishment of the Cyberspace Administration of China (with the involvement of the State Council Information Office, the Ministry of Industry and Information Technology and the Ministry of Public Security). The primary role of the Cyberspace Administration of China is to enable policy-making and legislative development in this field, to direct and coordinate with the relevant departments in connection with online content administration and to deal with cross-ministry regulatory matters relating to the internet industry.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our business. We cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain new ones. If the PRC government considers that we were operating without the proper approvals, licenses or permits or promulgates new laws and regulations that require additional approvals or licenses or imposes additional restrictions on the operation of any part of our business, it may levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our business or impose restrictions on the affected portion of our business. Any of these actions may have a material adverse effect on our business and results of operations. For details on PRC regulations which may affect our business, see “Item 4. Information on the Company —B. Business Overview—Regulation.”

The PRC government's significant oversight and discretion over our business operations could result in a material adverse change in our operations and the value of our ordinary shares or ADSs.

We conduct our business primarily through our subsidiaries and the consolidated affiliated entities and their subsidiaries in China. Our operations in China are governed by PRC laws and regulations. Lending and lending-related businesses are heavily regulated in many countries, and the PRC government has significant oversight and discretion over the conduct of our business, and it may intervene in or influence our operations as it deems appropriate to advance regulatory and societal goals and policy positions. Historically, the PRC government had published new regulations and policies that significantly affected our industry. For example, we ceased to enable the offering of peer-to-peer products in August 2019 and also stopped using funding from peer-to-peer individual investors as a funding source for our retail credit and enablement business in 2019 in response to new regulations on peer-to-peer lending. Also, our retail credit and enablement service and other fees, to the extent they are deemed to be or related to loan interest, are subject to restrictions on maximum interest rates on private lending permitted by the relevant laws, regulations, policies or guidance. We cannot rule out the possibility that the PRC government will release additional regulations or policies in the future that directly or indirectly affect our industry or require us to seek additional permission to continue our operations, which could result in a material adverse change in our operation and/or the value of our ordinary shares or ADSs. In addition, implementation of industry-wide regulations directly targeting our operations could cause the value of our securities to significantly decline. Therefore, investors of our company and our business face potential uncertainty from actions taken by the PRC government affecting our business.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management based on foreign laws.

We are a company incorporated under the laws of the Cayman Islands. However, we conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, most of our senior executive officers reside within China for a significant portion of the time and many of them are PRC nationals. As a result, it may be difficult for you to effect service of process upon us or our management named in the annual report inside mainland China. It may also be difficult for you to effect service of process upon us or our management named in the annual report inside mainland China. It may also be difficult for you to enforce the judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors as none of them currently resides in the United States or has substantial assets located in the United States. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law and other applicable laws, regulations and interpretations based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

In addition, the SEC, the U.S. Department of Justice and other U.S. or foreign authorities may also have difficulties in bringing and enforcing actions, conducting investigations or collecting evidence against us or our directors or executive officers in China. For example, under the amended Securities Law of the PRC, effective March 1, 2020, overseas securities regulatory authorities are prohibited from conducting direct investigations or evidence collection activities within the territories of the PRC, and Chinese entities and individuals are prohibited from providing documents and information in connection with any securities business activities to any organizations and/or persons aboard without the prior consent of the securities regulatory authority of the State Council and the competent departments of the State Council. Uncertainty remains with respect to how this regulation will be interpreted, implemented or applied by the CSRC or other government authorities. On February 24, 2023, the CSRC, the State Secrecy Bureau, the State Archives Administration and the Ministry of Finance jointly promulgated the Provisions on Strengthening the Confidentiality and File Management Work Related to Overseas Issuance and Listing of Securities by Domestic Enterprises, which came into effect on March 31, 2023, together with the Trial Measures, and would replace the Provisions on Strengthening Confidentiality and Archives Administration in Overseas Issuance and Listing of Securities issued in 2009. The provisions aim to develop a gatekeeping mechanism in provision of information by domestic enterprises to securities companies, securities service institutions, overseas regulatory authorities or other entities or individuals, so as to prevent sensitive information from leakage and prescribe protective protocols for any residual sensitive information that still has to be provided.

It may be difficult for overseas regulators to conduct investigations or collect evidence within China.

Shareholder claims or regulatory investigation that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the Unities States may not be efficient in the absence of a mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. In addition, entities or individuals are prohibited from providing documents and information in connection with any securities business activities to any organizations and/or persons abroad without the prior consent of the securities regulatory authority of the State Council and the competent departments of the State Council. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests. See also "—Risks Relating to Our Shares and ADSs—You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. or Hong Kong courts may be limited, because we are incorporated under Cayman Islands law" for risks associated with investing in us as a Cayman Islands company.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within China is considered a "resident enterprise" and generally will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. The Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, which was issued by the State Administration of Taxation of the PRC on April 22, 2009 and further amended on December 29, 2017, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this notice only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the general position of the State Administration of Taxation of the PRC on how the "de facto management body" text should be applied in determining the tax resident status of all offshore enterprises. According to this notice, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we could be subject to PRC tax at a rate of 25% on our worldwide income, which could materially reduce our net income, and we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders and ADS holders that are non-resident enterprises, subject to any reduction set forth in applicable tax treaties. In addition, non-resident enterprise shareholders and our ADS holders may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of our ordinary shares or ADSs, if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to our non-PRC individual shareholders and our ADS holders and any gain realized on the transfer of our ordinary shares or ADSs by such shareholders may be subject to PRC tax at a rate of 10% in the case of non-PRC enterprises or a rate of 20% in the case of non-PRC individuals unless a reduced rate is available under an applicable tax treaty. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country or area of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our ordinary shares or ADSs.

We face uncertainties with respect to indirect transfer of equity interests in PRC resident enterprises by their non-PRC holding companies.

We face uncertainties regarding the reporting on and consequences of previous private equity financing transactions involving the transfer and exchange of ordinary shares in our company by non-resident investors. In February 2015, the State Administration of Taxation of the PRC issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or SAT Circular 7. Pursuant to SAT Circular 7, an "indirect transfer" of PRC assets, including a transfer of equity interests in an unlisted non-PRC holding company of a PRC resident enterprise by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of the underlying PRC assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise.

On October 17, 2017, the State Administration of Taxation of the PRC issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Circular 37, which came into effect on December 1, 2017. SAT Circular 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

We face uncertainties on the reporting and consequences of past or future private equity financing transactions, share exchanges or other transactions involving the transfer of ordinary shares in our company by investors that are non-PRC resident enterprises. The PRC tax authorities may pursue such non-resident enterprises with respect to a filing or the transferees with respect to withholding obligations, and request our PRC subsidiaries to assist in the filing. As a result, we and non-resident enterprises in such transactions may become at risk of being subject to filing obligations or being taxed under SAT Circular 7 and SAT Circular 37, and may be required to expend valuable resources to comply with them or to establish that we and our non-resident enterprises should not be taxed under these regulations, which may have a material adverse effect on our financial condition and results of operations.

The PRC tax authorities have the discretion under SAT Circular 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under SAT Circular 7, our income tax costs associated with such transactions will be increased, which may have an adverse effect on our financial condition and results of operations. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance to them for the investigation of any transactions we were involved in. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

If our preferential tax treatments and government subsidies are revoked or become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions.

The Chinese government has provided various tax incentives to our PRC subsidiary, primarily in the form of reduced enterprise income tax rates. For example, under the PRC Enterprise Income Tax Law and its implementation rules, the statutory enterprise income tax rate is 25%. However, the income tax of an enterprise that has been determined to be a high and new technology enterprise can be reduced to a preferential rate of 15%. In addition, certain of our PRC subsidiaries enjoy local government subsidies. Any increase in the enterprise income tax rate applicable to our PRC subsidiary in China, or any discontinuation, retroactive or future reduction or refund of any of the preferential tax treatments and local government subsidies currently enjoyed by our PRC subsidiary in China, could adversely affect our business, financial condition and results of operations.

Further, in the ordinary course of our business, we are subject to complex income tax and other tax regulations, and significant judgment is required in the determination of a provision for income taxes. Although we believe our tax provisions are reasonable, if the PRC tax authorities successfully challenge our position and we are required to pay tax, interest and penalties in excess of our tax provisions, our financial condition and results of operations would be materially and adversely affected.

Failure to make adequate contributions to various employee benefit plans and withhold individual income tax on employees' salaries as required by PRC regulations or comply with laws and regulations on other employment practices may subject us to penalties.

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local government from time to time at locations where we operate our businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. Companies operating in China are also required to withhold individual income tax on employees' salaries based on the actual salary of each employee upon payment. With respect to the underpaid employee benefits, we may be required to complete registrations, make up the contributions for these plans as well as to pay late fees and fines. With respect to the under-withheld individual income tax, we may be required to make up sufficient withholding and pay late fees and fines. Furthermore, we have engaged third-party human resources agencies to pay on our behalf for some of our employees, and the governmental authorities may not recognize the social insurance and housing funds contributions that were paid by third parties on our behalf. If this happens, we may be required to make addition payments or repay these contributions. If we are subject to late fees or fines for underpaid employee benefits or under-withheld individual income taxes, our financial condition and results of operations may be adversely affected. We may also be subject to regulatory investigations and other penalties if our other employment practices are deemed to be in violation of PRC laws and regulations.

The enforcement of the PRC Labor Contract Law and other labor-related regulations in the PRC may subject us to penalties or liabilities.

The PRC Labor Contract Law, which was enacted in 2008 and amended in 2012, introduced specific provisions related to fixed-term employment contracts, part-time employment, probationary periods, consultation with labor unions and employee assemblies, employment without a written contract, dismissal of employees, severance, and collective bargaining to enhance previous PRC labor laws. Under the Labor Contract Law, an employer is obligated to sign a non-fixed term labor contract with any employee who has worked for the employer for ten consecutive years. Further, if an employee requests or agrees to renew a fixed-term labor contract that has already been entered into twice consecutively, the resulting contract, with certain exceptions, must have a non-fixed term, subject to certain exceptions. With certain exceptions, an employer must pay severance to an employee where a labor contract is terminated or expires. In addition, the PRC governmental authorities have continued to introduce various new labor-related regulations since the effectiveness of the Labor Contract Law.

These laws and regulations designed to enhance labor protection tend to increase our labor costs. In addition, as the interpretation and implementation of these regulations are still evolving, our employment practices may not at all times be deemed in compliance with the regulations. As a result, we could be subject to penalties or incur significant liabilities in connection with labor disputes or investigations.

The M&A Rules and certain other PRC regulations may make it more difficult for us to pursue growth through acquisitions.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established complex procedures and requirements for acquisition of Chinese companies by foreign investors, including requirements in some instances that the Ministry of Commerce of the PRC be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the National People's Congress of the PRC, which was amended in June 2022, requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the Ministry of Commerce before they can be completed. On February 7, 2021, the Anti-Monopoly Committee of the State Council published the Anti-Monopoly Guidelines for the Internet Platform Economy Sector, which stipulates that if any mergers, acquisitions, or other means of obtaining control or a decisive influence over another entity, collectively referred to as a "concentration of undertakings," involves any consolidated affiliated entities, such consolidated affiliated entities shall fall within the scope of anti-monopoly review. If a concentration of undertakings meets the criteria for declaration as stipulated by the State Council, an operator shall report such concentration of undertakings to the anti-monopoly law enforcement agency under the State Council in advance. Due to the enhanced implementation of the Anti-Monopoly Law, we may be under heightened regulatory scrutiny, which will increase our compliance costs and subject us to heightened risks and challenges.

In addition, the security review rules issued by the Ministry of Commerce and became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the Ministry of Commerce, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. These laws and regulations are continually evolving as the Foreign Investment Law was enacted on January 1, 2020. On December 19, 2020, the Measures for the Security Review for Foreign Investment were jointly issued by the National Development and Reform Commission and the Ministry of Commerce, which stipulates detailed rules for foreign investment that is subject to security review. Furthermore, this new rule provides that if foreign investors or relevant parties in China intend to invest in crucial information technology and internet products and services, or in crucial financial services, or in other fields which relate to national security, they shall report to the office in advance for a security review.

In the future, we may pursue strategic acquisitions that are complementary to our business and operations. Complying with the requirements of the above-mentioned regulations and other rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from the Ministry of Commerce and obtaining approval from or reporting to the anti-monopoly law enforcement agency, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. Furthermore, according to the M&A Rules, if a PRC entity or individual plans to merger or acquire its related PRC entity through an overseas company legitimately incorporated or controlled by such entity or individual, such a merger and acquisition will be subject to examination and approval by the Ministry of Commerce. The application and interpretations of M&A Rules are still uncertain, and there is possibility that the PRC regulators may promulgate new rules or explanations requiring that we obtain approval of the Ministry of Commerce for our mergers and acquisitions. There is no assurance that we can obtain such approval from the Ministry of Commerce for our mergers and acquisitions, and if we fail to obtain those approvals, we may be required to suspend our acquisition and be subject to penalties. Any uncertainties regarding such approval requirements could have a material adverse effect on our business, results of operations and corporate structure.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to change their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC laws. In addition, any failure to comply with PRC regulations with respect to registration requirements for offshore financing may subject us to legal or administrative sanctions.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles, or SAFE Circular 37. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities as well as foreign individuals that are deemed as PRC residents for foreign exchange administration purpose) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 further requires amendment to the SAFE registrations in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as change of a PRC individual shareholder, name and operation term, or any significant changes with respect to the offshore special purpose vehicle, such as increase or decrease of capital contribution, share transfer or exchange, or mergers or divisions. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update its previously filed SAFE registration, to reflect any material change involving its round-trip investment. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by SAFE to return the foreign exchange remitted overseas or into the PRC within a period of time specified by SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into PRC and deemed to have been evasive or illegal and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We are committed to complying with and to ensuring that our shareholders who are subject to these regulations will comply with the SAFE rules and regulations. However, due to the inherent uncertainty in the implementation of the regulatory requirements by the PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be able to compel them to comply with SAFE Circular 37 or other related regulations. We cannot assure you that SAFE or its local branches will not release explicit requirements or interpret the PRC laws and regulations otherwise. We may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents, and we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update any applicable registrations or comply with other requirements under SAFE Circular 37 or other related rules in a timely manner.

Because there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the governmental authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our results of operations and financial condition. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

In addition, our offshore financing activities, such as the issuance of foreign debt, are also subject to PRC laws and regulations. In accordance with such laws and regulations, we may be required to complete filing and registration with the National Development and Reform Commission prior to such activities. Failure to comply with the requirements may result in administrative meeting, warning, notification and other regulatory penalties and sanctions.

We may be materially and adversely affected if our shareholders and beneficial owners who are PRC entities fail to comply with the PRC overseas investment regulations.

On December 26, 2017, the National Development and Reform Commission promulgated the Administrative Measures on Overseas Investments, which took effect as of March 1, 2018. According to this regulation, non-sensitive overseas investment projects are subject to record-filing requirements with the local branch of the National Development and Reform Commission. On September 6, 2014, the Ministry of Commerce promulgated the Administrative Measures on Overseas Investments, which took effect as of October 6, 2014. According to this regulation, overseas investments of PRC enterprises that involve non-sensitive countries and regions and non-sensitive industries are subject to record-filing requirements with a local branch of Ministry of Commerce. According to the Circular of the State Administration of Foreign Exchange on Issuing the Regulations on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions, which was promulgated by SAFE, on July 13, 2009 and took effect on August 1, 2009, PRC enterprises must register for overseas direct investment with a local SAFE branch.

We may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC entities, and we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC entities will comply with our request to complete the overseas direct investment procedures under the aforementioned regulations or other related rules in a timely manner, or at all. If they fail to complete the filings or registrations required by the overseas direct investment regulations, the authorities may order them to suspend or cease the implementation of such investment and make corrections within a specified time, which may adversely affect our business, financial condition and results of operations.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject our plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who have been granted options are subject to these regulations since our company is an overseas-listed company. Failure to complete SAFE registrations may subject them to fines and legal sanctions, and may also limit our ability to contribute additional capital into our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law.

In addition, the State Administration of Taxation of the PRC has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options and/or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options and/or restricted shares with tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a Cayman Islands exempted company which acts as a holding company. As a result, although other means are available for us to obtain financing at the holding company level, Lufax Holding Ltd's ability to continue paying dividends to its shareholders and investors of the ADSs in the future, as well as its ability to service any debt it has incurred or may incur, may depend upon dividends paid by our PRC subsidiaries and, indirectly, on technical and consulting service fees paid by the consolidated affiliated entities in China. If any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiary, which is a foreign-owned enterprise, may pay dividends only out of its accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a foreign-owned enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends. Some of our subsidiaries are required to allocate general risk reserves prior to the distribution of dividends.

Our PRC subsidiaries generate essentially all of their revenue in Renminbi, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC subsidiary to use its Renminbi revenues to pay dividends to us.

The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting process may be put forward by SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC subsidiary to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

In addition, the PRC Enterprise Income Tax Law and its implementation rules provide that a withholding tax rate of up to 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC-resident enterprises are incorporated.

You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our ordinary shares or ADSs.

Under the PRC Enterprise Income Tax Law and its implementation rules, PRC withholding tax at a rate of 10% is generally applicable to dividends from PRC sources paid to investors that are resident enterprises outside of China and that do not have an establishment or place of business in China, or that have an establishment or place of business in China if the income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% PRC income tax if this gain is regarded as income derived from sources within China. Under the PRC Individual Income Tax Law and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by these investors on the transfer of shares are generally subject to 20% PRC income tax. Any such PRC tax liability may be reduced by the provisions of an applicable tax treaty.

Although substantially all of our business operations are in China, it is unclear whether the dividends we pay with respect to our ordinary shares or ADSs, or the gains realized from the transfer of our ordinary shares or ADSs, would be treated as income derived from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realized through the transfer of our ordinary shares or ADSs or on dividends paid to our non-resident investors, the value of your investment in our ordinary shares or ADSs may be materially and adversely affected. Furthermore, our shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under these tax treaties or arrangements.

In addition, pursuant to the Double Tax Avoidance Arrangement between Hong Kong and China, if a Hong Kong resident enterprise owns more than 25% of the equity interest of a PRC company at all times during the twelve-month period immediately prior to obtaining a dividend from such company, the 10% withholding tax on the dividend is reduced to 5%, provided that certain other conditions and requirements are satisfied at the discretion of the PRC tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, issued in 2009 by the State Administration of Taxation of the PRC, if the PRC tax authorities determine, in their discretion, that a company benefits from the reduced income tax rate due to a structure or arrangement that is primarily tax-driven, the PRC tax authorities may adjust the preferential tax treatment. If our Hong Kong subsidiaries are determined by PRC governmental authorities as receiving benefits from reduced income tax rates due to a structure or arrangement that is primarily tax-driven, the dividends paid by our PRC subsidiaries to our Hong Kong subsidiaries will be taxed at a higher rate, which will have a material adverse effect on our financial performance.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of our initial public offering to make loans or additional capital contributions to our PRC subsidiaries and the consolidated affiliated entities in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiary, the consolidated affiliated entities and their subsidiaries. We may make loans to our PRC subsidiary, the consolidated affiliated entities and its subsidiaries, or we may make additional capital contributions to our PRC subsidiary, or we may establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, or we may acquire offshore entities with business operations in China in an offshore transaction.

Most of these ways are subject to PRC regulations and approvals or registration. For example, loans by us to our wholly owned PRC subsidiary to finance its activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. If we decide to finance our wholly owned PRC subsidiary by means of capital contributions, these capital contributions are subject to registration with the State Administration for Market Regulation of the PRC or its local branch, reporting of foreign investment information with the Ministry of Commerce, or registration with other governmental authorities in China. Due to the restrictions imposed on loans in foreign currencies extended to PRC domestic companies, we are not likely to make such loans to the consolidated affiliated entities, which is a PRC domestic company. Further, we are not likely to finance the activities of the consolidated affiliated entities by means of capital contributions due to regulatory restrictions relating to foreign investment in PRC domestic enterprises engaged in certain businesses.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or SAFE Circular 19, effective June 2015, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, the Notice from the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Businesses, and the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses. According to SAFE Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in China in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, most recently amended on December 4, 2023, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from our initial public offering, to our PRC subsidiary, which may adversely affect our liquidity and our ability to fund and expand our business in China. On December 4, 2023, SAFE amended the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment, which allows all foreign-invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. However, since this regulation is newly promulgated, it is unclear how SAFE and competent banks will carry this out in practice.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to future loans to our PRC subsidiary or consolidated affiliated entities or future capital contributions by us to our PRC subsidiary. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiary or consolidated affiliated entities when needed. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we received from our initial public offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

The conversion of Renminbi into other currencies, including U.S. dollars and Hong Kong dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against the U.S. dollar and the Hong Kong dollar at times significantly and unpredictably. The value of the Renminbi against the U.S. dollar, the Hong Kong dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. We cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar or the Hong Kong dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar or the Hong Kong dollar in the future.

Substantially all of our income and expenses are denominated in Renminbi and our reporting currency is the Renminbi. Significant revaluation of the Renminbi may have a material and adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars or Hong Kong dollars we receive from our financings into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar or the Hong Kong dollar would reduce the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars or Hong Kong dollars for the purpose of paying dividends or for other business purposes, appreciation of the U.S. dollar or the Hong Kong dollar against the Renminbi would reduce the U.S. dollar or Hong Kong dollar amount available to us.

Few hedging options are available in China to reduce our exposure to exchange rate fluctuations. We have only engaged in limited hedging activities to date. While we may decide to enter into additional hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure adequately or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

Governmental control of currency conversion may limit our ability to utilize our income effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our income in Renminbi. Under our current corporate structure, our holding company, which is incorporated in the Cayman Islands as an exempted company, may rely on dividend payments from our PRC subsidiary to fund any cash and financing requirements payable outside of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, cash generated from the operations of our PRC subsidiary in China may be used to pay dividends to our company without prior approval of SAFE. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiary and the consolidated affiliated entity to pay any debts they may incur in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi.

In addition, if any of our shareholders who is subject to SAFE regulations fails to satisfy the applicable overseas direct investment filing or approval requirement, the PRC government may restrict our access to foreign currencies for current account transactions. If we are prevented from obtaining sufficient foreign currency to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of the ADSs.

Litigation and negative publicity surrounding China-based companies listed in the United States may negatively impact the trading price of our ordinary shares or ADSs.

We believe that litigation and negative publicity surrounding companies with operations in China that are listed in the United States have negatively impacted stock prices of these companies. Certain politicians in the United States have publicly warned investors to shun China-based companies listed in the United States. Various equity-based research organizations have published reports on China-based companies after examining their corporate governance practices, related party transactions, sales practices and financial statements, and these reports have led to special investigations and listing suspensions on U.S. national exchanges. Any similar scrutiny of us, regardless of its lack of merit, could cause the market price of our ordinary shares or ADSs to fall, divert management resources and energy, cause us to incur expenses in defending ourselves against rumors, and increase the premiums we pay for director and officer insurance.

The approval of and filings with the CSRC or other PRC governmental authorities may be required in connection with our offshore listings under PRC law, and, if required, we cannot predict whether we will be able to obtain such approval or complete such filings or how long they might take.

The M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, require an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC persons or entities to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and our offshore listings may ultimately require approval of the CSRC. If the CSRC approval is required, it is uncertain whether we can or how long it will take us to obtain the approval and, even if we obtain such CSRC approval, the approval could be rescinded. Any failure to obtain or delay in obtaining the CSRC approval for any of our offshore listings, or a rescission of such approval if obtained by us, would subject us to sanctions imposed by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

On February 17, 2023, the CSRC released a set of regulations consisting of six documents, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises, or the Trial Measures, and five supporting guidelines, collectively, the Filing Measures, effective March 31, 2023. The Filing Measures establish a new filing-based regime to regulate overseas offerings and listings by domestic companies. According to the Filing Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Trial Measures also sets certain regulatory red lines for overseas offerings and listings by domestic enterprises. On February 17, 2023, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies, which, among other things, clarifies that domestic companies already listed overseas before March 31, 2023, are not required to complete filing procedures immediately. However, they will be required to file with the CSRC when subsequent matters such as refinancing are involved. Furthermore, regarding the overseas listing of companies with contractual arrangements (also known as VIE structures), the CSRC will solicit opinions from relevant regulatory authorities. The CSRC will then complete the filing of the overseas listing for companies meeting compliance requirements, supporting their development and growth by enabling them to utilize both markets and their resources. For more details of the Filing Measures and other related regulations, see "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to M&A Rules and Overseas Listing."

If we fail to file with the CSRC in a timely manner or at all, for any future offering (including, among others, follow-on offerings, issuance of convertible corporate bonds and exchangeable bonds, and other equivalent offering activities) pursuant to the Filing Measures due to our contractual arrangements, our ability to raise or utilize funds could be materially and adversely affected, and we may even need to unwind our contractual arrangements or restructure our business operations to rectify the failure to complete the filings. However, as the Filing Measures were recently promulgated, there remain substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing.

In addition, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us. If it is determined in the future that any additional approval and filing from the CSRC or other regulatory authorities or other procedures, including the cybersecurity review under the Cybersecurity Review Measures, are required for our offshore listings, it is uncertain whether we can or how long it will take us to obtain such approval or complete such filing procedures and any such approval or filing could be rescinded or rejected. Any failure to obtain or delay in obtaining such approval or completing such filing procedures for our offshore listings, or a rescission of any such approval or filing if obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or filing or other government authorization for our offshore listings. These regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from our offshore listings into China or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our listed securities. The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt our offshore listings before settlement and delivery of the shares offered. Consequently, if investors engage in market trading or other activities in anticipation of and prior to settlement and delivery, they do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for our prior offshore listings, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval requirement could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our listed securities.

The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors with the benefits of such inspections.

Our auditor, the independent registered public accounting firm that issues the audit report included in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. The auditor is located in mainland China, a jurisdiction where the PCAOB was historically unable to conduct inspections and investigations completely before 2022. As a result, we and investors in the ADSs were deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China in the past has made it more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. However, if the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong, and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we and investors in our ADSs would be deprived of the benefits of such PCAOB inspections again, which could cause investors and potential investors in the ADSs to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

Pursuant to the HFCAA, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC will prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States.

On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong and our auditor was subject to that determination. In June 2022, the SEC conclusively listed us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. As of the date of this annual report, the PCAOB has not issued any new determination that it is unable to inspect or investigate completely registered public accounting firms headquartered in any jurisdiction. For this reason, we do not expect to be identified as a Commission-Identified Issuer under the HFCAA after we file our annual report on Form 20-F for the fiscal year ended December 31, 2023.

Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. In accordance with the HFCAA, our securities would be prohibited from being traded on a national securities exchange or in the over-the-counter trading market in the United States if we are identified as a Commission-Identified Issuer for two consecutive years in the future. Although our ordinary shares have been listed on the Hong Kong Stock Exchange and the ADSs and ordinary shares are fully fungible, we cannot assure your that an active trading market for our ordinary shares on the Hong Kong Stock Exchange will be sustained or that the ADSs can be converted and traded with sufficient market recognition and liquidity, if our shares and ADSs are prohibited from trading in the United States. A prohibition of being able to trade in the United States would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our ADSs. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

Risks Relating to Our Shares and ADSs

Our ADSs may be delisted if the trading price of our ADSs fails to comply with the minimum price requirement of the NYSE.

On November 30, 2023, we received a letter from the NYSE notifying us that the trading price of our ADSs had fallen below the NYSE's price criteria for continued listing, which is a minimum average closing price of $1.00 over a consecutive 30 trading-day period.

Pursuant to NYSE rule 802.01C, once notified, an issuer must bring its share price and average share price back above $1.00 by six months following receipt of the notice, failing which the issuer may be subject to suspension and delisting procedures. An issuer can regain compliance at any time during the six-month cure period if on the last trading day of any calendar month during the cure period it has a closing share price of at least US$1.00 per ADS and an average closing share price of at least US$1.00 per ADS over the 30 trading-day period ending on the last trading day of that month.

On February 1, 2024, we received a letter from the NYSE confirming that we had regained compliance with the NYSE's continued listing standards after the average closing price for our ADSs exceeded $1.00 for the consecutive 30-trading-day period ended January 31, 2024. However, there can be no assurance that we will be successful in maintaining compliance and our securities will remain listed on the NYSE. The delisting of our ADSs by the NYSE would have material negative impacts on the liquidity of our securities and our ability to raise future capital.

The trading price of our ordinary shares or ADSs is likely to be volatile, which could result in substantial losses to investors.

As of the date of this annual report, the trading price of our ADSs has been volatile since our ADSs started to trade on the NYSE on October 30, 2020. The trading price of our ordinary shares, likewise, can be volatile for similar or different reasons. Volatility in trading price can result from broad market and industry factors, like the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States or Hong Kong. A number of Chinese companies have listed or are in the process of listing their securities on U.S. or Hong Kong stock markets. The securities of some of these companies have experienced significant volatility, including price declines in connection with their initial public offerings. The trading performances of these Chinese companies' securities after their offerings may affect the attitudes of investors toward Chinese companies listed in the United States or Hong Kong in general and consequently may impact the trading performance of our ordinary shares or ADSs, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our ordinary shares or ADSs may be highly volatile for factors specific to our own operations, including the following:

- variations in our income, earnings and cash flow;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;

- announcements of new services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- detrimental adverse publicity about us, our services or our industry;
- additions or departures of key personnel;
- expiration or release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities;
- trends in the global economy in general and China's economy in particular;
- rising international geopolitical tensions; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which our ordinary shares or ADSs trade.

In the past, shareholders of public companies have often brought securities class action suits against those companies following periods of instability in the market price of their securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our ordinary shares or ADSs, the market price for our ordinary shares or ADSs and trading volume could decline.

The trading market for our ordinary shares or ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our ordinary shares or ADSs, the market price for our ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume for our ordinary shares or ADSs to decline.

Techniques employed by short sellers may drive down the market price of our ordinary shares and/or ADSs.

Short selling is the practice of selling securities that the seller does not own but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is in the short seller's interest for the price of the security to decline, many short sellers publish, or arrange for the publication of, negative opinions regarding the issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a security short. These short attacks have, in the past, led to selling of shares in the market.

Public companies that have substantially all of their operations in China have been the subject of short selling. Much of the scrutiny and negative publicity has centered on allegations of a lack of effective internal control over financial reporting resulting in financial and accounting irregularities and mistakes, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result, many of these companies may conduct internal and external investigations into the allegations and, in the interim, be subject to shareholder lawsuits and/or SEC enforcement actions.

It is not clear what effect such negative publicity could have on us. If we were to become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we could have to expend a significant amount of resources to investigate such allegations and/or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which we can proceed against the short seller by principles of freedom of speech, applicable state law or issues of commercial confidentiality. Such a situation could be costly and time-consuming, and could distract our management from growing our business. Even if such allegations are ultimately proven to be groundless, allegations against us could severely impact our business operations, and any investment in our ordinary shares and/or ADSs could be greatly reduced or even rendered worthless.

The sale or availability for sale of substantial amounts of our ordinary shares or ADSs could adversely affect their market price.

Sales of our ordinary shares or ADSs in the public market, or the perception that these sales could occur, could cause the market price of our ordinary shares and ADSs to decline. Such sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. If any existing shareholder or shareholders sell a substantial amount of our ordinary shares or ADSs, the prevailing market price for our ordinary shares and ADSs could be adversely affected.

Our memorandum and articles of association and the deposit agreement purport to limit the jurisdiction of courts for lawsuits relating to U.S. federal securities law, which could limit the ability of holders of our ordinary shares, the ADSs or other securities to obtain a favorable judicial forum for disputes with us, our directors and officers, the depositary, and potentially others.

Our memorandum and articles of association provide that the United States District Court for the Southern District of New York (or, if the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts of New York County, New York) shall be the exclusive forum within the United States for the resolution of any complaint asserting a cause of action arising out of or relating in any way to the federal securities laws of the United States, regardless of whether such legal suit, action, or proceeding also involves parties other than us. Our deposit agreement also provides that holders and beneficial owners of ADSs agree that the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts in New York County, New York) shall have exclusive jurisdiction over any suit, action or proceeding against or involving us or the depositary, arising out of or relating in any way to the deposit agreement or the transactions contemplated thereby or by virtue of owning the ADSs. However, the enforceability of similar choice of forum provisions in other companies' organizational documents has been challenged in legal proceedings in the United States, and it is possible that a court could find this type of provision to be inapplicable, unenforceable, or inconsistent with other documents that are relevant to the filing of such lawsuits. If a court were to find the choice of forum provision contained in our memorandum and articles of association to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions. If upheld, the forum selection clause in our memorandum and articles of association and deposit agreement may limit a security-holder's ability to bring a claim against us, our directors and officers, the depositary and potentially others in his or her preferred judicial forum, and this limitation may discourage such lawsuits.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. or Hong Kong courts may be limited, because we are incorporated under Cayman Islands law.

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Companies Act (As Revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States or Hong Kong. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, with respect to Cayman Islands companies, plaintiffs may face special obstacles, including but not limited to those relating to jurisdiction and standing, in attempting to assert derivative claims in state or federal courts of the United States. Our memorandum and articles of association does not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between us, our officers, directors and shareholders, be arbitrated.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records, other than copies of the memorandum and articles of association, the register of mortgages and charges and any special resolutions passed by our shareholders, or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders, subject to certain requirements under the Hong Kong Listing Rules. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States or Hong Kong. We have chosen to rely on the home country exemption from Section 303A.08 of the NYSE Listed Company Manual, which requires that shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto. In this respect, and in other respects if we choose to follow home country practice in other respects in the future, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States or Hong Kong. For a discussion of significant differences between the provisions of the Companies Act (As Revised) of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders, see "Item 10. Additional Information—B. Memorandum and Articles of Association—Differences in Corporate Law."

Certain judgments obtained against us by our shareholders may not be enforceable.

We are a Cayman Islands company and substantially all of our assets are located outside of the United States or Hong Kong. Substantially all of our current operations are conducted in China. In addition, a majority of our current directors and officers are nationals and residents of jurisdictions other than the United States or Hong Kong. Most of the assets of these persons are located outside the United States or Hong Kong. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States or Hong Kong in the event that you believe that your rights have been infringed under the U.S. federal securities laws, Hong Kong securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to United States domestic public companies.

Because we are a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing of quarterly reports on Form 10-Q or current reports on Form 8-K with the SEC;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and

- the selective disclosure rules by issuers of material nonpublic information under Regulation FD under the Exchange Act.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis through press releases, distributed pursuant to the rules and regulations of the NYSE. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely than that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and holders of ADSs may not be able to exercise the right to vote the underlying ordinary shares.

Holders of our ADSs will only be able to exercise the voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, holders of our ADSs must vote by giving voting instructions to the depositary. Upon receipt of the voting instructions of holders of our ADSs, the depositary will vote the underlying ordinary shares in accordance with these instructions. Holders of our ADSs will not be able to directly exercise the right to vote with respect to the underlying ordinary shares unless they withdraw the ordinary shares. Under our memorandum and articles of association, the minimum notice period required for convening a general meeting is 21 days for an annual general meeting and 14 days for any other general meetings (including an extraordinary general meeting). When a general meeting is convened, holders of our ADSs may not receive sufficient advance notice to withdraw the underlying ordinary shares represented by their ADSs to allow them to vote with respect to any specific matter. If we ask for the instructions from holders of our ADSs, the depositary will notify holders of our ADSs of the upcoming vote and will arrange to deliver our voting materials to them. We cannot assure holders of our ADSs that they will receive the voting materials in time to ensure that they can instruct the depositary to vote their ordinary shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out the voting instructions from holders of our ADSs. This means that holders of our ADSs may not be able to exercise the right to vote and they may have no legal remedy if the underlying ordinary shares represented by their ADSs are not voted as they requested.

We are entitled to amend the deposit agreement and to change the rights of ADS holders under the terms of such agreement, or to terminate the deposit agreement, without the prior consent of the ADS holders.

We are entitled to amend the deposit agreement and to change the rights of the ADS holders under the terms of such agreement, without the prior consent of the ADS holders. We and the depositary may agree to amend the deposit agreement in any way we decide is necessary or advantageous to us. Amendments may reflect, among other things, operational changes in the ADS program, legal developments affecting ADSs or changes in the terms of our business relationship with the depositary. In the event that the terms of an amendment impose or increase fees or charges (other than taxes and other governmental charges, registration fees, cable (including SWIFT) or facsimile transmission costs, delivery costs or other such expenses) or that would otherwise prejudice any substantial existing right of the ADS holders, such amendment will not become effective as to outstanding ADSs until the expiration of 30 days after notice of that amendment has been disseminated to the ADS holders, but no prior consent of the ADS holders is required under the deposit agreement. Furthermore, we may decide to terminate the ADS facility at any time for any reason. For example, terminations may occur when the ADSs are delisted from the stock exchange in the United States on which the ADSs are listed and we do not list the ADSs on another stock exchange in the United States, nor is there a symbol available for over-the-counter trading of the ADSs in the United States. If the ADS facility will terminate, ADS holders will receive at least 30 days' prior notice, but no prior consent is required from them. Under the circumstances that we decide to make an amendment to the deposit agreement that is disadvantageous to ADS holders or terminate the deposit agreement, the ADS holders may choose to sell their ADSs or surrender their ADSs and become direct holders of the underlying ordinary shares, but will have no right to any compensation whatsoever.

Your rights to pursue claims against the depositary as a holder of ADSs are limited by the terms of the deposit agreement.

Under the deposit agreement, any legal suit, action or proceeding against or involving us or the depositary, arising out of or relating in any way to the deposit agreement or the transactions contemplated thereby or by virtue of owning the ADSs may only be instituted in the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, in the state courts in New York County, New York), and you, as a holder of the ADSs, will have irrevocably waived any objection which you may have to the laying of venue of any such proceeding, and irrevocably submitted to the exclusive jurisdiction of such courts in any such action or proceeding. It is possible that a court could find this type of forum selection provision to be inapplicable, unenforceable, or inconsistent with other documents that are relevant to the filing of such lawsuits. For risks related to the enforceability of such exclusive forum selection provision, see "—Our memorandum and articles of association and the deposit agreement purport to limit the jurisdiction of courts for lawsuits relating to U.S. federal securities law, which could limit the ability of holders of our ordinary shares, the ADSs or other securities to obtain a favorable judicial forum for disputes with us, our directors and officers, the depositary, and potentially others." Accepting or consent to this forum selection provision does not constitute a waiver by you of compliance with federal securities laws and the rules and regulations thereunder. You may not waive compliance with federal securities laws and the rules and regulations thereunder.

The deposit agreement provides that the depositary or an ADS holder may require any claim asserted by it against us arising out of or relating to our ordinary shares, the ADSs or the deposit agreement be referred to and finally settled by an arbitration conducted under the terms described in the deposit agreement, although the arbitration provisions do not preclude you from pursuing any claim, including claims under the Securities Act or the Exchange Act in the United States District Court for the Southern District of New York (or such state courts if the United States District Court for the Southern District of New York lacks subject matter jurisdiction). The exclusive forum selection provisions in the deposit agreement also do not affect the right of any party to the deposit agreement to elect to submit a claim against us to arbitration, or our duty to submit that claim to arbitration, as provided in the deposit agreement, or the right of any party to an arbitration under the deposit agreement, to commence an action to compel that arbitration, or to enter judgment upon or to enforce an award by the arbitrators, in any court having jurisdiction over an action of that kind.

The depositary for our ADSs will give us a discretionary proxy to vote the underlying ordinary shares represented by the ADSs if ADS holders do not timely provide voting instructions to the depositary in accordance with the deposit agreement, except in limited circumstances, which could adversely affect the interests of ADS holders.

Under the deposit agreement for the ADSs, if ADS holders do not timely provide voting instructions to the depositary, the depositary will give us a discretionary proxy to vote the underlying ordinary shares represented by the ADSs at shareholders' meetings unless:

- we have failed to timely provide the depositary with notice of the meeting and related voting materials;
- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting;
- we have informed the depositary that a matter to be voted on at the meeting may have an adverse impact on shareholders; or
- the voting at the meeting is to be made on a show of hands.

The effect of this discretionary proxy is that if ADS holders do not timely provide voting instructions to the depositary in the manner required by the deposit agreement, ADS holders cannot prevent the underlying ordinary shares represented by their ADSs from being voted, except under the circumstances described above. This may make it more difficult for shareholders to influence the management of our company. Holders of our ordinary shares are not subject to this discretionary proxy.

ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiffs in any such action.

The deposit agreement governing the ADSs representing our ordinary shares provides that, to the fullest extent permitted by applicable law, holders and beneficial owners of ADSs irrevocably waive the right to a jury trial of any claim that they may have against us or the depositary arising from or relating to our ordinary shares, our ADSs or the deposit agreement, including any claim under the U.S. federal securities laws. The waiver continues to apply to claims that arise during the period when a holder holds the ADSs, even if the ADS holder subsequently withdraws the underlying ordinary shares. However, ADS holders will not be deemed, by agreeing to the terms of the deposit agreement, to have waived our or the depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder. In fact, ADS holders cannot waive our or the depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder.

If we or the depositary opposed a demand for jury trial relying on the above-mentioned jury trial waiver, it is up to the court to determine whether such waiver is enforceable considering the facts and circumstances of that case in accordance with the applicable state and federal law.

If this jury trial waiver provision is prohibited by applicable law, an action could nevertheless proceed under the terms of the deposit agreement with a jury trial. To our knowledge, the enforceability of a jury trial waiver under the federal securities laws has not been finally adjudicated by a federal court or by the United States Supreme Court. Nonetheless, we believe that a jury trial waiver provision is generally enforceable under the laws of the State of New York, which govern the deposit agreement, by a federal or state court in the City of New York. In determining whether to enforce a jury trial waiver provision, New York courts will consider whether the visibility of the jury trial waiver provision within the agreement is sufficiently prominent such that a party has knowingly waived any right to trial by jury. We believe that this is the case with respect to the deposit agreement and the ADSs. In addition, New York courts will not enforce a jury trial waiver provision in order to bar a viable setoff or counterclaim sounding in fraud or one which is based upon a creditor's negligence in failing to liquidate collateral upon a guarantor's demand, or in the case of an intentional tort claim, none of which we believe are applicable in the case of the deposit agreement or the ADSs. If any holders or beneficial owners of ADSs brings a claim against us or the depositary relating to the matters arising under the deposit agreement or our ADSs, including claims under federal securities laws, such holder or beneficial owner may not have the right to a jury trial regarding such claims, which may limit and discourage lawsuits against us or the depositary. If a lawsuit is brought against us or the depositary according to the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may have different outcomes compared to that of a jury trial, including results that could be less favorable to the plaintiffs in any such action.

Moreover, as the jury trial waiver relates to claims arising out of or relating to the ADSs or the deposit agreement, we believe that, as a matter of construction of the clause, the waiver would likely continue to apply to ADS holders who withdraw the ordinary shares from the ADS facility with respect to claims arising before the cancelation of the ADSs and the withdrawal of the ordinary shares, and the waiver would most likely not apply to ADS holders who subsequently withdraw the ordinary shares represented by ADSs from the ADS facility with respect to claims arising after the withdrawal. However, to our knowledge, there has been no case law on the applicability of the jury trial waiver to ADS holders who withdraw the ordinary shares represented by the ADSs from the ADS facility.

ADS holders may not receive dividends or other distributions on our ordinary shares and ADS holders may not receive any value for them, if it is illegal or impractical to make them available to them.

The depositary of our ADSs has agreed to pay ADS holders the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities represented by our ADSs, after deducting its fees and expenses. ADS holders will receive these distributions in proportion to the number of ordinary shares represented by the ADSs. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that ADS holders may not receive distributions we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available to ADS holders. These restrictions may cause a material decline in the value of our ordinary shares or ADSs.

You may experience dilution of your holdings due to inability to participate in rights offerings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless we indicate that we wish such rights to be made available to holders of ADSs and the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

Holders of our ADSs may be subject to limitations on transfer of the ADSs.

The ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

We believe we were a passive foreign investment company for U.S. federal income tax purposes for our taxable year ended December 31, 2023, which could subject U.S. Holders of our ADSs or ordinary shares to significant adverse U.S. federal income tax consequences.

We will be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year if either (a) 75% or more of our gross income for such year consists of certain types of "passive" income or (b) 50% or more of the value of our assets (generally determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. We refer to the latter test as the asset test. Although the law in this regard is unclear, we intend to treat the consolidated affiliated entities (including their subsidiaries, if any) as being owned by us for U.S. federal income tax purposes, not only because we are able to direct the activities of the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operations in our consolidated financial statements.

Based on the market price of our ADSs and the nature and composition of our assets (in particular the retention of a substantial amount of cash and investments), we believe that we were a PFIC for U.S. federal income tax purposes for our taxable year ended December 31, 2023, and we will likely be a PFIC for our current taxable year ending December 31, 2024 unless the market price of our ADSs significantly increases and/or we invest a substantial amount of cash and other passive assets we hold in assets that produce or are held for the production of non-passive income.

If we are a PFIC in any taxable year, a U.S. Holder (as defined in "Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations") may incur significantly increased U.S. federal income tax on gain recognized on the sale or other disposition of the ADSs or ordinary shares and on the receipt of distributions on the ADSs or ordinary shares to the extent such distribution is treated as an "excess distribution" under the U.S. federal income tax rules, and such U.S. Holder may be subject to burdensome reporting requirements. Further, if we are a PFIC for any year during which a U.S. Holder holds our ADSs or ordinary shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or ordinary shares, unless we were to cease to be a PFIC and the U.S. Holder were to make a "deemed sale" election with respect to the ADSs or ordinary shares. For more information see "Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Considerations" and "Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Rules."

Item 4. Information on the Company

A. History and Development of the Company

The history of our retail credit and enablement business dates back to August 2005, when Ping An Group launched a consumer loan business in Shenzhen, China.

In 2014, we underwent a series of reorganizations to further the strategic development of our business and incorporated Lufax Holding Ltd as an exempted company under the laws of the Cayman Islands in December 2014 to act as the holding company for our corporate group. In May 2016, we acquired our retail credit and enablement business from Ping An Group.

Prior to our initial public offering, we carried out three rounds of equity financing, the first two in 2015 and 2016, and the third one with separate closings in 2018 and 2019. In addition, we issued automatically convertible promissory notes and optionally convertible promissory notes in 2020. On October 30, 2020, the ADSs representing our ordinary shares commenced trading on NYSE under the symbol "LU."

On April 14, 2023, our ordinary shares commenced trading, by way of introduction, on the Main Board of the Hong Kong Stock Exchange under the stock code "6623." The ordinary shares listed on the Main Board of the Hong Kong Stock Exchange are fully fungible with the ADSs listed on the NYSE.

On November 13, 2023, we entered into a share purchase agreement with OneConnect Financial Technology Co., Ltd., a limited liability company incorporated in the Cayman Islands and listed on the New York Stock Exchange and the Hong Kong Stock Exchange (NYSE: OCFT and HKEX: 6638), and Ping An OneConnect Bank (Hong Kong) Limited, an indirectly wholly-owned subsidiary of the Seller incorporated in Hong Kong with limited liability. We refer to OneConnect Financial Technology Co., Ltd. as OneConnect and Ping An OneConnect Bank (Hong Kong) Limited as PAOB in this annual report. OneConnect operates its virtual bank business through PAOB. Pursuant to the share purchase agreement, OneConnect conditionally agreed to sell, and we conditionally agreed to acquire, 100% of PAOB's share capital for a consideration of HK$933 million (US$131 million) in cash, subject to the terms and conditions of the share purchase agreement. The transaction was closed on April 2, 2024, and we paid the purchase price in full on the same day.

On December 15, 2023, we effected an ADS ratio change to adjust our ordinary share to ADS ratio from two ADSs representing one ordinary share to one ADS representing two ordinary shares.

We conduct our retail credit and enablement business primarily through Ping An Puhui Enterprises Management Co., Ltd. and its subsidiaries, as well as Ping An Puhui Financing Guarantee Co., Ltd. These entities are collectively known as Puhui. Ping An Puhui Financing Guarantee Co., Ltd. holds licenses for providing financing guarantee services. Ping An Consumer Finance Co., Ltd. is licensed to provide consumer finance services. We do not conduct our retail credit and enablement business through the consolidated affiliated entities.

In order to comply with PRC laws and regulations, we carry out the online wealth management business primarily through the consolidated affiliated entities. We use two wholly foreign-owned entities in China, namely Weikun (Shanghai) Technology Service Co., Ltd, or Weikun (Shanghai) Technology, and Lufax Holding (Shenzhen) Technology Service Co., Ltd., or Lufax (Shenzhen) Technology, to direct the activities of the consolidated affiliated entities and their subsidiaries. Weikun (Shanghai) Technology has a series of contractual arrangements with Shanghai Xiongguo and its shareholders, and a series of contractual arrangements with Shanghai Lufax and its shareholders. Lufax (Shenzhen) Technology has a series of contractual arrangements with Shenzhen Lufax Enterprise Management and its shareholders. See "—Contractual Arrangements with the Principal Consolidated Affiliated Entities" below. Revenues contributed by the consolidated affiliated entities and their subsidiaries accounted for 2.5%, 1.7% and 0.5% of our total revenues for 2021, 2022 and 2023, respectively.

Our principal executive offices are located at Building No. 6, Lane 2777, Jinxiu East Road, Pudong New District, Shanghai, the People's Republic of China. Our telephone number at this address is +86 21-3863-6278.

Our registered office in the Cayman Islands is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Our agent for service of process in the United States is Cogency Global Inc., located at 122 East 42nd Street, 18th Floor, New York, NY 10168. Investors should contact us for any inquiries through the address and telephone number of our principal executive offices.

The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC on *www.sec.gov.* You can also find information on our website *ir.lufaxholding.com.* The information contained on our website is not a part of this annual report.

B. Business Overview

We are a leading financial services enabler for SBOs in China. We offer financing products designed principally to address the needs of SBOs. Financial institutions provide funding for the loans we enable. Through our offline-to-online model supported by our nationwide direct sales network, we have served a total of over 5.9 million, 6.6 million and 6.8 million SBOs in China since the beginning of our business in 2005, as of December 31, 2021, 2022 and 2023, respectively. The total outstanding balance of loans we enabled was RMB661.0 billion, RMB576.5 billion and RMB315.4 billion (US$44.4 billion) as of December 31, 2021, 2022 and 2023, respectively.

We enable loans under two distinct business models. Approximately 98.2%, 94.9% and 88.2% of the total outstanding loans we had enabled as of December 31, 2021, 2022 and 2023, respectively, are loans we enabled under our core retail credit and enablement business model. These are large-ticket loans, having an average ticket size of RMB199,502, RMB240,179 and RMB278,067 for general unsecured loans enabled in 2021, 2022 and 2023, respectively, and RMB430,795, RMB438,675 and RMB551,253 for secured loans enabled in 2021, 2022 and 2023, respectively. The remaining 1.8%, 5.1% and 11.8%, respectively, consist of loans we had enabled through our licensed consumer finance subsidiary. These are small-ticket loans, having an average drawdown of RMB3,797, RMB5,979 and RMB6,805 in 2021, 2022 and 2023, respectively. The enablement of loans accounted for nearly all of our total income in 2021, 2022 and 2023.

Our Business Model

We enable both borrowers and institutional partners through our core retail credit and enablement business model.

Our core retail credit and enablement business model comprises both general unsecured loans and secured loans, which we enable under the Puhui brand. Our borrowers are primarily small business owners who require larger ticket size loans on short notice for imminent operating needs. We leverage our large nationwide direct sales team to serve millions of otherwise hard to reach potential borrowers in this critical but undercapitalized sector of the Chinese economy. To a lesser extent we also serve salaried workers dealing with major life expenses under this business model. We apply advanced risk analytics leveraging our 19 years of proprietary data to assess the creditworthiness of potential borrowers and co-design loan product terms with our funding partners to serve their needs. We enable our institutional partners by referring borrowers who fit their target profiles and sharing our risk analytics so that each of our funding partners is taking on the degree of risk that is compatible with its own business model. We also provide post-loan and collection services to our institutional partners to further manage their credit risk.

We only enable loans to individuals and not to entities, but our risk analytics incorporate data on both personal and business assets of potential borrowers. For loans funded by third parties requiring credit enhancement, we used to guarantee a portion of the risk on each new loan transaction along with our credit enhancement providers. We have been gradually reducing our reliance on third-party credit enhancement providers over time. As a result, our risk bearing by new loan sales for the year ended December 31, 2023 excluding consumer finance loans increased to 49.8%, as compared to 21.3% for the year ended December 31, 2022. The percentage of outstanding loans with credit risk exposure for our company including consumer finance loans has increased from 16.6% as of December 31, 2021, to 23.5% as of December 31, 2022, and further to 39.8% as of December 31, 2023. In the fourth quarter of 2023, we successfully completed the transformation of our business to a 100% guarantee business model, under which our licensed financing guarantee subsidiary now provides a guarantee for each new loan transaction without the involvement of third-party credit enhancement.

In addition to enablement, we also make consumer finance loans through our licensed consumer finance subsidiary. Our subsidiary bears some of the credit risk on them. Our financing guarantee subsidiary is well capitalized with a leverage ratio of 1.8× as of December 31, 2023.

For our core retail credit and enablement model, customers are charged an effective APR, from which we receive credit and enablement service fees, interest income and guarantee income, while our institutional partners such as funding partners receive funding fees and, where applicable, credit enhancement providers receive credit guarantee insurance premiums. We earn profit before income tax expenses after deducting operating expenses and impairment losses based on expected loan losses for the portion of loans that we bear credit risk.

We had a cumulative total of 20.9 million borrowers as of December 31, 2023. Our total outstanding balance of loans was RMB315.4 billion (US$44.4 billion) as of December 31, 2023, of which RMB37.1 billion (US$5.2 billion) or 11.8% consists of loans enabled by our licensed consumer finance subsidiary.

How We Enable Small Business Owners and Retail Borrowers

We enable SBO and retail borrowers by connecting them with institutional partners and making the borrowing process faster, simpler and more intuitive to effectively address their financing needs.

Our Borrowers

Under our Puhui brand, we target small business owners who have residential property, automobiles, financial assets and some access to commercial bank credit. Small business owners often need larger ticket size loans on short notice for imminent commercial operating needs of their business and yet are underserved by traditional financial institutions. We also enable loans to salaried workers who need large ticket size consumption loans for purposes such as education, home decoration, and purchase of consumer durables.

Many of our SBO borrowers have fewer than 50 employees and annual revenues of less than RMB30 million. Some of them do business through a corporation, others through a partnership, still others as a sole proprietor, but regardless of the legal form of the business, the owner of the business is always the borrower in his or her personal capacity, so that the owner cannot avoid repayment of the loan on the basis of having limited liability for the debts of the entity.

As of December 31, 2023, we had over 6.8 million cumulative SBO borrowers under our Puhui brand. Small business owners accounted for approximately 78%, 86% and 90% of all new loans we enabled under our Puhui brand in 2021, 2022 and 2023, respectively, and 76%, 82% and 86% of the balance of such loans as of December 31, 2021, 2022 and 2023, respectively.

In response to ongoing developments in the Chinese economy, we have been concentrating our efforts on borrowers for our general unsecured loans at the higher end of our internal ranking of creditworthiness. In 2023, of the borrowers of loans under our Puhui brand, 91% had credit cards, 44% owned residential property, 41% had life insurance policies, and 47% had no unsecured loans outstanding from banks.

Beginning in June 2020, we also make loans through our newly established consumer finance subsidiary. Borrowers of consumer finance loans are typically looking to meet personal short-term cash flow needs or to make discretionary purchases of consumer goods.

Sourcing Borrowers

We had a cumulative total of 20.9 million borrowers as of December 31, 2023. The number of active borrowers for whom we enabled loans was 4.9 million in 2021, 4.8 million in 2022 and 3.9 million in 2023. We source borrowers through a variety of channels.

Retail Credit and Enablement

We source borrowers under our Puhui brand primarily through offline channels, because we primarily focus on loans with larger ticket sizes that often require additional consultation services to be provided to the borrowers during the origination process. The origination of these loans incurs higher costs as compared to the origination of smaller ticket size consumer loans but it also generates more value.

The following table shows the volume of new general unsecured and secured loans we enabled under our Puhui brand by origination channel for the years indicated.

	For the Year Ended December 31,					
	2021		2022		2023	
	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)
	(in billions, except percentages)					
Volume of New Loans						
Direct sales	309.6	49.7	247.1	56.6	85.6	62.6
Channel partners	233.1	37.4	125.9	28.8	31.8	23.2
Online and telemarketing	80.4	12.9	63.8	14.6	19.5	14.2
Total	**623.1**	**100.0**	**436.8**	**100.0**	**136.8**	**100.0**

Direct sales

We had a direct sales network of over 20,000 full-time employees as of December 31, 2023, of whom over 95% have a junior college education or above. Together they covered approximately 300 cities across China. Our direct sales force proactively seeks out potential borrowers using their own knowledge and contacts with the help of a specialized mobile app designed to optimize their time and efforts. This system tracks and shows location and travel data for all of our sales employees in real time. Our system can further overlay an AI heat map showing our borrowers and their borrowing characteristics, which allows us to identify regions with higher sales potential.

In supervising and evaluating the performance of our direct sales network, we give close attention to the creditworthiness of the borrowers they bring in. The volume of new loans sourced per employee per month by our direct sales team was RMB427 thousand in 2021, RMB363 thousand in 2022 and RMB240 thousand (US$34 thousand) in 2023.

Our direct sales channel was responsible for sourcing RMB309.6 billion, or 49.7%, of our total volume of new loans in 2021, RMB247.1 billion, or 56.6%, of our total volume of new loans in 2022 and RMB85.6 billion (US$12.1 billion), or 62.6%, of our total volume of new loans in 2023. The increase of 7.0 percentage points in 2023 was primarily due to a strategic decision to source more loans through our direct sales channel.

Channel partners

We complement our direct sales force with a large and robust set of channel partners. Our channel partners introduce borrowers and are paid referral fees for each loan originated.

The following table shows the volume of new loans we enabled through individual referrals and corporate referrals.

	For the Year Ended December 31,					
	2021		2022		2023	
	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)
	(in billions, except percentages)					
Volume of New Loans						
Individual referrals	193.1	31.0	102.2	23.4	28.6	20.5
Corporate referrals	40.0	6.4	23.7	5.4	3.2	2.7
Total channel partners	**233.1**	**37.4**	**125.9**	**28.8**	**31.8**	**23.2**

We cooperate with both individual and corporate channel partners in acquiring customers. Individual referrals are referrals from individuals acting in their personal capacity only. Although substantially all of these individuals are associated with Ping An Group entities as sales representatives, the corresponding Ping An Group entities are not involved in the referrals. Individual referrals are rewarded on the basis of a referral program where individuals sign up with our group and receive fees on successfully referred borrowers. Corporate referrals are referrals from corporate entities. These include certain Ping An associated entities, but all of the entities combined contributed less than 0.5% of our new loan volume in 2023. Corporate referrals are compensated based on successful referrals stipulated by intra-party contracts signed with partner entities. Our corporate channel partners include a wide range of businesses, such as point-of-sale payment agencies and tax system providers. Our channel partners are supported by our proprietary partner management system that helps us allocate resources and design incentive plans more efficiently. Individual referrals were responsible for sourcing RMB193.1 billion, or 31.0%, of the new loans we enabled in 2021, RMB102.2 billion, or 23.4%, of the new loans we enabled in 2022, and RMB28.6 billion, or 20.5%, of the new loans we enabled in 2023. Corporate referrals were responsible for sourcing RMB40.0 billion, or 6.4%, of the new loans we enabled in 2021, RMB23.7 billion, or 5.4%, of the new loans we enabled in 2022, and RMB3.2 billion, or 2.7%, of the new loans we enabled in 2023.

Online and telemarketing

As of December 31, 2023, we employed over 1,500 employees to engage in targeted online and telemarketing campaigns to reach customers based on their potential need for loans, which we have identified from online behavioral data and other big data techniques. Our online and telemarketing channel primarily enables general unsecured loans, and it focuses on helping high-quality borrowers borrow new loans.

We have leveraged the application of advanced AI technology to maintain the productivity of our online and telemarketing channel. The volume of new loans sourced per employee per month by our online and telemarketing channel was RMB1,609 thousand in 2021, RMB1,265 thousand in 2022 and RMB782 thousand (US$110 thousand) in 2023.

Our online and telemarketing channel was responsible for sourcing RMB80.4 billion, or 12.9%, of the new loans we enabled in 2021, RMB63.8 billion, or 14.6%, of the new loans we enabled in 2022, and RMB19.5 billion (US$2.7 billion), or 14.2%, of the new loans we enabled in 2023.

Consumer Finance

Our consumer finance subsidiary acquires customers online through our consumer finance app and traffic platforms and offline through our direct sales network. The number of borrowers with outstanding consumer finance loans increased from 608 thousand as of December 31, 2021 to 1.3 million as of December 31, 2022 and further to 1.8 million as of December 31, 2023.

Loan Products

We enable both secured and general unsecured loans under our Puhui brand. The typical borrower of a secured loan is a small business owner who uses the loan proceeds for business operations. Borrowers of general unsecured loans include both small business owners and salaried workers who use the loan proceeds for business operations or personal consumption. We base our credit assessment on individual data for salaried workers and a combination of individual and business data for small business owners, plus the characteristics of the collateral for borrowers of secured loans, who are almost all small business owners. We only accept residential property and automobiles as collateral. We also make consumer finance loans to retail borrowers through our licensed consumer finance subsidiary. The following chart summarizes some of the characteristics of these various borrowers and their loans in 2023:

	General Unsecured Loans	Secured Loans	Consumer Finance Loans
Credit Risk Assessment	• Individual, business	• Individual, business, collateral	• Individual
Average Ticket Size	• RMB278,067 (US$39,165)	• RMB551,253 (US$77,642)	• RMB6,805 (US$958)[1]
Average Contractual Tenor	• 35.7 months	• 36.5 months	• N/A[2]
Average APR	• 20.9%	• 16.0%	• 19.7%
Repayment Schedule	• Fixed installments	• Fixed installments or balloon payment	• Fixed installments

Note:

(1) This represents the average single drawdown amount for consumer finance loans.
(2) Due to the wide variety of products offered by our consumer finance business, each with significant differences in tenor, this indicator lacks meaningfulness and thus is not applicable.

The following table shows the outstanding balance of loans under Puhui and our consumer finance subsidiary by product as of the dates indicated.

	As of December 31,					
	2021		2022		2023	
	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)
	(in billions, except percentages)					
Outstanding Balance						
General unsecured loans	520.1	78.7	423.8	73.5	207.9	65.9
Secured loans	129.3	19.6	123.1	21.4	70.4	22.3
Consumer finance loans	11.6	1.8	29.7	5.1	37.1	11.8
Total	**661.0**	**100.0**	**576.5**	**100.0**	**315.4**	**100.0**

The following table shows the volume of new loans by product during the years indicated.

	For the Year Ended December 31,					
	2021		2022		2023	
	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)
	(in billions, except percentages)					
Volume of New Loans						
General unsecured loans	481.7	74.3	318.6	64.3	91.0	43.7
Secured loans	141.5	21.8	118.2	23.9	45.9	22.0
Consumer finance loans	25.3	3.9	58.6	11.8	71.2	34.2
Total	**648.4**	**100.0**	**495.4**	**100.0**	**208.0**	**100.0**

Loans are available on flexible terms. The loan products we enable under our Puhui brand permit large ticket sizes, long tenors and early repayment options, which are important features for small business owners.

The maximum permitted ticket size in 2023 was RMB10 million for secured loans and RMB1 million for general unsecured loans. Average loan size for these loans was considerably smaller. The following table shows the average ticket size for loans we enabled in Renminbi for both general unsecured loans and secured loans. The increase in the average ticket size is generally due to our pivot to serving more SBOs and higher quality borrowers.

	For the Year Ended December 31,		
	2021	2022	2023
	(RMB)		
Average Ticket Size			
General unsecured loans	199,502	240,179	278,067
Secured loans	430,795	438,675	551,253

In general, the maximum contractual tenor offered on general unsecured loans and secured loans is 36 months, and most borrowers choose a tenor of 36 months. In 2021, we began to enable loans with contractual tenors of up to 60 months to selected borrowers, but we discontinued this practice in 2023. The following table shows the average contractual tenor for loans we enabled in months, for both general unsecured loans and secured loans.

	For the Year Ended December 31,		
	2021	2022	2023
	(months)		
Average Contractual Tenor			
General unsecured loans	35.4	38.0	35.7
Secured loans	35.9	38.8	36.5

Due to early repayment options, the effective tenor will be shorter than the average contractual tenor. The table below sets forth the estimated effective tenor of loans that we do not consolidate on our balance sheet, after considering assumptions of early repayment, as of December 31, 2021, 2022 and 2023.

	As of December 31,		
	2021	2022	2023
	(months)		
Estimated Effective Tenor for Off–Balance Sheet Loans			
General unsecured loans	19.37	19.75	20.46
Secured loans	13.44	14.62	15.50

We enable loans with fixed installment and balloon payment repayment schedules. As of December 31, 2023, approximately 91% of the loans we enabled under our Puhui brand had fixed installment repayment schedules and the other 9% had balloon payment schedules. Fixed installment loans include loans where the sum of the principal repayment and interest payment is fixed and service, insurance and guarantee fees gradually decrease as the outstanding balance decreases. We do not offer an interest-free period in any of the loans we enable under our Puhui brand.

In 2023, our average APR for new loans was 20.9% for general unsecured loans, 16.0% for secured loans and 19.7% for consumer finance loans. APR represents the monthly all-in borrowing cost as a percentage of the outstanding balance annualized by a factor of 12. The all-in borrowing cost comprises the actual amount of (i) interest, (ii) insurance premiums or guarantee fees and (iii) retail credit enablement service fees. The following table shows our average APR for new loans in 2021, 2022 and 2023 for general unsecured loans, secured loans and consumer finance loans. We have not enabled any loans with an APR higher than 24% for loan applications after September 4, 2020.

	As of December 31,		
	2021	2022	2023
	(%)		
Average APR for New Loans			
General unsecured loans	22.6	21.1	20.9
Secured loans	16.2	15.7	16.0
Consumer finance loans	20.3	20.6	19.7

General Unsecured Loans

General unsecured loans target both small business owners and salaried workers. In 2023, approximately 86% of the general unsecured loans we enabled, by volume, were borrowed by small business owners, and 14% by salaried workers. The average contractual tenor of new general unsecured loans we enabled during this period was approximately 36 months and the average ticket size was RMB278,067 (US$39,165).

Our outstanding balance of general unsecured loans enabled was RMB520.1 billion, RMB423.8 billion and RMB207.9 billion (US$29.3 billion) as of December 31, 2021, 2022 and 2023, respectively. Our total volume of general unsecured loans enabled amounted to RMB481.7 billion, RMB318.6 billion and RMB91.0 billion (US$12.8 billion) in 2021, 2022 and 2023, respectively.

The following table presents the volume of general unsecured loans we enabled by ticket size for the years indicated:

	For the Year Ended December 31,					
	2021		2022		2023	
	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)
	(in billions, except percentages)					
Ticket Size						
Up to RMB50,000	7.2	1.5	3.0	1.0	0.6	0.6
RMB50,001 to RMB100,000	38.5	8.0	18.5	5.8	4.3	4.8
RMB100,001 to RMB200,000	138.0	28.6	68.1	21.4	12.6	13.9
RMB200,001 to RMB300,000	159.2	33.1	93.5	29.3	26.5	29.1
RMB300,001 or above	138.8	28.8	135.5	42.5	47.0	51.7
Total	**481.7**	**100.0**	**318.6**	**100.0**	**91.0**	**100.0**

We focus on enabling loans with higher ticket size, which is an important feature for satisfying the needs of small business owners.

Secured Loans

Secured loans target small business owners. Approximately 98% of the secured loans we enabled, by volume, were borrowed by small business owners. In 2023, the average contractual tenor of new secured loans we enabled was approximately 36 months and the average ticket size was RMB551,253 (US$77,642).

Our outstanding balance of secured loans enabled was RMB129.3 billion, RMB123.1 billion and RMB70.4 billion (US$9.9 billion) as of December 31, 2021, 2022 and 2023, respectively. Our total volume of secured loans enabled amounted to RMB141.5 billion, RMB118.2 billion and RMB45.9 billion (US$6.5 billion) in 2021, 2022 and 2023, respectively.

For our secured loans, we focus on SBOs who have residential property located in economically more developed cities which can be pledged as collateral, given such cities' relatively stable economic growth and real estate prices. The majority of the outstanding balance of secured loans is secured by real estate and the remainder by automobiles. The real estate collateral is well diversified across China, with a large proportion located in more developed cities. As we continue to focus on serving more SBOs and higher quality borrowers, there has been an increase in the average ticket size for our secured loans in 2021, 2022 and 2023. As a result, the average loan-to-value ratio at origination for the secured loans we enabled has grown from 71% in 2021 to 74% in 2022 and further to 75% in 2023.

Consumer Finance Loans

We began to make consumer finance loans in June 2020 through our licensed consumer finance subsidiary. Borrowers of consumer finance loans are typically looking to meet personal short-term cash flow needs or to make discretionary purchases of consumer goods. Our consumer finance loans include both revolver loans and installment loans.

Our outstanding balance of consumer finance loans was RMB11.6 billion, RMB29.7 billion and RMB37.1 billion (US$5.2 billion) as of December 31, 2021, 2022 and 2023, respectively. Our total volume of consumer finance loans amounted to RMB25.3 billion, RMB58.6 billion and RMB71.2 billion (US$10.0 billion) in 2021, 2022 and 2023, respectively.

The non-performing loan ratio for consumer finance loans was 1.5% for the year ended December 31, 2023, as compared to 1.5% from the year ended December 31, 2022. The non-performing loan ratio for consumer finance loans is calculated by the outstanding balance of consumer finance loans for which any payment is 91 or more calendar days past due and not written off, plus certain restructured loans, divided by the total outstanding balance of consumer finance loans.

Our Guarantees

We work closely with funding partners through our financing guarantee subsidiary and its network of licensed branches in 30 provinces. For loans funded by third parties where the lender requires credit enhancement, we used to guarantee a portion of the risk on each new loan transaction along with our credit enhancement providers. We had RMB64.7 billion, RMB68.6 billion and RMB54.9 billion (US$7.7 billion) in off–balance sheet financing guarantee contracts as of December 31, 2021, 2022 and 2023, respectively. As of December 31, 2023, 58.2% of financing guarantees for the outstanding balance of loans enabled by us were provided by third-party credit enhancement providers. However, we had been gradually reducing our reliance on third-party credit enhancement providers over time. In the fourth quarter of 2023, we successfully completed the transformation of our business to a 100% guarantee business model, under which our licensed financing guarantee subsidiary now provides a guarantee for each new loan transaction without the involvement of third-party credit enhancement.

Pursuant to the regulations and rules regarding financing guarantee companies, the minimum registered capital of a financing guarantee company is not less than RMB20 million and its net assets must be no less than one-fifteenth of the total outstanding guaranteed amount it has guaranteed. Our financing guarantee subsidiary had net assets of RMB44.6 billion in aggregate and a leverage ratio of 1.8× as of December 31, 2023.

How We Enable Our Institutional Partners

We enable our institutional partners by identifying potential borrowers who possess the characteristics that they wish to target, co-designing loan products that fit the needs of those potential borrowers, providing accurate credit assessment to make it possible for funding partners to correctly price the risk that they assume, and managing credit risk on outstanding loans through effective loan servicing and collection.

Our Funding Partners

Our funding partners consist of the banks and trusts that fund the loans that we enable. We have relationships with 79 banks and 6 trust companies as of December 31, 2023.

The following table shows the volume of new loans enabled in each period by funding source, including loans that we enabled through our own licensed consumer finance subsidiary:

	As of December 31,					
	2021		2022		2023	
	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)
	(in billions, except percentages)					
Volume of New Loans Enabled by Funding Source						
Banks	414.2	63.9	279.5	56.4	81.4	39.1
Trusts	208.9	32.2	157.3	31.7	55.4	26.6
Our licensed consumer finance subsidiary	25.3	3.9	58.6	11.8	71.2	34.2
Total	**648.4**	**100.0**	**495.4**	**100.0**	**208.0**	**100.0**

We are continually refining our funding mix. Our ability to enable loans has not been constrained by our funding supply. We only utilized 39.1% of the credit facility provided by banks and 26.6% of the credit facility provided by trust companies in 2023. We believe our relationships with banks and trust companies are sustainable as our ability to help them generate interest income by enabling loans from our high quality borrowers makes us a valuable partner to them. In 2023, no single third-party funding source accounted for more than 10% of the funding for the loans we enabled.

For loan transactions with third-party credit enhancement, we entered into trilateral agreements with each funding partner and credit enhancement provider that contain the principal terms governing funding arrangements and credit enhancement for the loans that we enabled with them. These agreements generally include provisions specifying the proportion of loans to be insured or guaranteed by the credit enhancement provider and the geographical scope of the collaboration, and some of them set out the rate of interest to be charged by the funding partner for the loans. They also require each party to perform its own credit assessment of the borrowers, the funding partner to enter into the loan agreement with the borrower, and the credit enhancement provider to reimburse the lending partner for each loan that is 80 days past due. Under these agreements, each party has the right to perform post loan services or delegate them to another contracted party or third party.

Under our 100% guarantee business model, we enter into agreements with each funding partner and our licensed financing guarantee subsidiary. These agreements encapsulate the principal terms governing funding arrangements and financial guarantee for the loans that we enable with them. Common provisions include specifying the total amount of loans to be guaranteed by our licensed financing guarantee subsidiary and the geographical scope of the collaboration. Some of these agreements set out the rate of interest to be charged by the funding partner for the loans. Additionally, they require the funding partner to perform its own credit assessment of the borrowers and to enter into the loan agreement with the borrower. Under these agreements, the funding partner delegates the right to perform post-loan services to us, and we may further delegate it to another third party.

Banks

Under the bank funding model, a third-party bank lends directly to the borrower. We provide loan enablement services for borrowers and enable borrowers to obtain loans from third-party banks.

We partnered with 60 banks in 2021, 75 banks in 2022 and 79 banks in 2023. These banks included national joint-stock banks, city commercial banks, rural commercial banks and others. The banks determine the creditworthiness of borrowers that we refer, though we help gather the information our bank partners need. Banks funded approximately 63.9% of the new loans we enabled in 2021, 56.4% of the new loans we enabled in 2022 and 39.1% of the new loans we enabled in 2023. Maintaining stable and long-term relationships with banks is an important factor in sustainable funding.

Trusts

Under the trust model, a third-party trust company sets up a trust plan to which investors contribute funds through three major funding sources. There are: (i) retail funding directed by private banks, (ii) institutional funding from banks, securities and insurance companies, and (iii) funding from open market issuance. We provide loan enablement services for borrowers and enable borrowers to obtain loans from trusts. We perform credit assessments and match borrowers to the trust plans.

We partnered with six trust companies in each of 2021, 2022 and 2023. Trusts funded approximately 32.2% of the new loans we enabled in 2021, 31.7% of the new loans we enabled in 2022 and 26.6% of the new loans we enabled in 2023. The loans funded by consolidated trusts appear on our balance sheet, and those funded by unconsolidated trusts do not. See “Item 5. Operating and Financial Review and Prospects—A. Operating Results—On- and Off-Balance Sheet Treatment of Loans and Risk Exposure.”

Our Licensed Consumer Finance Subsidiary

Our licensed consumer finance subsidiary, Ping An Consumer Finance Co., Ltd., enabled 3.9%, 11.8% and 34.2% of the volume of new loans we enabled in 2021, 2022 and 2023, respectively.

In the fourth quarter of 2023, we successfully completed the transformation of our business to a 100% guarantee business model, under which our licensed financing guarantee subsidiary now provides a guarantee for each new loan transaction without the use of third-party credit enhancement.

Credit Analytics

Our credit analytics include anti-fraud assessment and credit assessment. These are supported by both financial and behavioral data and managed by our risk management department. In addition to meeting the basic requirements on nationality, age, residency and the availability of credit and other history, a borrower must pass both our anti-fraud and credit assessments before we will refer them to funding partners for a potential loan.

Once a loan application passes our credit assessment process, then we will refer the loan to a funding partner for it to conduct an independent evaluation of the loan application. We only match borrowers who we believe meet our partners' lending criteria, and our partners independently review all of the application information before making a lending decision. Loans are disbursed by the funding partner directly to the borrower.

The credit approval time for loans we enable can be as fast as 45 minutes for general unsecured loans or 96 minutes for secured loans in 2023, and funding is generally available on the same day.

Data

Our credit assessment is built upon a variety of our own and third-party data, under proper authorization and within lawful ranges, including the data of the Credit Reference Center of the People's Bank of China, data publicly available from other governmental institutions, and a variety of consumption, social or other behavioral data. We have cumulatively analyzed over 18 years of through-cycle credit data from approximately 6.9 million unique individual applicants as of December 31, 2023. Our proprietary and third-party data includes both know-your-customer or KYC personal financial information and know-your-business or KYB business information for loans to small business owners. All data are accessed and used only with the customer's consent.

Out of over 7,500 predictive variables per borrower, we applied machine learning algorithms and regression analysis to select around 1,900 of the most relevant variables to build our anti-fraud models and around 1,600 of the most relevant variables to build our loan decision models as of December 31, 2023.

For loans with larger ticket sizes, our experience shows that both ability to repay and willingness to repay are important in the credit underwriting process. Behavioral data are nearly as useful as credit and financial data in anti-fraud assessment, as they can be helpful in evaluating a borrower's willingness to repay. However, credit and financial data are substantially more predictive of creditworthiness as they can help evaluate a borrower's ability to repay. As of December 31, 2023, credit and financial data comprise approximately 64% of the variables of our anti-fraud assessment and 88% of the variables of our credit assessment, while behavioral data make up the remaining 36% of the variables for our anti-fraud assessment and 12% of the variables of our credit assessment.

Anti-fraud Assessment

Our anti-fraud assessment checks for identity fraud, against negative records and for organized fraud. We verify the borrower's identity by crosschecking against the National Citizen Identity Information Center's ID database using facial recognition technology. We also verify the borrower's identity using phone number and bank card verifications. By cross checking within and across data sources, we ensure that the borrower is who he or she claims to be and that the same borrower is completing the application from beginning to end.

Next we check each borrower against blacklists and negative records, including lists that we have built up through our own operations, from third-party sources and from publicized fraud attempts. We also further check if the borrower uses technology to provide falsified information, such as false location information using VPNs or IP address proxies.

Furthermore, we use our social network model built upon graphic computation and machine learning algorithms to identify and screen out organized fraud attempts. We have an extensive database of location and IP data to support our social network model. We check the borrower's key information using our fraud detection model, which contains over 1,000 expert rules.

Credit Assessment

Borrowers who pass our anti-fraud assessment process move onto our credit assessment process. Our credit assessment process has been made as convenient as possible for potential borrowers through the application of automatic speech recognition, optical character recognition and natural language processing. The approval process for general unsecured loans can be as fast as 45 minutes, entirely through one screen interaction, with minimal text input.

We have three key models for credit assessment: an application score model, a risk-based pricing model and a loan sizing model.

The application score model generates a score for each borrower, based on which we determine the borrower's eligibility for a given loan. Our acceptance criteria and assessment processes vary depending on the borrower risk rating, which may vary from R1 to R6 on our rating system. In 2023, we gave AI-assisted live interviews or purely AI interviews to 92.1% of borrowers of general unsecured loans, and the other 7.9% of borrowers of general unsecured loans had the interview waived because nothing in their data required further clarification. Borrowers of secured loans, who have extensive personal interaction with our direct sales team or our channel partners, are all given live interviews.

When we give a live interview, our credit approval team interviews borrowers using web conferencing tools. During interviews, we use facial and voice recognition to identify borrowers and micro facial expression and speech emotion analytics to analyze borrowers' emotional reactions to assist in assessing the trustworthiness of the borrowers. Other than live interviews, our credit assessment process is entirely automated, which helps us to achieve a unified and data-driven decision process with strong predictive power.

After being screened by the application score model, the borrower will be further assessed by our risk-based pricing and loan sizing models. In our risk-based pricing model, we consider the borrower's risk rating and debt to income ratio and the value of the borrower's assets to determine the appropriate risk-based pricing. After taking into account the borrower's risk rating and debt to income ratio and the value of the borrower's assets, the borrower can only qualify for a loan if the assigned pricing does not exceed the maximum permitted APR. Our loan sizing model is primarily based on the borrower's credit and financial information, which we access with due authorization, such as other loan or credit card repayment records, insurance repayment records, car value, social insurance records and indebtedness information. Every loan applicant must authorize us to check their data through the Credit Reference Center of the People's Bank of China, and these checks form a routine part of our credit assessment process. The data includes information on outstanding loans funded by licensed financial institutions in China such as banks, trusts, consumer finance companies and financing leasing companies. Our sizing model for secured loans further takes into consideration the value of the pledged collateral, which we determine in an efficient and expeditious manner with help from online valuers. Since we specialize in large ticket size loans, a borrower only qualifies for a general unsecured or secured loan if they meet the minimum creditworthiness threshold of at least RMB10,000.

For small business owners, know your business or KYB is an additional element of our credit assessment process. We analyze data relating to the borrower's business including its corporate credit rating, if any, its VAT, point-of-sale and UnionPay records, its utility bills, and any insurance, memberships in industry organizations or other pertinent information. We believe that it is essential to combine both KYC and KYB data for small business owners to accurately assess their creditworthiness.

Loan Servicing and Collection Services

Our loan servicing and collection services enable our institutional partners to concentrate on their core businesses while we manage troubled assets for them. We have accumulated 18 years of through-cycle proprietary data based on our offline-to-online business model that informs our collection efforts.

We utilize an online system for efficient and effective post-loan management and loan collection. Powered by AI servicing, intelligent loan collection algorithm and App smart robots, we have created a 24/7 operational command dashboard for our loan collection system which has increased the stability, speed, and efficiency of our post-loan process. Data from post-loan monitoring and collection efforts is constantly fed back into customer selection and credit approval algorithms to make sure our models are continuously refined to further improve outcomes. Deployment of AI collectors and segmentation algorithms for collection has enhanced our ability to identify fraud and high-risk borrowers, while being able to enhance product pricing, improve underwriting results and lift loan collection efficiency.

Our post-loan servicing model is based on credit scores to triage delinquencies. We check the loan records of our existing borrowers through the Credit Reference Center of the People's Bank of China with their authorization on a regular basis so as to monitor their liability status and we use customer segmentation modeling to divide borrowers into low, medium and high risk. We also provide a repayment reminder service to our borrowers, including text message reminders for low-risk borrowers and AI-enabled contact for medium- and high-risk borrowers. In 2023, we carried out 51% of our repayment reminders through messages and the remainder through AI-enabled phone calls.

If borrowers fail to repay on time, our collection process will be initiated. Borrowers whose loans are overdue by one day are contacted by AI, and all other borrowers with overdue loans are contacted by a live collection agent. The relatively large average ticket size of the loans that we enable makes it more cost-efficient for us to escalate the collection process for delinquent loans, as compared to platforms that primarily enable small consumer loans.

Our collection professionals cannot access the mobile phone numbers of our borrowers and can only contact them through our systems. All contact with customers is recorded and retained for use in resolving disputes and ensuring that our collection team is fully in compliance with applicable laws and rules at all times. Data we accumulate in the collection process gets fed back into our credit assessment process in a closed loop. The average outstanding loan balance per post-loan servicing employee per year was RMB65.5 million, RMB60.4 million and RMB49.7 million (US$7.0 million) in 2021, 2022 and 2023, respectively.

In line with common industry practice, we use third-party collection agencies to collect loans that are delinquent for more than 80 days. We regularly evaluate our agency partner companies based on their performance, service quality, experience in the industry and compliance with laws and regulations.

In addition to the collection efforts described above, we have an additional foreclosure procedure for our secured loans. Acting on behalf of the credit enhancement providers and our financing guarantee subsidiary, we first repossess the collateral using our local collection team, supported by third-party local collection agencies as necessary. We then assess the condition of the residential property, obtain third-party appraisal reports of its value and initiate the process to foreclose on the residential property. Upon foreclosure, we dispose of residential property via auction or consignment and use the proceeds to minimize or mitigate losses for the credit enhancement provider and our financing guarantee subsidiary.

Credit Risk Management

Credit risk is the risk that the borrowers of our loans default and do not repay, including due to a lack of intention to repay or a lack of ability to repay. Credit risk is borne by one or more of the funding partner, the credit enhancement provider and our own licensed financing guarantee subsidiary, in different combinations and different proportions depending on the loan. As of December 31, 2023, 58.2% of financing guarantees for the outstanding balance of loans enabled by us were provided by third-party credit enhancement providers. Under our 100% guarantee business model, our licensed financing guarantee subsidiary now provides a guarantee for each new loan transaction without the use of third-party credit enhancement. The ability to manage credit risk is thus of key importance in our business. We manage credit risk through anti-fraud assessment, credit assessment and loan servicing and collections.

For the general unsecured loans we enable, we rank qualified borrowers on a scale of one to six, where R1 is the highest quality (lowest risk) and R6 is the lowest quality (highest risk). The risk level is determined based on two primary considerations. The first is credit risk score, modeled using statistical techniques and based on the records of the Credit Reference Center of the People's Bank of China and the borrower's prior records such as repayment, delinquency and application histories. The other consideration takes into account the customer's assets, such as residential property, vehicle and insurance policies. Borrowers with higher credit risk scores and better assets will be assigned a lower risk level.

As mentioned previously, we have been concentrating our efforts on borrowers at the higher end of our R1 to R6 ranking of creditworthiness. Risk rating is a dynamic process which reflects our risk appetite and acceptance from time to time, and we have been focusing our efforts on serving high quality customers.

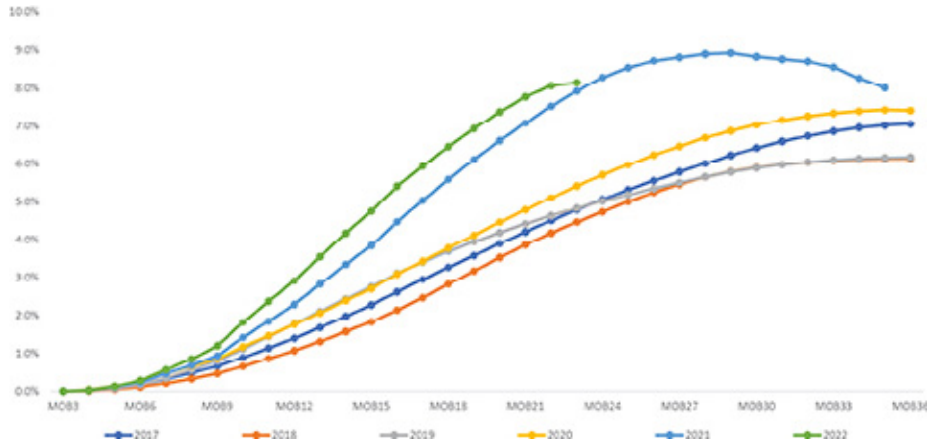
The following table shows the DPD 30+ delinquency rates for general unsecured loans and secured loans as of December 31, 2021, 2022 and 2023.

	As of December 31,		
DPD 30+ Delinquency Rates by Type of Loan	**2021**	**2022**	**2023**
General unsecured loans	2.6	5.2	7.7
Secured loans	0.8	2.6	4.4
Total	**2.2**	**4.6**	**6.9**

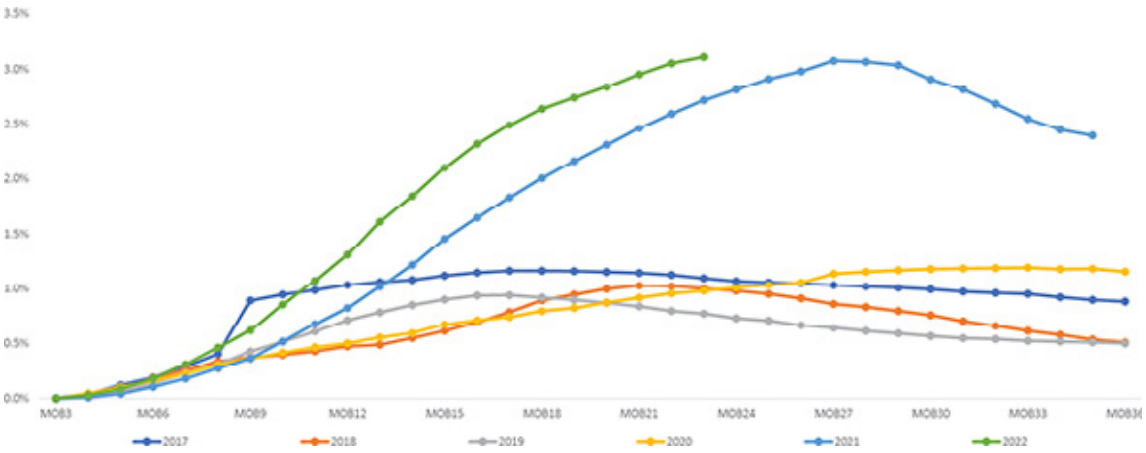
The core indicator for credit quality monitored by our management is DPD 90+. The following table presents the DPD 90+ delinquency rates for general unsecured loans and secured loans as of December 31, 2021, 2022 and 2023. We define the DPD 90+ delinquency rate as the outstanding balance of loans for which any payment is 90 to 179 calendar days past due, divided by the outstanding balance of loans. This table reflects all the loans we enable on a whole portfolio basis, not just the loans that are consolidated on our balance sheet. In addition, when a loan becomes 80 days past due and the funding provider is reimbursed by a credit enhancement provider, we still treat the loan as overdue for purposes of the DPD 90+ calculation, since the loan has not been repaid by the borrower. The credit enhancement provider acquires the creditor rights after reimbursing the funding provider and we continue to provide post-loan services to the credit enhancement provider.

	As of December 31,		
DPD 90+ Delinquency Rates by Type of Loan	**2021**	**2022**	**2023**
General unsecured loans	1.5	3.0	4.6
Secured loans	0.4	1.2	2.6
Total	**1.2**	**2.6**	**4.1**

The following chart shows the DPD 90+ delinquency rates by vintage as of December 31, 2023, on general unsecured loans that we have enabled. DPD 90+ delinquency rates by vintage is defined as the total balance of outstanding principal of a vintage for which any payment is over 90 calendar days past due as of a particular date (adjusted to reflect total amount of recovered past due payments for principal and without taking into account charge-offs), divided by the total initial principal in such vintage. Months on book, or MOB, is the number of complete calendar months that have elapsed since the calendar month in which the loan was originated, measured at the end of each calendar month.

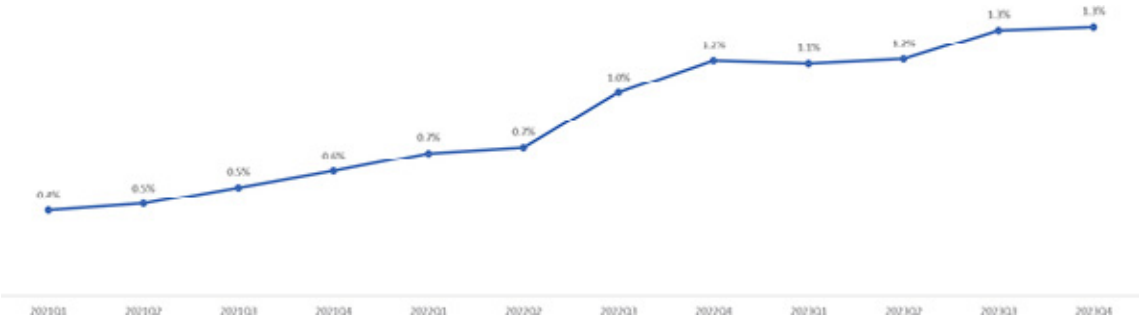


The following chart shows the DPD 90+ delinquency rates by vintage as of December 31, 2023 on secured loans that we have enabled.

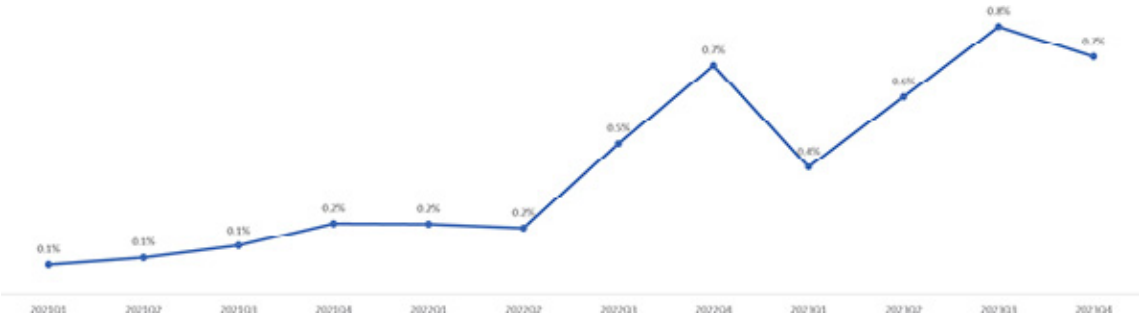


Flow rate is a forward-looking indicator that estimates the percentage of current loans that will become non-performing at the end of three months, and is defined as the product of (i) the loan balance that is overdue from 1 to 29 days as a percentage of the total current loan balance of the previous month, (ii) the loan balance that is overdue from 30 to 59 days as a percentage of the loan balance that was overdue from 1 to 29 days in the previous month, and (iii) the loan balance that is overdue from 60 to 89 days as a percentage of the loan balance that was overdue from 30 days to 59 days in the previous month.

The following chart shows the flow rates in 2021, 2022 and 2023 for the general unsecured loans we have enabled.



The following chart shows the flow rates in 2021, 2022 and 2023 for the secured loans we have enabled.



Our consumer finance subsidiary operates separately from our core retail credit and enablement business in many respects and has its own independent credit risk management personnel. As a licensed and regulated entity in the PRC, it must follow certain procedures and track certain metrics in order to ensure its compliance with regulatory requirements. As part of credit risk management for our consumer finance business, we conduct an online verification on customer identity and an anti-fraud assessment for each prospective borrower and determine the credit quota through our automated decisioning engine. Upon applying for drawdown, selected customers would enter into phone interviews with our credit assessment staff, and the drawdown would be disbursed after approval. We rely on a combination of text messages, AI and human agents in our collection process for consumer finance loans. We use texts and AI primarily for reminders and for payments that are not long overdue, and outsource collection efforts for longer overdue loans.

Our Credit Enhancement Providers

Although we completed the transformation of our business to a 100% guarantee business model in the fourth quarter of 2023, under which our licensed financing guarantee subsidiary provides a guarantee for each new loan without third-party credit enhancement, the majority of financing guarantees for the outstanding balance of loans we enabled were still provided by third-party credit enhancement providers as of December 31, 2023.

Our credit enhancement providers include credit insurance companies and guarantee companies. We worked with seven credit insurance companies in 2023. We enabled them to extend credit enhancement for loans whose borrowers met their desired risk profile. Credit enhancement providers benefit from the same customer referral, risk analytics and loan servicing and collection services as our funding partners. The proportion of the outstanding balance of loans we enabled under the Puhui brand that was insured or guaranteed by third parties was 78.9%, 76.1% and 64.2% of the outstanding balance as of December 31, 2021, 2022 and 2023, respectively.

Ping An P&C provided credit enhancement on standard commercial arm's-length terms for loans we enabled. Ping An P&C had provided credit enhancement on 52.5% of the outstanding balance of loans we had enabled under our Puhui brand as of December 31, 2023. For loans enabled by us and insured by Ping An P&C, we entered into agreements with terms of three years with Ping An P&C and each of the funding partners. These third-party credit enhancement providers provide credit guarantee insurance or guarantees on the loans we enabled and will repay the lenders if a loan becomes sufficiently delinquent. We are not aware of any instance where our credit enhancement providers have ever failed to fulfill their insurance or guarantee obligations. Our credit enhancement providers conducted their own evaluation of each borrower to determine whether they would provide insurance or guarantees while we helped our partners collect the necessary information.

All of our credit enhancement providers are regulated and inspected by the Chinese authorities and subject to detailed statutory and regulatory requirements. Insurance companies are regulated and inspected by the China Banking and Insurance Regulatory Commission. Pursuant to the regulations and rules regarding insurance companies issued by the China Banking and Insurance Regulatory Commission, the minimum registered capital of an insurance company is no less than RMB200 million and must be fully paid up in cash. For insurance companies engaged in credit guarantee insurance, the core solvency adequacy ratio at the end of the last two quarters must be no less than 75%, and the comprehensive solvency adequacy ratio must be no less than 150%. We engaged in a strict assessment process in selecting our credit enhancement providers. We assessed whether an insurer had a license from the China Banking and Insurance Regulatory Commission to provide credit insurance on three-year retail credit, whether it was able to meet the China Banking and Insurance Regulatory Commission's stringent requirements for solvency ratios, concentration risks, leverage ratios, and liquidity stress tests under the Measures for Regulating the Credit Insurance and Guaranty Insurance issued by the China Banking and Insurance Regulatory Commission in May 2020, and whether it had the relevant experience, track record, and reputation within the industry. Our insurers were required to publicly file their quarterly solvency reports with the China Banking and Insurance Regulatory Commission, and we reviewed their public filings to verify that they remained in compliance with the requirements. Financing guarantee companies are regulated and inspected by the financial authorities of the local provincial or municipal government. Pursuant to the regulations and rules regarding financing guarantee companies, the minimum registered capital of a financing guarantee company is not less than RMB20 million and must be fully paid up in currency, and net assets must be no less than one-fifteenth of their total outstanding guaranteed amount.

We have established a highly automated claims process with our funding partners and credit enhancement providers. Once a loan becomes delinquent for 80 days, a notice of claim will be automatically sent to the third-party credit enhancement provider, if the third-party credit enhancement is involved. Normally this payment occurs without our participation and the timing of it does not affect our cash flow or cash position.

The table below shows the amount of claims submitted to credit enhancement providers for the loans consolidated on our balance sheet and the amount of claims reimbursed during each period. The discrepancies in amounts submitted and amounts reimbursed are mainly due to timing differences. When we submit a claim, the credit enhancement provider will typically complete its review and make the payment to the funding partner within one business day.

	For the Year Ended December 31,		
	2021	2022	2023
	(RMB in millions)		
Amount of claims submitted	5,084	12,490	13,786
Amount of claims reimbursed	5,084	12,490	13,788

Other Services

We used to enable a variety of financial institutions including banks, trust companies, mutual fund companies, private investment fund management companies, asset management companies, securities companies and insurance companies to access investors for wealth management products. The wealth management products we enabled included asset management plans, mutual fund products, private investment fund products and trust products, among others. In 2023, we gradually ceased to enable new wealth management products, and we are currently maintaining the existing wealth management products until maturity.

Our Technology

Our proprietary end-to-end system enables us to strengthen our product sourcing and enablement capabilities, streamline our loan enablement process, improve customer experience and achieve economies of scale and operational efficiency. Designed for scalability and flexibility, our end-to-end system handles massive volumes of data required to evaluate a large number of customers, product providers and products profiles, enable loan transactions, enable products that meet the needs of investors, and monitor fund transfers, and repayment activities. For example, we deploy biometric identification, natural language processing, and optical character recognition to eliminate some of the more onerous loan application procedures and simplify the process for borrowers to provide loan documentation.

Many of the advanced technologies that we use, such as facial and voice recognition technology for verifying customer identities, AI and machine learning algorithms, and the application of blockchain to suitability management, have been licensed from Ping An Group, Ping An Technology and OneConnect. We train these technologies using our own data and business scenarios to create our own proprietary applied technologies unique to our own business.

Artificial Intelligence

Faster processor speeds, lower hardware costs, increasing sophisticated algorithms and the accumulation of high quality data have enabled us to adopt AI in more and more fields across our business. AI has helped us to reduce costs by increasing productivity and making decisions based on information that is too complex for a human to process. Our technology possesses leading artificial neural networks and by processing more examples from our over 18 years of through-cycle proprietary data, our neural network system evolves better and better over time. As a result we developed a deep learning model that could enable algorithms to powerfully analyze unstructured data for faster and cheaper credit scoring and quality loan assessments, precise marketing, custom-built intelligent customer service bots, pioneering regulatory compliance and various other business areas. Intelligent algorithms are able to spot anomalies and fraudulent information in a matter of seconds. The more we apply AI the more new use cases we find for it.

One of the key technologies here is natural language processing, which improves decision-making by analyzing large volumes of text and identifying key considerations affecting actions. For example, an ongoing AI-powered dialog in our underwriting process leads to a more comprehensive understanding of the applicant. Using an algorithmic approach, we apply data analysis to provide credit scores for individuals with “thin” credit files, using alternative data sources to review loan applications. Leveraging such technologies allows for faster and cheaper credit scoring and ultimately makes quality loan assessments accessible to a larger number of people.

Another AI use case is our custom-built intelligent customer service bots and systems, used to streamline large parts of tedious customer service process. These automatically follow up on customer application break-points and rout the applicant to the right department within our company.

In 2020, we also introduced pioneering regulatory technology which focuses on making regulatory compliance more efficient and native to our core processes. The system uses natural language processing to cope with new regulations. To comply with these regulations, we apply AI-powered data analysis to build integrated risk and reporting systems. AI helps tackle regulatory quality issues, increasing the value of data to the authorities.

Data Science

Data technology is extensively used in the entire aspects of our operations, including KYC, KYP, anti-fraud and credit assessment, targeted marketing, product design and customer experience. We have invested significant resources in building up a petabyte-scale data platform, which covers a wide range of information pertinent to a customer's profile and creditworthiness from a holistic perspective, particularly financial data that are more indicative of our customer's financial strength and creditworthiness. We have accumulated over 18 years of through-cycle credit data, supplemented by Ping An ecosystem analytics and insights and access to enterprise data through external data providers, and our data-mining capabilities enable us to convert the originally unstructured data into structured data using deep learning and artificial intelligence techniques.

For example, through the application of deep learning and big data analytics, we utilize portfolio investment tools that construct tailored investment portfolio options that match investors' risk appetites and can achieve higher investment return through diversification and automated investments. Based on our platform investors' investment behavior data, we also enable the offering of personalized investment products and services using automated algorithms and analytics, which significantly improve the conversion rate of our marketing activities. In addition, our data-driven anti-fraud model enable us to identify and screen out organized fraud attempts through graphic computation and machine learning algorithms. Furthermore, we have developed an AI-driven customer services information message system, which allows us to migrate our customer services from traditional telephone model to online interactive model and answer our customers' questions by machine, improving our operational efficiencies and customer experiences.

Blockchain

Blockchain is an open, distributed ledger that stores transaction data in a verifiable and immutable way, enabling parties to conduct business with each other on a single, unified system. We use our blockchain technology, built using the Ping An ecosystem's FiMAX architecture, to accomplish suitability management and transparent disclosure as well as to record interactions with our platform investors to ensure full traceability in case of complaints or disputes. The FiMAX architecture supports enterprise-grade blockchain development in addressing the challenges that arise using different parties' encrypted data in ways that maintain the integrity of each user's encryption. Combining FiMAX's patented crypto-controlled data-sharing algorithm and per-field encryption technologies, we believe that FiMAX is one of the first technology platforms in the industry to achieve data connectivity while retaining various users' data encryption—features that are critical for real life applications in the financial services industry.

Stable and Scalable Cloud-based Infrastructure

Our platform is built on cloud-native infrastructure supplied by Ping An Cloud. Ping An Cloud provides us with computing services, storage, server and bandwidth. We maintain redundancy through a real-time multi-layer data backup system to ensure the reliability of our network. Cloud-native flexibility enables us to deliver financial services with fast and seamless digital experience.

We have adopted modular architecture that consists of multiple connected components, each of which can be separately upgraded and replaced without compromising the functioning of other components. This advanced architecture gives us increased flexibility in adding or removing modules, and it speeds up the deployment of new capabilities, features and functionalities.

Our technology has built-in software and hardware redundancy. We make use of distributed computing architecture so that a single point of failure does not cause the entire system to fail. Combined with our modular architecture, this makes our platform both highly stable and easily scalable.

Research and Development

Since our inception, we have cultivated a culture of innovation and invested significantly in technology. We have a team of over 500 engineers and data analysts who have extensive working experience in China's internet and financial institution industries. Benefiting from the diversified background and expertise of our technology team, we have built our system infrastructure, which is reputable in both the internet and financial institutions industries.

Multilevel Security

We are committed to maintaining a secure online platform, as data protection and privacy are critical to our business. We have developed our proprietary security system, covering entire aspects of our operation and use a variety of techniques to protect our customer's data. We rely on multiple layers of network segregation using firewalls to protect against attacks or unauthorized access. We also employ proprietary technologies to protect our users. For example, if we suspect that a user's account or a transaction may have been compromised, we may use micro expression, facial recognition or voice recognition to validate that the person accessing the account or authorizing the transaction is the actual account holder. We also use automated data tiering technology to store our users' data to ensure safety and for any transmission of sensitive user information, we use data encryption to ensure confidentiality. Our security system has been certified by ISO27001 standard and PRC national level III security protection standard.

Intellectual Property

We strongly emphasize the establishment, application, administration and protection of intellectual property rights. Through research, development and application in our ordinary course of business, we have obtained various intellectual property rights, including for our Ping An Puhui mobile app and for our *Lu.com* domain name, which offer enormous value to our businesses.

We regard our patents, copyrights, trademarks, domain names, know-how, proprietary technologies and similar intellectual property as critical to our success, and we rely on patent, copyright, trademark, and trade secret law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. As of December 31, 2023, we had registered 661 patents and 286 software copyrights and art work copyrights in the PRC and other jurisdictions. We had 32 registered domain names and 1,068 registered trademarks in the PRC and other jurisdictions as of the same date.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology. Monitoring unauthorized use of our technology is difficult and costly, and we cannot be certain that the steps we have taken will prevent misappropriation of our technology. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources.

In addition, third parties may initiate litigation against us alleging infringement of their proprietary rights or declaring their non-infringement of our intellectual property rights. In the event of a successful claim of infringement and our failure or inability to develop non-infringing technology or license the infringed or similar technology on a timely basis, our business could be harmed. Moreover, even if we are able to license the infringed or similar technology, license fees could be substantial and may adversely affect our results of operations.

We are not aware of any material intellectual property right infringement claims or litigation initiated by others against us, nor do we have any such claims or litigation outstanding against others. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry —We may not be able to prevent others from making unauthorized use of our intellectual property, which could harm our business and competitive position" and "—We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations."

Seasonality

Our overall operating results fluctuate from quarter to quarter as a result of a variety of factors, including seasonal factors and economic cycles that influence our operations. For example, our operational performance tends to be weaker in the last quarter of each year, primarily attributable to shorter operating hours due to public holidays and year-end evaluation activities. Also, we typically experience higher expenses in the last quarter of each year due to settlements of annual costs with third-party service providers. However, seasonality generally does not have a major effect on our financial results.

Competition

We compete primarily with non-traditional financial service providers such as MYbank, WeBank, Du Xiaoman Financial and JD Technology, and with traditional financial institutions, such as traditional banks, which are focused on retail and SMB lending.

Many non-traditional financial service providers trace their origins back to services offered by a technology company, so they tend to compete with us in segments of the market that are more amenable to purely technological solutions and do not necessarily require strong financial expertise. Banks may compete with us as lenders or cooperate with us as funding partners. The PRC government is encouraging banks to increase their lending to the small business sector, which may cause them to pay more attention to the kinds of borrowers that we target than they have in the past. In addition, decreases in the maximum APR that can be charged to borrowers and our own increasing focus on high-quality borrowers to maintain credit quality may also cause our target borrowers to overlap more with those that banks have targeted in the past.

Some of our larger competitors have significant financial resources to support heavy spending on sales and marketing and to provide more services to customers. We believe that our ability to compete effectively for borrowers and investors depends on many factors, including the variety of our products, quality of our user experience, effectiveness of our risk management, our partnership with third parties, our marketing and selling efforts and the strength and reputation of our brand.

Furthermore, as our business continues to grow rapidly, we face significant competition for highly skilled personnel. The success of our growth strategy depends in part on our ability to retain existing personnel and add additional highly skilled employees.

Insurance

We maintain major insurance coverage for areas such as office buildings and facilities, equipment and materials, and losses due to fire, flood and other natural disasters. We believe our insurance coverage is adequate and in line with the commercial practice of industries we operate.

While a significant portion of our loan products carry credit guarantee insurance provided by third parties, the insurance premiums are paid by the borrower as part of the cost of the loan, and we are not obligated to pay any of the premiums.

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by the 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 coverage of, our insurance policies. For details of risks relating to our insurance coverage, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We have limited insurance coverage, which could expose us to significant costs and business disruption.”

Regulation

We operate in an increasingly complex legal and regulatory environment. We are subject to a variety of PRC and foreign laws, rules and regulations across numerous aspects of our business. This section sets forth a summary of the principal PRC laws, judicial interpretations, rules and regulations relevant to our business and operations in the PRC.

Regulations Relating to Foreign Investment

The establishment, operation and management of corporate entities in the PRC, including foreign-invested companies, are subject to the Company Law, which was issued by the Standing Committee of the National People's Congress and was last amended on December 29, 2023. Unless otherwise provided in the PRC's foreign investment laws, the provisions of the Company Law shall prevail.

Investments in the PRC by foreign investors and foreign-invested enterprises are regulated by the Catalog of Industries in which Foreign Investment is Encouraged (2022 edition) and the Special Administrative Measures for Foreign Investment Access (Negative List 2021), which we refer to as the 2021 Negative List. The establishment of wholly foreign-owned enterprises is generally allowed in industries not included in the 2021 Negative List. Industries not listed in the 2021 Negative List are generally open to foreign investments unless specifically restricted by other applicable Chinese regulations. Under the 2021 Negative List, foreign equity in companies providing value-added telecommunications services, excluding e-commerce, domestic multi-party communications, data collection and transmission services, and call centers, should not exceed 50%.

The establishment procedures, filing and approval procedures, registered capital requirements, foreign exchange restrictions, accounting practices, taxation, and labor matters of a wholly foreign-owned enterprise are governed by the Foreign Investment Law, which took effect on January 1, 2020. It replaced most laws and regulations previously governing foreign investment in the PRC. The Company Law and the Partnership Enterprise Law of the PRC generally govern the organization of a foreign invested enterprise.

The Foreign Investment Law mainly stipulates four forms of foreign investments: (a) a foreign investor, individually or collectively with other investors, establishes a foreign-invested enterprise within the PRC; (b) a foreign investor acquires stock shares, equity shares, interests in assets, or other like rights and interests of an enterprise within the PRC; (c) a foreign investor, individually or collectively with other investors, invests in a new project within the PRC; and (d) foreign investors invest in the PRC through any other methods under laws, administrative regulations, or provisions prescribed by the State Council. It does not mention the concept and regulatory regime of consolidated affiliated entities structures and uncertainties still exist with regards to its interpretation and implementation.

Under the Foreign Investment Law, foreign investment is accorded pre-admission national treatment, which means that treatment given to foreign investors and their investments shall not be less favorable than those given to domestic investors and their investments, except where a foreign investment falls under the 2021 Negative List. It also provides several protective rules and principles for foreign investors and their investments in the PRC, including foreign investors' funds being freely transferred out and into the territory of the PRC through the entire life cycle from the entry to the exit of foreign investment, a comprehensive system to guarantee fair competition among foreign-invested enterprises and domestic enterprises to be established, and prohibition of the state to expropriate any foreign investment except under special circumstances.

In addition, the Foreign Investment Law subjects foreign investors and foreign-invested enterprises to legal liabilities for failing to report their investment information in accordance with the requirements of an information reporting system to be established. It also provides that foreign invested enterprises established according to the previous laws regulating foreign investment before the Foreign Investment Law came into effect may maintain their structure and corporate governance within five years after the implementation of the Foreign Investment Law. This means that foreign invested enterprises may be required to adjust their structure and corporate governance in accordance with the PRC Company Law and other laws and regulations governing the corporate governance.

On December 26, 2019, the State Council promulgated the Implementation Regulations for the Foreign Investment Law, effective January 1, 2020. The Implementation Regulations for the Foreign Investment Law emphasizes the promotion of foreign investment, refined specific measures, and also replaced various previous laws and regulations. On December 26, 2019, the Supreme People's Court issued an Interpretation on Several Issues Concerning the Application of the Foreign Investment law of the PRC, which also came into effect on January 1, 2020. The interpretation applies to any contractual dispute arising from the acquisition of rights and interests by a foreign investor through gift, division of property, merger of enterprises, division of enterprises, etc. On December 30, 2019, the Ministry of Commerce and the State Administration for Market Regulation jointly issued the Measures on Reporting of Foreign Investment Information, which replaced the existing filing and approval procedures regarding the establishment and change of foreign-invested companies. On December 31, 2019, the Ministry of Commerce issued the Announcement on Matters Relating to Foreign Investment Information Reporting which emphasized the information reporting requirements provided by the Measures on Reporting of Foreign Investment Information, and stipulated the forms for information reporting.

On December 19, 2020, the National Development and Reform Commission and the Ministry of Commerce jointly issued the Measures for the Security Review of Foreign Investment, effective January 18, 2021. The measures stipulate rules for foreign investment that is subject to security review. According to the measures, procedures will be established for organizing, coordinating, and guiding the security review of foreign investments, and the office in charge of the security review will be set up under the National Development and Reform Commission, and led by the National Development and Reform Commission and the Ministry of Commerce. Furthermore, the measures provide that if foreign investors or relevant parties in China intend to invest in crucial information technology and internet products and services, in crucial financial services or in other crucial fields which relate to national security, and to obtain the actual control over the enterprises they invested in, they shall apply to the office in advance for a security review.

Regulations Relating to Value-Added Telecommunication Services

The Telecommunications Regulations of the PRC, which were issued by the State Council in 2000 and last amended on February 6, 2016, provide the general framework for the provision of telecommunication services by PRC companies. It requires a telecommunication service provider in China to obtain an operating license from the Ministry of Industry and Information Technology or its provincial branch prior to commencement of operations.

The Telecommunications Regulations of the PRC categorize telecommunication services in China as either basic telecommunications services or value-added telecommunications services. According to the Classification Catalog of Telecommunications Business, attached to the Telecommunications Regulations and issued by the Ministry of Industry and Information Technology in 2015 and last amended on June 6, 2019, online data processing, transaction processing and information services provided via fixed network, mobile network and internet are value-added telecommunication services.

On July 3, 2017, the Ministry of Industry and Information Technology issued the Administrative Measures for Telecommunications Business Operating Permit, which took effect on September 1, 2017. The measures set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining the licenses and the administration and supervision of these licenses. Operators are required to submit an application within the prescribed period to the original permit-issuing authority with respect to changes in the business scope or the operating entity resulting from shareholder changes or the merger and division of the company as prescribed under regulations.

Regulations on Foreign Investment in Value-added Telecommunications

Foreign direct investment in telecommunications companies in China is governed by the Administrative Rules on Foreign-invested Telecommunications Enterprises, which were issued by the State Council in 2001. It provides that a foreign investor's beneficial equity ownership in an entity providing value-added telecommunications services in China shall not exceed 50%. However, the 2021 Negative List provides that foreign investors may hold 100% equity interest in e-commerce, domestic multi-party communications, data collection and transmission services and call centers. Further, on March 29, 2022, the State Council issued the Decision of the State Council to Amend and Repeal Certain Administrative Regulations, effective May 1, 2022, which amended the Administrative Rules on Foreign-invested Telecommunications Enterprises issued in 2001. According to the currently effective rules, foreign investors who are involved in a business providing value-added telecommunications will be no longer subject to the requirement to demonstrate a good track record and experience in providing the services. In addition, the amended rules simplify the application process for telecommunication business operation permits and shorten the review period.

The Ministry of Industry and Information Technology's Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business, issued on July 13, 2006, requires foreign investors to set up foreign-invested enterprises and obtain a license for value-added telecommunications services. It prohibits domestic companies holding value-added telecommunications services licenses from leasing, transferring or selling their licenses in any form, or providing any resource, sites or facilities, to any foreign investors intending to conduct this type of business in China. In addition to restricting dealings with foreign investors, it contains a number of detailed requirements applicable to operators of value-added telecommunications services, including that operators or their shareholders must legally own the domain names and trademarks used in their daily operations and each operator must possess the necessary facilities for its approved business operations and maintain its facilities in the regions covered by its license. The Ministry of Industry and Information Technology or its provincial counterpart has the power to require corrective actions after discovering any non-compliance by operators, and where operators fail to take those steps, the Ministry of Industry and Information Technology or its provincial counterpart can revoke the value-added telecommunications services license.

Regulations on Internet Information Services

The Administrative Measures on Internet Information Services, which were issued by the State Council in 2000 and amended on January 8, 2011, set out guidelines on the provision of internet information services. Pursuant to these measures, "internet information services" are defined as services that provide information to online users through the internet. These measures require internet information services operators to obtain an ICP license from the government authorities before engaging in any commercial internet information services operations in China. Internet information services operators operating non-commercial internet information services are required to complete the filing procedures.

In addition, internet information service providers are required to monitor their websites to ensure that they do not contain content prohibited by law or regulation. The PRC government may require corrective actions to address non-compliance by ICP license holders or revoke their ICP license for serious violations. Furthermore, the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services, effective January 1, 2018, requires internet information service providers to register and own the domain names they use in providing internet information services. Each of Shenzhen Lufax Internet Information Service Co., Ltd and Chongqing Financial Assets Exchange Limited, a subsidiary of the consolidated affiliated entities, currently holds a ICP license.

Regulations on Mobile Internet Application Information Services

On June 28, 2016, the Cyberspace Administration of China issued the Administrative Provisions on Mobile Internet Application Information Services, which was amended on June 14, 2022 and became effective on August 1, 2022. The amended provisions clarify the requirements regarding the provision of application information services and application distribution services in China. The amended provisions also outline the requirements for application providers, which include, among other things, (i) verifying user identity information; (ii) obtaining an internet news and information services license or other administrative licenses for information services; and (iii) establishing a mechanism for examining the content of the information. In particular, the amended provisions stipulate the obligations regarding cyber security, data security and personal information protection, emphasizing the necessity for personal information collection and the fact that users shall not be denied the use of the basic function services of certain applications merely on account of their refusal to provide unnecessary personal information. The amended provisions also set out the requirements for application distribution platforms, which include, among other things, (i) filing the required information with the local network information administration authority within 30 days from the time the platform has become operational; and (ii) establishing classification management systems. If the applications violate the amended provisions, laws and regulations, and service agreements, the application distribution platform shall take such measures as giving warnings, suspension of services, removal of the application from the platform, etc. It shall also keep records and report the breach to competent authorities.

Under the Interim Provisions on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals, which took effect on July 1, 2017, the internet information service provider is also required to ensure that an app, as well as its ancillary resource files, configuration files and user data, can be conveniently uninstalled by its users, unless it is a basic function software (i.e., software that supports the normal functioning of hardware and operating system of a mobile smart device).

The Ministry of Industry and Information Technology issued the Notice on the Further Special Rectification of Apps Infringing upon Users' Personal Rights and Interests on July 22, 2020. The notice requires that certain conducts of app service providers should be inspected, including, among other things (i) collecting personal information without the user's consent, collecting or using personal information beyond the necessary scope of providing services, and forcing users to receive advertisements; (ii) requesting user's permission in a compulsory and frequent manner, or frequently launching third-parties apps; and (iii) deceiving and misleading users into downloading apps or providing personal information. The notice also set forth that the period for the regulatory specific inspection on apps and that the Ministry of Industry and Information Technology will order the non-compliant entities to modify their business within five business days, or otherwise to make public announcement to remove the apps from the app stores and impose other administrative penalties.

Regulations Relating to Retail Credit Enablement

Regulations on Loans

The PRC Civil Code, which was adopted effective January 1, 2021, requires that the interest rates charged under a loan agreement must not violate applicable provisions of the PRC laws and regulations. The Civil Code also provides that the interest shall not be deducted from the principal of the loan in advance, and if the interest is deducted from the principal in advance, the loan shall be repaid and the interest shall be calculated based on the actual loan amount.

The Interim Measures for the Administration of Private Loans, which were issued by the China Banking Regulatory Commission on February 12, 2010, provide that lenders shall not issue private loans without specified purposes. In addition, lenders shall only entrust certain part of loan investigation to qualified third-party companies and shall not entrust the whole process of loan investigation to third-party companies.

The Provisions on Several Issues Concerning Laws Applicable to Trials of Private Lending Cases issued by the Supreme People's Court in August 2015, provided that agreements between lenders and borrowers on loans with interest rates no higher than 24% per annum are valid and enforceable. As to the loans with interest rates per annum between 24% (exclusive) and 36% (inclusive), if the interest on the loans has already been paid to the lender, and so long as such payment has not damaged the interest of the state, the community and any third parties, the courts will turn down the borrower's request to demand the return of the excess interest payment. If the annual interest rate of a private loan is higher than 36%, the agreement on the excess part of the interest is invalid, and if the borrower requests the lender to return the part of interest exceeding 36% of the annual interest that has been paid, the courts will support such requests. In addition, on August 4, 2017, the Supreme People's Court issued the Several Opinions on Further Strengthening the Judicial Work in the Finance Sector, which provided that (i) if the total amount of interest, compounded interest, default interest and other fees charged by a lender under a loan contract substantially exceeds the actual loss of such lender, the request by the debtor under such loan contract to reduce or to adjust the part of the aforementioned fees exceeding the amount accrued at an annual rate of 24% will be upheld; and (ii) in the context of peer-to-peer lending disputes, if the online lending information intermediaries and lenders circumvent the statutory limit of the interest rate by charging intermediary fees, such fees shall be deemed invalid.

On July 20, 2020, the Supreme People's Court and the National Development and Reform Commission jointly released the Opinions on Providing Judicial Services and Safeguards for Accelerating the Improvement of the Socialist Market Economic System for the New Era. The opinions set out that if the interest and fees, including compound interest, penalty interest and liquid damages, claimed by one party to the loan contract exceed the upper limit under judicial protection, the claim will not be supported by the court, and if the parties to the loan disguise the financing cost in an attempt to circumvent the upper limit, the rights and obligations of all parties to the loan will be determined by the actual loan relationship.

The Supreme People's Court amended the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases on August 20, 2020, and then again on January 1, 2021. Under these amendments, if the service fees or other fees that we charge are deemed to be loan interest or fees related to loans (inclusive of any default rate and default penalty and any other fee), then in the event that the sum of the annualized interest that lenders charge and fees we and our business partners charge exceed four times the one-year Loan Prime Rate at the time of the establishment of the agreement, the borrower may refuse to pay the portion that exceeds the limit. In that case, PRC courts will not uphold our request to demand the payment of fees that exceed the limit from the borrower. If the borrower has already paid the fees that exceed the limit, the borrower may request that we refund the portion exceeding the limit and the PRC courts may uphold such requests. The aforementioned one-year Loan Prime Rate refers to the one-year loan market quoted interest rate issued by the National Bank Interbank Funding Center. These new limits replace the upper limits on interest rates of 24% and 36% described above. Moreover, if the lender and the borrower agree on both the overdue interest rate and the liquidated damages or other fees, the lender may choose to claim any or all of them, but the portion of the total exceeding the limit shall not be supported by the people's court. The new limits apply to new first-instance cases of private lending disputes accepted by the people's court after August 20, 2020. As to the cases in which the loan contract was established before August 20, 2020, if the lender requests that the court apply the old limits of 24% and 36% for calculating the loan interest accrued from the establishment of the loan contracts up to August 19, 2020, such request will be supported by the court, but the loan interest accrued from August 20, 2020 to the date of the loan repayment shall be calculated by applying the new limit of four times the one-year Loan Prime Rate at the time of the filing of the lawsuit. On December 29, 2020, the Supreme People's Court also issued the Reply Regarding the Scope of Application of the New Private Lending Judicial Interpretation, which provides that the two amendments are not applicable to disputes arising from the financial business of microloan companies, financing guarantee companies, and five other types of local financial organizations which are regulated by local financial authorities.

The Notice on Regulating and Cleaning up the Cash Loan Business, or Circular 141, introduces the regulation guidance on cash loan businesses, including online micro-lending companies, peer-to-peer lending platforms and banking financial institutions. According to Circular 141, activities relating to offerings of cash loans are subject to regulatory inspections and rectifications to prohibit excessive lending and repeated grant of credits to individual borrowers, collection of abnormally high interest rates, and violations against privacy protection. Circular 141 provides further requirements regarding banking financial institution's participation in cash loan businesses, including the qualifications of the third party institutions cooperating with banking financial institutions, each party's responsibilities in the cooperation and the fee charging arrangement. Circular 141 also provides that institutions or third-party agencies shall not conduct loan collection by means of violence, intimidation, insult, defamation, harassment or other illegal methods. In case of violation, the authorities, depending on the severity of the circumstances, may suspend such entity's business, order rectification, reprimand such entity, reject its filing procedures, or terminate its business qualification. In addition, the authorities may order any website or platform operator to suspend its business, if such website or platform operator helped the entity to conduct business in violation of laws or regulations.

The Supreme People's Court, the Supreme People's Procuratorate, the Ministry of Public Security and the Ministry of Justice jointly issued the Notice on Promulgating the Opinions on Several Issues concerning the Handling of Criminal Cases of Illegal Lending on July 23, 2019, which came into effect on October 21, 2019. It clarifies the standards for the determination of whether the illegal lending activity constitutes the crime of illegal business operations. It provides that it will be convicted of the crime of illegal business operations and punished in accordance with Item 4 of Article 225 of the Criminal Law, if it meets all of the following criteria: (i) without the approval of the regulatory authorities or beyond the business scope, for the purpose of making profits, frequently granting loans to non-specific objects of the society which disturbs the order of the financial market, (ii) having been deemed as a "serious circumstance." "Frequently granting loans to non-specific objects of the society" shall refer to lending to non-specific several persons (including entities and individuals) in the name of loans or in any other name for more than 10 times within two years. If the repayment period is extended after the maturity of the loan, the number of times the loan is granted shall be counted as once.

On July 12, 2020, the Interim Measures for the Administration of Online Loans by Commercial Banks came into effect. While they apply to commercial banks and by analogy to consumer finance companies and auto finance companies directly, they also require them to strengthen loan cooperation management, which would affect the institutions cooperating with them to develop internet loan businesses, and their existing business models. Pursuant to these interim measures, commercial banks shall evaluate their cooperation agencies and implement list management. Commercial banks shall not accept direct and disguised credit enhancement services from unqualified cooperation agencies. The interim measures also provide that, except for cooperating institutions that jointly provide loans, commercial banks shall not entrust the cooperating institutions to perform key operations, such as loan issuance, loan principal and interest recovery, and stopping of loan payment. Pursuant to the interim measures, commercial banks shall independently carry out risk assessment and credit approval for the loans they fund, and take primary responsibility for post-loan management. Commercial banks shall not entrust third-party institutions with records of violent collection or other illegal records to collect loans. The China Banking and Insurance Regulatory Commission and its local branches shall evaluate the reports and materials submitted by commercial banks, and key assessment factors include independent control of credit approval procedures, contract signing and other core risk management procedures of commercial banks.

On February 19, 2021, the China Banking and Insurance Regulatory Commission further issued the Notice of Further Regulating Online Loan Business of Commercial Banks, also known as Circular 24, supplementary to the Interim Measures for the Administration of Online Loans by Commercial Banks. Circular 24 reiterates that commercial banks shall independently carry out the risk management of online loans and are forbidden from outsourcing the key procedures of loan management. In addition, Circular 24 provides that, when a commercial bank and its joint lending partner jointly contribute funds to issue online loans, the funding contribution percentage of its joint lending partner shall not be less than 30%, a bank's proprietary loan balance under the joint lending partnership with a single partner should be no higher than 25% of its net tier-1 capital, and its proprietary loan balance under the joint lending partnership with all partners should not exceed 50% of its total outstanding loans. Moreover, regional commercial banks are prohibited from engaging in an online loan business outside the region of their registration, which are known as "cross-regional operations." In addition, under Circular 24, the China Banking and Insurance Regulatory Commission and its local offices shall, under the principle of "one policy for one bank and smooth transition," urge commercial banks to rectify their non-compliant online loan business. The China Banking and Insurance Regulatory Commission and its local offices may, at their discretion, impose more stringent regulatory requirements for the fund contribution percentage of joint lending partners, concentration level of joint-lending partners and total amount limit of online loans under the joint-lending model on the basis of the provisions captioned aforehand under Circular 24. Finally, it is also provided that Circular 24 will also apply by analogy to branches of foreign banks, trusts, consumer finance companies and auto finance companies. Circular 24 clarified that the requirements on the fund contribution percentage of a joint lending partner and the restraints for regional commercial banks from cross-regional operations to enact from January 1, 2022. Any legacy businesses shall be settled naturally.

On July 12, 2022, the China Banking and Insurance Regulatory Commission issued the Notice of Strengthening the Administration of the Internet Loan Business of Commercial Banks and Improving the Quality and Efficiency of Financial Services, which further requires commercial banks to strengthen their risk control and regulate the cooperation with third-party institutions in online loan business, including: (i) commercial banks shall enter into separate cooperation agreements in respect of joint capital contribution, information technology cooperation and other business cooperation, respectively, for clarifying rights and responsibilities of each party; (ii) commercial banks shall fulfill the primary responsibility in respect of loan administration. If internet loans involve cooperation with cooperative institutions in, for example, marketing, payment and settlement, and information technology, commercial banks shall strengthen the management of core risk control links, and shall not lower risk control standards due to business cooperation; (iii) commercial banks shall strengthen information and data management, and the written agreements signed by a commercial bank with a cooperative institution shall clearly specify the specific requirements for submission of relevant information. This notice provides a transitional period for the existing online loan business of commercial banks until June 30, 2023. These rules also apply to branches of foreign banks, trusts, consumer finance companies and auto finance companies.

Regulations on Financing Guarantee Companies

The Tentative Measures for the Administration of Financing Guarantee Companies were jointly promulgated by the China Banking Regulatory Commission, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce, the People's Bank of China, and the State Administration for Market Regulation on March 8, 2010, which stipulates the registered capital, business scope, operating rules, risk control and supervision of financing guarantee companies, and also require that (i) the outstanding balance of financing guarantee liabilities of a financing guarantee company shall not exceed 10 times of that company's net assets, though the upper limit can be raised to 15 times for a financing guarantee company that mainly provides services to small and micro enterprises, the agriculture sector, rural villages and farmers, (ii) the balance amount of outstanding guarantee liabilities of a financing guarantee company for a single guaranteed party shall not exceed 10% of that company's net assets, and (iii) the balance amount of outstanding guarantee liabilities of a financing guarantee company for a single guaranteed party and its affiliated parties shall not exceed 15% of that company's net assets. On November 25, 2010, the China Banking Regulatory Commission issued the Notice on Issuing the Guidelines for the Corporate Governance of Financing Guarantee Companies, which was the basis for the Supervision and evaluation of the corporate governance of financing guarantee companies. According to the Notice, the directors, supervisors and senior managers of financing guarantee companies shall have the risk awareness of prudent operation, corresponding business skills and practical experiences. The State Council released the Regulation on Financing Guarantee Companies, effective October 1, 2017, to further clarify various regulatory indicators. "Financing guarantee" shall refer to the activities where a guarantor provides a guarantee for debt financing such as borrowings or debentures of a debtor. The regulatory authorities determined by the provincial level of governments shall be responsible for the supervision and administration of financing guarantee companies of its region. The establishment of a financing guarantee company shall be subject to the approval of the regulatory department and certain conditions. According to such regulation, any entity without a qualified license to engage in the financing guarantee business will be ordered to suspend its operations and be subject to a fine between RMB0.5 million and RMB1.0 million, and its relevant illegal income will be confiscated accordingly. In addition, if the outstanding balance of financing guarantee liabilities of the financing guarantee company does not meet the requirements pursuant to the aforementioned rules, it will be ordered to make timely rectification. If the company fails to make rectification in a timely manner, a fine of between RMB100,000 and RMB500,000 will be imposed, and the illegal income will be confiscated. Such a company may be ordered to suspend its business for rectification, and, under serious circumstances, its license for financing guarantee business may be revoked.

The Notice on Issuing Four Supporting Systems for the Regulations on the Supervision and Administration of Financing Guarantee Companies was jointly promulgated by the China Banking and Insurance Regulatory Commission, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Agriculture and Rural Affairs, the People's Bank of China and the State Administration for Market Regulation on April 2, 2018 and amended on June 21, 2021, which includes the Administrative Measures on Financing Guarantee Business Permits, the Measures on the Measurement of the Balance of Financing Guarantee Liability, the Administrative Measures on the Asset Proportions of Financing Guarantee Companies and the Guidelines for Business Cooperation between Banking Financial Institutions and Financing Guarantee Companies. The Administrative Measures on Financing Guarantee Business Permits clarify the definition of the operating license of financing guarantee business, the conditions and procedures for the issuance, renewal, revocation or cancelation of the operating license of financing guarantee business, and the information to be specified and recorded on the license. The Measures on the Measurement of the Balance of Financing Guarantee Liability provide the definition of the balance of financing guarantee liability and certain upper limits for the scale of loan guarantee business or the balance of financing guarantee liabilities for a financing guarantee company. The Administration Measures on the Asset Proportions of Financing Guarantee Companies categorize the main assets of financing guarantee companies into three levels and set up specific requirements for each level. Among other things, the sum of the Level I and Level II financial assets of a financing guarantee company is required to be no less than 70% of such financing guarantee company's total assets less qualified receivables. The ratio for Ping An Puhui Financing Guarantee Co., Ltd was 75.1% as of December 31, 2023. The Guidelines for Business Cooperation between Banking Financial Institutions and Financing Guarantee Companies require that, neither the bank nor the guarantee company may collect any fees, other than the fees as stated in the cooperation agreement or the guarantee contract, for any reason or in any form during their cooperation. Furthermore, banks and guarantee companies may separately accept clients' applications and recommend clients to each other.

On October 9, 2019, the Notice on the Promulgation of Supplementary Provisions on the Supervision and Administration of Financing Guarantee Companies was jointly promulgated by the China Banking and Insurance Regulatory Commission, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce, the People's Bank of China, the Ministry of Housing and Urban-Rural Development, the Ministry of Agriculture and Rural Affairs, and the State Administration for Market Regulation, which was amended on June 21, 2021. This notice requires that all local regulatory authorities shall conduct a comprehensive investigation to supervise if the entities engaging in financing guarantee businesses have been licensed or not. For companies engaging in financing guarantee business without the financing guarantee business operation license, the authorities may order them to close down the financing guarantee business.

On July 14, 2020, the Guidelines for Off-site Supervision of Financing Guarantee Companies was issued by the China Banking and Insurance Regulatory Commission, effective on September 1, 2020, which provide the guidelines for the competent regulatory authorities to continually analyze and evaluate the risk of financing guarantee companies and the financing guarantee industry, by way of collecting report data and other internal and external data of the financing guarantee companies and carrying out corresponding measures.

On December 31, 2021, the People's Bank of China published the Regulations on the Local Financial Supervision and Administration (Draft for Comments), which requires that, among other things, (i) six types of financial organizations, including financing guarantee companies, are deemed as local financial organizations, and the incorporation of local financial organizations should be approved by the competent provincial regulatory authorities before they apply for the business licenses, (ii) local financial organizations are required to operate their business within the area approved by the competent provincial regulatory authorities and in principle are not allowed to conduct business across provinces, and (iii) the rules for cross-province business carried out by local financial organizations should be formulated by the State Council or by the financial regulatory department of the State Council as authorized by the State Council. The financial regulatory department of the State Council will specify a transition period for local financial organizations that have carried out businesses across provinces to maintain compliance. Notwithstanding the foregoing, pursuant to the currently effective regulations, a financing guarantee company may establish a branch to conduct financing guarantee business outside the province where it is domiciled with a prior approval from the regulatory department where the branch is located.

Ping An Puhui Financing Guarantee Co., Ltd., one of our subsidiaries registered in Jiangsu Province, holds a financing guarantee business permit issued by Jiangsu Provincial Bureau of Local Financial Supervision and Administration in May 2022 and has been approved by Jiangsu Provincial Bureau of Local Financial Supervision and Administration in October 2022 to absorb our financing guarantee subsidiary in Tianjin City, Pingan Financing Guarantee (Tianjin) Co., Ltd. As of the date of this annual report, this absorption has completed.

Regulations on Credit Guarantee Insurance

The Interim Measures for Regulating the Credit Guarantee Insurance were issued by the China Insurance Regulatory Commission, one of the predecessors of the China Banking and Insurance Regulatory Commission, on July 11, 2017 to regulate the business operations of credit guarantee insurance. It was repealed by the Measures for Regulating the Credit Insurance and Guaranty Insurance issued by the China Banking and Insurance Regulatory Commission on May 8, 2020. Pursuant to these measures, "financial credit guarantee business" refers to the credit guarantee business in which insurance companies provide insurance protection for the performance of credit risks of financing contracts such as borrowing and financing leases. Insurance companies shall not outsource credit risk review and credit management businesses to third-party partners, and shall not underwrite financial credit guarantee business in which the interest rates of loans exceed the regulatory upper limit. Insurance companies shall strengthen the supervision and management of the operation activities of cooperative institutions, head offices shall formulate a unified template for cooperation agreements to clarify the rights and obligations of both parties, and insurance companies shall make clear requirements in terms of access, evaluation, withdrawal, and complaints according to the characteristics and risks of different cooperative institutions. The Notice of the General Office of China Banking and Insurance Regulatory Commission on Relevant Issues Concerning Further Strengthening and Improving the Product Supervision of Property Insurance Companies, effective from March 1, 2020, stipulates that the credit insurance and guarantee insurance products over one year are required to complete the record-filing instead of the approval procedure.

On September 14, 2020, the China Banking and Insurance Regulatory Commission issued the Notice of Guidelines for Pre-guarantee Management and Post-guarantee Management of Financing Credit Insurance Business, which provides that insurance companies shall conduct risk supervision on cooperative institutions when they engage in a credit insurance marketing business through such cooperative institutions. If cooperative institutions induce the borrowers to change the purpose of loans, conceal the use of capital, guide customers to make malicious complaints, or conduct false promotion for expanding insurance liability, the insurance companies shall promptly impose punishment measures on such cooperative institutions according to their cooperative agreements and the requirements under the cooperative management system.

Regulations Relating to Consumer Finance Companies

The Administrative Measures for the Pilot Scheme of Consumer Finance Companies, issued by the China Banking Regulatory Commission in 2013 and effective on January 1, 2014, stipulates the conditions for the investor of the consumer finance company, its business scope, and operating rules. The Measures for the Implementation of Administrative Licensing Matters for Non-Banking Financial Institutions, issued in 2015 and most recently amended on October 9, 2023, further stipulates the establishment of shareholder qualifications and other matters. On March 18, 2024, the National Financial Regulatory Administration issued the Administrative Measures for Consumer Finance Companies, replacing the previous Pilot Scheme. These measures took effect on April 18, 2024. The key revisions involve raising entry standards by increasing asset, operating income, and minimum shareholding requirements for major shareholders. Moreover, they enhance business supervision by categorizing basic and special business scopes, eliminating non-core businesses, and implementing stricter oversight. Additionally, corporate governance sees improvements with the full implementation of relevant regulatory requirements, and clarification of shareholder obligations, compensation management, and related-party transactions. Furthermore, the measures aim to reinforce risk management by specifying regulatory requirements for credit, liquidity, operational, and information technology risks.

With the approval of the National Financial Regulatory Administration, which is the successor to the China Banking Regulatory Commission and the China Banking and Insurance Regulatory Commission, consumer finance companies may conduct some or all of the following Renminbi-denominated businesses: (i) disbursing consumer loans to individuals; (ii) accepting deposits from shareholders and their domestic subsidiaries, parent companies of shareholder groups, and their domestic subsidiaries; (iii) obtaining loans from financial institutions in China; (iv) obtaining loans from overseas financial institutions that are shareholders of the company; (v) issuing non-capital bonds; (vi) engaging in interbank borrowings; (vii) providing advisory and agency services related to consumer finance, and any other activities approved by the National Financial Regulatory Administration. The establishment, change, termination of a consumer finance company, and administrative licensing procedures for approval of appointment qualifications of directors and senior management personnel shall comply with the provisions of the National Financial Regulatory Administration.

On December 30, 2020, the China Banking and Insurance Regulatory Commission promulgated the Measures for the Regulatory Rating of Consumer Finance Companies (for Trial Implementation), which provides the overall arrangements for the regulatory rating of consumer finance companies. Specifically, the measures set forth five rating elements for consumer finance companies which include corporate governance and internal control, capital management, risk management, professional service quality and information technology management. The results of the regulatory rating will serve as an important basis for regulatory authorities in assessing the operation, risk profile and risk management capability of consumer finance companies as well as in formulating regulatory plans, allocating regulatory resources, and taking regulatory measures. The results will also be used as reference factors for market entry of consumer finance companies.

Regulations Relating to Microloan Companies

Pursuant to the Guiding Opinions on the Pilot Operation of Microloan Companies, which were jointly promulgated by the China Banking Regulatory Commission and the People's Bank of China on May 4, 2008, if a provincial government determines a competent department to be responsible for the supervision and administration of microloan companies and the regulation of risks associated with microloan companies, such provincial government may carry out the pilot operation of microloan companies within such province. The Guiding Opinions on the Pilot Operation of Microloan Companies further provided that when granting loans, microloan companies are required to adhere to the principle of "small sum and decentralization." The balance of loans granted by a microloan company to a same borrower cannot exceed 5% of the net capital of the company. Microloan companies are required to operate on the market-oriented principle. The loan interest ceiling is floating but cannot exceed the ceiling prescribed by the judicatory authority, and the loan interest floor is required to be 0.9 times the loan base interest rate published by the People's Bank of China. The specific floating range is required to be determined independently according to the market principles.

On November 21, 2017, the Office of the Leading Group of Special Rectification of Internet Financial Risks issued the Notice on the Immediate Suspension of Approvals for the Establishment of Online Microloan Companies, which provides that the regulatory authorities for microloan companies shall not grant any approval of establishment of online microloan companies, or grant any approval for existed microloan companies to conducting business across the provinces.

Circular 141 requires the regulatory authorities to suspend the approval of the establishment of online microloan companies and the approval of any microloan business across provinces. Circular 141 also specifies that online microloan companies shall not provide campus loans, shall suspend the funding of online microloans with no specific scenario or no designated purpose, and gradually reduce the outstanding amount of such loans and take rectification measures. Furthermore, according to Circular 141, microloan companies that have exceeded the required threshold of certain caps or ratios shall stipulate plans to reduce the business scale and comply with the threshold within a time limitation. In case of violation, the authorities, depending on the severity of the circumstances, may suspend such microloan company's business, order rectification, reprimand such company, reject its filing procedures, or terminate its business qualification. In addition, the authorities may order any website or platform operator to suspend its business, if such website or platform operator helped the entity to conduct business in violation of laws or regulations.

The Notice on Specific Rectification Implementation Measures for Risk of Online Microloan Businesses of Microloan Companies, which was issued on December 8, 2017, defines "online microloans" as microloans provided through the internet by online microloan companies controlled by internet companies. The features of online microloans include borrower acquisition, credit assessment based on the online information collected from business operation and internet consumption, as well as loan application, approval and funding made through online procedures. It aims to investigate the legal compliance of microloan business carried out by microloan companies through the internet, and focus on remediation of microloan companies without the qualification of online lending operation or lending business. There are 11 key areas of investigation and renovation: (i) strict management of the authority of examination and approval; (ii) re-examination of the online microloan management qualifications; (iii) equity management; (iv) on-balance sheet financing; (v) asset securitization and other financing; (vi) integrated actual interest rate; (vii) the behavior of loan management and collection; (viii) the scope of the loan; (ix) business cooperation; (x) information security; and (xi) illegal operation.

In addition, consistent with the Guidance on the Guiding Opinions on the Pilot Operation of Microloan Companies and Circular 141, the above notice emphasize several aspects where inspection and rectification measures must be carried out for the online microloans industry, which include (i) the microloan companies shall be approved by the local authorities in accordance with the applicable regulations promulgated by the State Council, and the approved online microloan companies in violation of any regulatory requirements shall be re-examined; (ii) qualification requirements to conduct online microloan business (including the qualification of shareholders, sources of borrowers, internet scenario and the digital risk-management technology); (iii) whether the "integrated actual interest rate" (namely the ratio of the aggregated borrowing costs charged to borrowers in the form of interest and various fees to the principal of loans) are annualized and subject to the limit on interest rate of private lending set forth in the private lending judicial interpretations issued by the Supreme People's Court and, whether any interest, handling fee, management fee or deposit are deducted from the principal of loans provided to the borrowers in advance; (iv) whether microloan companies cooperate with internet platforms without relevant website registration or telecommunication business licenses to offer microloans and whether microloan companies cooperate with institutions with no lending qualification to offer loans or provide funds to such institutions for them to offer loans, and with respect to the loan business conducted in cooperation with third-party institutions, whether the online microloan companies outsource their core business (including the credit assessment and risk control), or accept any credit enhancement services provided by any third-party institutions with no guarantee qualification; or whether any applicable third-party institution collects any interest or fees from the borrowers; and (v) whether entities that conduct online microloans business have obtained approvals or licenses for their lending business. It also sets forth that all related institutions shall be subject to inspection and investigation before the end of January 2018. Depending on the results, different measures will be taken on the institutions that need rectification before the end of March 2018, including: (i) for institutions that hold online microloan licenses but do not meet the qualification requirements to conduct online microloan business, their online microloan licenses shall be revoked and such institutions will be prohibited from conducting loan business outside the administrative jurisdiction of their respective approved authorities; and (ii) for institutions holding online microloan licenses that meet the qualification requirements to conduct online microloan business but were found not in compliance with other requirements, such as the requirements on the integrated actual interest rate, the scope of loans and cooperation with third-party institutions, such institutions shall take rectification measures within a certain period specified by the local authorities, and in the event that the rectification measures do not meet the local authorities' requirements, such institutions shall be subject to several sanctions, including revocation of their online microloan licenses and to cease their business operations.

On September 7, 2020, the China Banking and Insurance Regulatory Commission issued the Notice on Strengthening the Supervision and Management of Microloan Companies. This notice aims to regulate the operation of microloan companies, prevent and resolve risks, promote the healthy growth of the microloan industry. It stipulates the following requirements with respect to the microloan companies, including without limitation: (i) the financing balance of the microloan company funding by bank loans, shareholder loans and other nonstandard financing instruments shall not exceed such company's net assets; (ii) the financing balance of the microloan company funding by issuance of bonds, asset securitization products and other instruments of standardized debt assets shall not exceed four times of its net assets; (iii) the balance of loans offered to one borrower shall not exceed 10% of the net assets of the microloan company, and the balance of loans offered to one borrower and such borrower's related parties shall not exceed 15% of the net assets of the microloan company; (iv) microloan companies are prohibited from upfront deduction of interest, commission fees, management fees or deposits from the principal of the loans before they are released to the borrowers, and if microloan companies has deducted any upfront fees in violation of rules and regulations, the borrower will only need to repay the actual loan amount after the exclusion of the interest and fees deducted, and the loan's interest rate shall be calculated accordingly; (v) microloan companies shall conduct business in the administrative area at the county level where the company is domiciled in principle, except as otherwise provided for the operation of online microloan business; and (vi) the microloan companies and third-party loan collection agencies entrusted shall not collect loans by violence, threats of violence, or other ways that intentionally cause harm, infringe personal freedom, illegally occupy property, or interfere with day-to-day life through insulting, slandering, harassing, or disseminating private personal information, or other illegal methods. The local financial regulatory authorities may further lower the ratio caps in (i) and (ii) in accordance with regulatory requirements.

On November 2, 2020, the China Banking and Insurance Regulatory Commission, the People's Bank of China and other regulatory authorities released a consultation draft of the Interim Measures for the Administration of Online Microloan Business, which states that a microloan company must obtain the official approval of the China Banking and Insurance Regulatory Commission to conduct online micro lending businesses outside the province where it is registered. In addition, the draft provides the statutory qualified requirements for an online microloan company, covering such things as registered capital, controlling shareholders, and use of the internet platform to engage in an online microloan business.

We used to have three microloan subsidiaries to provide loans in a small number of cases from our own funds. In response to the above consultation draft, we have ceased to use our microloan subsidiaries to fund any new loans since December 2020. We canceled the microloan business license held by our Shenzhen and Hunan microloan subsidiaries in May 2022 and April 2022. We completed the de-registration of our Hunan microloan subsidiary at the local Administration of Market Regulation in December 2022. As of the date of this annual report, our Shenzhen microloan subsidiary has ceased its business operations and is in the process of de-registration. Our application to change the business scope of our Chongqing microloan subsidiary to offline microloans has been approved. As a result, our Chongqing microloan subsidiary may only conduct an offline microloan business in the future.

The principal laws governing Chongqing microloan companies are (i) the Interim Measures for the Administration of Pilot Operation of Chongqing Microloan Companies, effective August 1, 2008, (ii) the Notice on Adjustment of Provisional Measures for the Pilot Management of Microfinance Companies in Chongqing, which modified the foresaid measure and became effective on April 27, 2009, and (iii) the Supervision Guidelines on the Internet Loan Business of Chongqing Microloan Companies (Trial), issued on December 25, 2015. The Chongqing Municipal Finance Office is responsible for the examination and approval of microloan companies in Chongqing. Upon approval, microloan companies may conduct the following businesses: granting loans; discounted note business; and asset transfer. The balance of loans to the same borrower shall not exceed 10% of the net capital of the microloan company, and the upper limit of the balance for the borrower which is the group enterprise is 15% of the net capital of the microloan company. The upper limit of the loan interest rate is 4 times the benchmark interest rate of loans announced by the People's Bank of China, and the lower limit is 0.9 times the benchmark interest rate of loans announced by the People's Bank of China. Furthermore, the Notice on Adjustment of Provisional Measures for the Pilot Management of Microfinance Companies in Chongqing releases the restrictions on certain shareholder requirements for microloan companies. According to the Interim Measures for the Financing Supervision of Chongqing Microloan Companies, issued on June 4, 2012, the financing balance of a microloan company in Chongqing shall not exceed 230% of its net capital.

Regulations Relating to Internet Finance

On July 18, 2015, ten PRC regulatory agencies, including the People's Bank of China, the Ministry of Industry and Information Technology, the China Banking Regulatory Commission, and other government authorities, promulgated the Guidelines on Promoting the Sound Development of Internet Finance. These guidelines define the internet finance as a new financial business model whereby traditional financial institutions and internet enterprises use internet technology and information and communications technology to provide loans, payments, investments and information intermediary services.

On April 12, 2016, the General Office of the PRC State Council issued the Implementing Proposal for the Special Rectification of Internet Financial Risk, which emphasizes the goal to ensure legitimacy and compliance of the internet finance service industry and specifies the rectification measures for non-compliance regarding the operations of internet finance business and by institutions engaged in the internet finance business.

On April 14, 2016, the Promulgation of Implementation Plan for the Special Rectification regarding Risks of Online Asset Management and Cross-Boundary Financial Business was jointly issued by the People's Bank of China, the China Insurance Regulatory Commission, the CSRC and other authorities. It provides that any internet company conducting asset management business shall be ordered by the competent authority to rectify, if any of the following issues occur: (i) the licensed financial institutions entrusting internet companies without the license for sale of financial products to sell them; (ii) the internet companies without any asset management business qualifications, conducting online asset management business; or (iii) the internet companies without any financial licenses, conducting cross-border online financial activities (except for the peer-to-peer, equity crowdfunding, internet insurance, third-party payment, asset management business).

On June 30, 2017, the Office of the Leading Group of Special Rectification of Internet Financial Risks issued the Notice on the Clean-up and Reorganization of Illegal Business in Cooperation with Internet Platforms and Various Trading Venues, which stipulates that the supervision of the internet platform and trading venues shall order internet platforms within the jurisdiction to stop illegal business before July 15, 2017 and properly resolve any illegal stock business.

The Office of the Leading Group of Special Rectification of Internet Financial Risks issued the Notice on Intensifying the Corrective Action on Asset Management Business through the Internet and Conducting Acceptance Work on March 28, 2018. Under this notice, non-financial institutions are not allowed to issue or sell asset management products, except as otherwise stipulated. An asset management business conducted through the internet is subject to the oversight of financial regulatory authorities and the relevant licensing requirements. Any public issuance or sale of asset management products through the internet would be deemed as a financing business and the relevant asset management approvals, licenses or permits are required to conduct such business. Any entities, including internet asset management platforms, are not allowed to publicly raise funds through "targeted commissioning plans," "targeted-source financing plans," "wealth management plans," "asset management plans," "transfers of right of earnings" or similar products, or to act as an agent for any type of trading exchanges to sell asset management products without permission.

Regulations Relating to Internet Advertising

The main regulations governing internet advertising include the Advertising Law of the PRC, which was recently amended on April 29, 2021, and the Interim Measures for Administration of Internet Advertising, which were issued by the State Administration for Market Regulation in 2016. Pursuant to these regulations, internet advertisers are responsible for the authenticity of the content of advertisements. The identity, administrative license, cited information and other certificates that advertisers are required to obtain in publishing internet advertisements shall be true and valid. Internet advertisements shall be distinguishable and prominently marked as "advertisements" in order to enable consumers to identify them as advertisements. Publishing and circulating advertisements through the internet shall not affect the normal use of the internet by users. It is not allowed to induce users to click on the content of advertisements by any fraudulent means, or to attach advertisements or advertising links in the emails without permission. The Internet Advertising Measures also impose several restrictions on the forms of advertisements and activities used in advertising. "Internet advertising" refers to commercial advertisements that directly or indirectly promote goods or services through websites, web pages, internet applications or other internet media in various forms, including texts, pictures, audio clips and videos. Furthermore, on February 25, 2023, the State Administration for Market Regulation published the Measures for Administration of Internet Advertising, which became effective on May 1, 2023 and replaced the Interim Measures for Administration of Internet Advertising. The new measures generally retain the requirements of the interim measures, while incorporating the following major modifications: (i) clarifying the respective responsibilities of advertising publishers, internet information service providers and advertising operators; (ii) introducing rules targeting new types of advertisements including those published through smart home appliances and live webcast; and (iii) further prohibiting disguised publication of advertisements.

On December 31, 2021, the People's Bank of China, the Ministry of Industry and Information Technology, the China Banking and Insurance Regulatory Commission, the CSRC, the Cyberspace Administration of China, SAFE and the State Intellectual Property Office jointly issued the Measures for Administration of Online Marketing of Financial Products (Draft for Comments), which regulate financial institutions and internet platform operators entrusted by such financial institutions to carry out internet marketing activities of financial products. Pursuant to these draft measures, financial institutions may not entrust any other entities or individuals to carry out internet marketing of financial products unless otherwise provided or authorized by laws and regulations. The draft measures also prohibit third-party online platform operators from participating in the sale of financial products in a disguised way without the approval of financial regulatory authorities, including but not limited to interactive consultation with consumers on financial products, suitability evaluation of consumers of financial products, signing of sale contracts, transfer of funds and participation in the income sharing of financial business by setting various charging mechanisms linked to the loan scale and interest scale. Private equity fund management institutions, credit rating agencies, and local financial organizations approved by local financial regulatory authorities, like our financing guarantee subsidiary shall also apply to this measures by reference when conducting internet marketing activities of financial products as financial institutions.

Regulations Relating to Blockchain

The Administrative Regulations on Blockchain Information Services, which were issued by the Cyberspace Administration of China and took effect on February 15, 2019, regulates information services provided to the public through internet sites, applications and other means based on blockchain technology or systems. It set forth regulations relating to content security management, record keeping and filing, technical conditions, real identity information authentication, security assessment and information security risks rectification application to blockchain information service providers. Penalties for violating the regulations include warnings, suspension of business, fines, and criminal liability.

According to the Announcement of the Instructions regarding the Safety Assessment Clauses of the Regulations on the Management of Blockchain Information Services issued by the Cyberspace Administration of China on August 9, 2019, enterprises conducting blockchain information services are required to carry out safety assessment measures, such as entrusting qualified assessment agencies to conduct safety assessments or conducting self-assessment of safety risks on blockchain information services, and such enterprises are required to submit the assessment reports to the authorities.

Regulations Relating to the Protection of Consumers Rights and Interests

The Consumers Rights and Interests Protection Law of the PRC, which was released by the Standing Committee of the National People's Congress and last amended on October 25, 2013, provides the general regulatory principles and rules regarding consumers rights and interests protection in the PRC. According to the Consumers Rights and Interests Protection Law of the PRC, business operators should guarantee that the products and services they provide satisfy the requirements for personal or property safety, and provide consumers with authentic information about the quality, function, usage and term of validity of the products or services. The Regulations on the Implementation of the Consumers Rights and Interests Protection Law of the PRC, which was issued on March 15, 2024 and will come into effect on July 1, 2024, further specify the obligations of operators concerning consumer safety, product quality, and transparent pricing. These regulations particularly emphasize rules for online transactions and prepaid services. Pursuant to the Measures for Penalties for Infringement of Consumer Rights and Interests, which was issued by the State Administration for Market Regulation on March 15, 2015 and amended on October 23, 2020, where business operators use standard terms, notices, statements, shop bulletins, etc. in providing goods or services for consumers, business operators shall not coerce or coerce in disguised forms consumers to purchase and use goods or services provided by them or by their designated operators, and they shall not refuse to provide the corresponding goods or services to consumers who reject their unreasonable conditions, or raise fee rates for such consumers. On November 4, 2015, the General Office of the State Council issued the Guiding Opinions on Strengthening the Protection of Financial Consumers' Rights and Interests, which stipulated that financial management departments shall, according to the requirements of the state on the development of inclusive finance, expand the coverage of inclusive finance and improve the permeability. Financial institutions shall attach importance to the diversity and difference of the needs of financial consumers, and actively support underdeveloped areas and low-income groups in having access to necessary and timely basic financial products and services.

On November 8, 2019, the Notice of the Supreme People's Court on Issuing the Minutes of the National Court Work Conference for Civil and Commercial Trials was issued, which provides guidance for the people's courts at all levels in civil and commercial trials. For the trial of cases involving disputes over protection of financial consumers' rights and interests, the Minutes emphasize that issuers and sellers of financial products as well as suppliers of financial services shall assume appropriate obligation, which refers to the obligation to know customers and products and to sell or provide appropriate products or services to financial consumers in the process of promoting or selling bank wealth management products, insurance investment products, trust wealth management products, collective wealth management plans of securities companies, shares of leveraged funds, options and other off-exchange derivatives and other high-risk financial products to financial consumers, as well as the obligation to provide services to financial consumers during the process of their participation in high-risk investment activities such as securities margin trading, new third board, growth enterprise board and futures. The Minutes further stipulate the liability where the issuer or seller of a financial product fails to fulfill its suitability obligation, leading to any loss to the financial consumer in the process of purchasing the financial product. In case a financial service supplier fails to perform suitability obligations, causing losses to financial consumers after accepting financial services relating to high-risk level investments, the financial consumer may request the financial service provider to bear compensation liability.

On September 24, 2019, the China Banking and Insurance Regulatory Commission issued the Notice on Rectification of Banking Institutions and Insurance Institutions regarding the Infringement of the Rights and Interests of Consumers, which stipulated that banking institutions shall not infringe consumers' freedom of choice by compulsory bundling, and shall not force consumers to buy products and services from their third-party partners, and if insurance institutions cooperate with third-party online lending platforms, they shall not force borrowers to buy accident insurance, guarantee insurance, or other insurance products. Such rules have been emphasized by the Notice on Further Regulating Credit Financing Charges to Reduce Comprehensive Financing Costs, which was jointly issued by the China Banking and Insurance Regulatory Commission, the People's Bank of China and other regulatory authorities on May 18, 2020 and became effective from June 1, 2020. The notice also provides that banking institutions shall not force borrowers to purchase insurance, wealth management or other asset management products during the credit examination procedure.

Furthermore, the Implementation Measures for the Protection of the Rights and Interests of Financial Consumers, issued by the People's Bank of China on September 15, 2020 and effective from November 1, 2020, provide that banking institutions and third-party payment institutions shall not take advantage of technical means or dominant positions to force financial consumers to purchase financial products or services, or restrict financial consumers from purchasing other financial products or services provided by peer institutions.

On December 26, 2022, the China Banking and Insurance Regulatory Commission issued the Administrative Measures for the Protection of Consumers' Rights and Interests by Banking and Insurance Institutions, which came into effect on March 1, 2023. It requires banking and insurance institutions to establish and improve systems and mechanisms for the protection of consumer's rights and interests, including mechanisms for review, disclosure, consumer appropriateness management, traceability of sales practices, protection of consumers' information, list-based management of the partners, complaint handling, diversified resolution of conflicts and disputes, internal training, internal assessment and internal audit. It also lists the following consumers' rights that the banking and insurance institutions shall protect: (i) right to know; (ii) right to choices on their own; (iii) right to a fair transaction; (iv) right to property safety; (v) right to lawful claim; (vi) right to education; (vii) right to respect; and (viii) right to information security. Further, the China Banking and Insurance Regulatory Commission and its local offices may take regulatory measures against the institutions if any problem regarding consumer protection was inspected, and may impose administrative punishment in case of violation of the administrative measures.

Regulations Relating to Credit Investigation Business

The PRC government has adopted several regulations governing personal and enterprise credit investigation businesses. These regulations include the Regulation for the Administration of Credit Investigation Industry, enacted by the State Council and effective in March 2013, and the Management Rules on Credit Agencies, issued by the People's Bank of China, in the same year.

On September 27, 2021, the People's Bank of China issued the provisions of Administrative Measures on Credit Investigation, effective on January 1, 2022. These measures define "credit information" to include "basic information, borrowing and lending information and other information collected pursuant to the law to provide services for financial and other activities for identifying and judging the credit standing of businesses and individuals, as well as analysis and evaluation formed based on the aforesaid information." They apply to entities that carry out credit investigation business and "activities relating to credit investigation business" in China. Separately, entities providing "services with credit investigation function" in the name of "credit information service, credit service, credit evaluation, credit rating, credit repair and other services" are also subject to these measures. These measures require that whoever engages in personal credit investigation business shall obtain permit from the People's Bank of China's personal credit investigation agency and whoever engages in enterprise credit investigation business shall complete filing formalities pursuant to the law; and whoever engages in credit rating business shall complete filings as a credit rating agency pursuant to the law.

On July 7, 2021, the Credit Information System Bureau of People's Bank of China further issued a notice relating to disconnecting direct connection to 13 internet platforms, including us, requiring the internet platforms to achieve a complete "disconnected direct connection" in terms of personal information with financial institutions, meaning that the direct flow of personal information from internet platforms that collect such information to financial institutions is prohibited. Under our core retail credit and enablement business model, we directly share data relating to potential borrowers with our institutional partners by our financing guarantee subsidiary. Pursuant to the Administrative Measures on Credit Investigation and the notice relating to disconnecting direct connection, the abovementioned operations may be deemed to be engaging in credit investigation business. However, based on our communication with the regulatory authorities during the rectification that followed the April 29, 2021 regulatory interview and considering that the Guidelines for Business Cooperation between Banking Financial Institutions and Financing Guarantee Companies stipulate that banks and guarantee companies may separately accept clients' applications and recommend clients to each other, the above data sharing by our financing guarantee subsidiary, as recognized by the regulatory authorities during the rectification that followed the April 29, 2021 regulatory interview, does not fall into the scope of credit investigation business of a credit investigation institution under the provisions of the Administrative Measures on Credit Investigation and is not within the application of the notice relating to disconnecting direct connection. Therefore, no further adjustment for our data sharing model is required as of the date of this annual report.

Regulations Relating to Anti-Money Laundering

The Anti-money Laundering Law of the PRC was promulgated by the Standing Committee of the National People's Congress in 2006 and effective since January 1, 2007. It sets forth the principal anti-money laundering requirements applicable to financial institutions as well as non-financial institutions with anti-money laundering obligations, including the adoption of precautionary and supervisory measures, establishment and improvement of various systems for client identification, retention of clients' identification information and transactions records, and large transaction and suspicious transaction reporting. Pursuant to the PRC Anti-money Laundering Law, financial institutions subject to the Anti-money Laundering Law include banks, postal saving institutions, credit unions, trust investment companies, securities companies, futures brokerage companies, insurance companies and other financial institutions determined and announced by the anti-money laundering administrative authority of the State Council, while the list of the non-financial institutions with anti-money laundering obligations will be formulated jointly by the anti-money laundering administrative authority and other relevant departments of State Council. The People's Bank of China and other governmental authorities issued a series of administrative rules and regulations to specify the anti-money laundering obligations of financial institutions and designated non-financial institutions, such as insurance brokerage companies, insurance agencies and payment institutions. The list of the non-financial institutions subject to anti-money laundering obligations has not been promulgated yet.

Furthermore, the Guidelines on Promoting the Sound Development of Internet Finance require internet financial actors to comply with certain anti-money laundering requirements, including taking measures to recognize the identity of customers, monitoring and reporting of suspicious transactions, preservation of customer information and transaction records, and provision of assistance to the public security department and judicial authority in investigations and proceedings concerning anti-money laundering matters.

The Administrative Measures for Anti-Money Laundering and Counter-Terrorism Financing by Internet Financial Service Agencies (Trial) was jointly promulgated by the People's Bank of China, the China Banking and Insurance Regulatory Commission and the CSRC and came into effect on January 1, 2019. It specifies the anti-money laundering obligations of internet finance service agencies and regulate that the internet finance service agencies shall (i) adopt continuous customer identification measures; (ii) implement the system for reporting large-value or suspicious transactions; (iii) conduct real-time monitoring of the lists of listed terrorist organizations and terrorists; and (iv) properly keep the information, data and materials such as customer identification and suspicious transaction reports.

The Measures for the Supervision and Administration of Combating Money Laundering and Financing of Terrorism by Financial Institutions was promulgated by the People's Bank of China on April 15, 2021 and came into effect on August 1, 2021. These measures stipulate a financial institution shall establish a self-assessment system for risks of money laundering and financing of terrorism at the headquarters level, and assess risks of money laundering and financing of terrorism on a regular and irregular basis, and submit the self-assessment situation to the People's Bank of China or the branch office of the People's Bank of China at the place where it is located within 10 working days from the date of review by the board of directors or senior executives.

We have implemented various policies and procedures, including internal controls and "know-your-customer" procedures, aimed at preventing money laundering and terrorism financing. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We may be subject to domestic and overseas anti-money laundering and anti-terrorist financing laws and regulations and any failure by us, funding partners or payment agents to comply with such laws and regulations could damage our reputation, expose us to significant penalties and decrease our income and profitability."

Regulations on Anti-Monopoly Matters Related to Internet Platform Companies

The PRC Anti-Monopoly Law, which took effect on August 1, 2008, prohibits monopolistic conduct such as entering into monopoly agreements, abusing market dominance and concentration of undertakings that has or may have the effect of eliminating or restricting competition. Moreover, the Standing Committee of the National People's Congress revised the PRC Anti-Monopoly Law in June 2022, effective August 1, 2022, which requires that operators may not use data and algorithms, technology, capital advantages and platform rules to engage in monopolistic behaviors prohibited by this law. On February 7, 2021, the Anti-Monopoly Commission of the State Council officially promulgated the Anti-Monopoly Guidelines for the Internet Platform Economy Sector. The guidelines prohibit certain monopolistic acts of internet platforms so as to protect market competition and safeguard interests of users and undertakings participating in internet platform economy, including without limitation, prohibiting platforms with dominant position from abusing their market dominance (such as discriminating customers in terms of pricing and other transactional conditions using big data and analytics, coercing counterparties into exclusivity arrangements, using technology means to block competitors' interface, favorable positioning in search results of goods displays, tying or attaching unreasonable trading conditions, compulsory collection of unnecessary user data). In addition, the guidelines also reinforce antitrust merger review for internet platform related transactions to safeguard market competition. The Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions, issued by the State Administration for Market Regulation on March 10, 2023, further prevent and prohibit the abuse of dominant market positions.

Regulations Relating to Information Security and Privacy Protection

Regulations on Information Security

In recent years, PRC governmental authorities have enacted laws and regulations with respect to internet information security and protection of personal information from abuse or unauthorized disclosure. Pursuant to the Decision on the Maintenance of Internet Security issued by the Standing Committee of the National People's Congress in 2000 and amended on August 27, 2009, persons may be subject to criminal liabilities in China for any attempt to: (i) gain improper entry to a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information or (v) infringe upon intellectual property rights and other activities prohibited by laws and regulations.

The Administration Measures on the Security Protection of Computer Information Network with International Connections, issued by the Ministry of Public Security and last amended in 2011, prohibits using the internet in ways that result in a leak of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection powers and relevant local security bureaus may also have jurisdiction. If a value-added-telecommunications service license holder violates these measures, the government of the PRC may revoke its value-added-telecommunications service license and shut down its websites.

Pursuant to the Regulations of the People's Republic of China for Safety Protection of Computer Information Systems, which was issued by the State Council and amended on August 1, 2011, the safety grading protection is provided for the computer information systems, and no organization or individual is allowed to take advantage of computer information systems to engage in activities harmful to the national interests and other people's interests or legitimate rights, nor endanger the safety of computer information systems.

Pursuant to the Ninth Amendment to the Criminal Law issued by the Standing Committee of the National People's Congress in 2015 and effective on November 1, 2015, any internet service provider that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses rectification orders is subject to criminal penalty for (i) any dissemination of illegal information in large scale, (ii) any severe effect due to leakage of the client's information, (iii) any serious loss of criminal evidence, or (iv) other severe situation. The amendment also states that any individual or entity that (i) sells or provides personal information to others that violates applicable law, or (ii) steals or illegally obtains any personal information, is subject to criminal penalty for severe violations.

On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate issued the Interpretations on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information, which became effective on June 1, 2017 and stipulates that the personal information of a natural person shall be protected by the law. It clarifies several concepts regarding the crime of "infringement of citizens' personal information," including "citizen's personal information," "provision," and "unlawful acquisition." Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

The Cybersecurity Law of the PRC was promulgated by the Standing Committee of the National People's Congress and took effect on June 1, 2017. Pursuant to it, network operators must comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks must take technical measures and other necessary measures pursuant to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. Network operators shall not collect personal information that is irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties. The Regulations on Cybersecurity Supervision and Inspection of Public Security Organs, which were issued by the Ministry of Public Security and came into effect on November 1, 2018, is an important basis for the Public Security Bureau to strengthen the enforcement of the Cybersecurity Law.

The PRC Civil Code provides that personal information of natural persons is protected by law. The Civil Code defines the processing of personal information as the collection, storage, use, processing, transmittal, provision and disclosure of personal information. Furthermore, according to the Civil Code, any entity that engages in the processing of personal information must follow the principles of lawfulness, fairness, and necessity and may not overuse personal information, and they must obtain the consent of the natural person or his or her guardian, except as otherwise provided by laws and regulations.

Pursuant to the Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information by Apps, which was issued on January 23, 2019, app operators should collect and use personal information in compliance with the Cybersecurity Law and should be responsible for the security of personal information obtained from users and take effective measures to strengthen the personal information protection. Furthermore, app operators should not force their users to make authorization by means of bundling, suspending installation or in other default forms and should not collect personal information in violation of laws, regulations or breach of user agreements. Such regulatory requirements were emphasized by the Notice on the Special Rectification of Apps Infringing upon Users' Personal Rights and Interests, which was issued by the Ministry of Industry and Information Technology on July 22, 2020. The Interpretations on Certain Issues Regarding the Applicable of Law in the Handling of Criminal Case Involving Illegal Use of Information Networks and Assisting Committing Internet Crimes, which was jointly issued by the Supreme People's Court and the Supreme People's Procuratorate and came into effect on November 1, 2019, further clarifies the meaning of internet service provider and the severe situations of the relevant crimes.

The Guidelines for Internet Personal Information Security Protection, which was issued by the Ministry of Public Security and came into effect on April 10, 2019, provide guidelines by internet service providers to carry out measures for personal information protection. These are non-binding standards and guidelines applicable to personal information holders, including both the enterprises that provide services via the internet and organizations or individuals that control and process personal information by using private networks or offline environments. The Guidelines for Internet Personal Information Security Protection requires such personal information holders to establish a personal information administrative control system, implement technical safeguards and protect personal information during their business processes.

The Cybersecurity Review Measures were issued on April 13, 2020 and took effect on June 1, 2020. The measures provide detailed rules regarding cybersecurity review, and any operator in violation of the regulations shall be penalized in accordance with Article 65 of the Cybersecurity Law. On December 28, 2021, the Cyberspace Administration of China together with other twelve governmental authorities published a new version of the Cybersecurity Review Measures, which replaced the Cybersecurity Review Measures published in 2020 and became effective on February 15, 2022. Pursuant to the Cybersecurity Review Measures and other PRC cybersecurity laws and regulations, critical information infrastructure operators that purchase internet products and services or online platform operators that carry out data processing activities that affect or may affect national security shall be subject to the cybersecurity review. Moreover, where an online platform operator who possesses the personal information of over one million users intends to apply for foreign listing, it must undergo a cybersecurity review. Meanwhile, the Cybersecurity Review Measures grants the competent authorities the right to initiate a cybersecurity review without application, if any member organization of the cybersecurity review mechanism has reason to believe that any internet products, services or data processing activities affect or may affect national security.

On June 10, 2021, the Standing Committee of the National People's Congress issued the Data Security Law of the PRC, effective September 1, 2021. The Data Security Law clarifies the scope of data to cover a wide range of information records generated from all aspects of production, operation and management of government affairs and enterprises in the process of the gradual transformation of digitalization, and requires that data collection shall be conducted in a legitimate and proper manner, and the theft or illegal collection of data is not permitted. Data processors shall establish and improve whole-process data security management rules, organize and implement data security training and take appropriate technical measures and other necessary measures to protect data security. In addition, data processing activities shall be conducted on the basis of the graded protection system for cybersecurity. Monitoring of data processing activities shall be strengthened, and remedial measures shall be taken immediately in case of discovery of risks regarding data security related defects or bugs. In case of data security incidents, responsive measures shall be taken immediately, and disclosure to users and report to the competent authorities shall be made in a timely manner.

On July 30, 2021, the State Council issued the Regulations for the Security Protection of Critical Information Infrastructure, which came into effect on September 1, 2021. Pursuant to these regulations, "critical information infrastructures" refers to important network facilities and information systems of important industries and sectors such as public communications and information services, energy, transport, water conservation, finance, public services, e-government, and science and technology industry for national defense, as well as other important network facilities and information systems that may seriously endanger national security, national economy and citizen's livelihood and public interests if they are damaged or suffer from malfunctions, or if any leakage of data in relation thereto occurs. Competent authorities as well as the supervision and administrative authorities of the above-mentioned important industries and sectors are responsible for the security protection of critical information infrastructures, or the Protection Authorities. The Protection Authorities will establish the rules for the identification of critical information infrastructures based on the particular situations of the industry and report such rules to the public security department of the State Council for record. The following factors must be considered when establishing identification rules: (i) the importance of network facilities and information systems to the core businesses of the industry and the sector; (ii) the harm that may be brought by the damage, malfunction or data leakage of, the network facilities and information systems; and (iii) the associated impact on other industries and sectors. The Protection Authorities are responsible for organizing the identification of critical information infrastructures in their own industries and sectors in accordance with the identification rules, promptly notifying the operators of the identification results and reporting to the public security department of the State Council.

The Administrative Provisions on Security Vulnerability of Network Products were jointly promulgated by the Ministry of Industry and Information Technology, the Cyberspace Administration of China and the Ministry of Public Security on July 12, 2021 and came into effect on September 1, 2021. Network product providers, network operators as well as organizations or individuals engaging in the discovery, collection, release and other activities of network product security vulnerability are subject to the provisions and shall establish channels to receive information of security vulnerability of their respective network products. In response to the Cybersecurity Law, network product providers shall be reported to the Cyber Security Threat and Vulnerability Information Sharing Platform of the Ministry of Industry and Information Technology within two days and provide technical support for network product users. Network operators shall take measures to examine and fix security vulnerability in a timely manner after discovering or acknowledging that their networks, information systems or equipment have such security vulnerability. According to the provisions, the breaching parties may be subject to punishments as regulated in accordance with the Cybersecurity Law.

On September 17, 2021, the Cyberspace Administration of China and eight other authorities jointly promulgated the Notice on Promulgation of the Guiding Opinions on Strengthening the Comprehensive Governance of Algorithm-Related Internet Information Services, which proposes a three-year plan to gradually establish a comprehensive governance pattern for algorithm security with sound governance mechanism, perfect regulatory system and standardized algorithm ecology. On December 31, 2021, the Cyberspace Administration of China, the Ministry of Industry and Information Technology, the Ministry of Public Security and the State Administration for Market Regulation jointly issued the Administration Provisions on Algorithmic Recommendation of Internet Information Services, which became effective on March 1, 2022. The provisions provide that algorithmic recommendation service providers shall (i) fulfill their responsibilities for algorithm security, (ii) establish and improve management systems for algorithm mechanism examination, ethical vetting in technology, user registration, information release vetting, protection of data security and personal information, anti- telecommunications and internet fraud, security assessment and monitoring, emergency response to security incidents, etc., and (iii) formulate and disclose rules for algorithm recommendation services, and be equipped with professional staff and technical support appropriate to the scale of the algorithm recommendation service.

On July 7, 2022, the Cyberspace Administration of China published the Measures for the Security Assessment of Outbound Data Transfer, effective September 1, 2022, pursuant to which a data processor shall apply to the national cyberspace administration for the security assessment of the outbound data transfer through the local provincial cyberspace administration, if it intends to provide data abroad under any of the following circumstances: (i) the data processor provides important data abroad; (ii) the critical information infrastructure operator or the data processor that has processed the personal information of over one million people provides personal information abroad; (iii) the data processor that has provided the personal information of over 100,000 people or the sensitive personal information of over 10,000 people cumulatively since January 1 of the previous year provides personal information abroad; (iv) any other circumstance where an application for the security assessment of outbound data transfer is required by the national cyberspace administration.

On November 14, 2021, the Cyberspace Administration of China published the Regulations on Cyber Data Security Management (Draft for Comments), which specifies that a data processor that seeks to list in Hong Kong whose activities affect or may affect national security should apply for cybersecurity review. As of the date of this annual report, the draft measures have not yet promulgated into law.

On February 22, 2023, the Cyberspace Administration of China issued the Measures for Standard Contract for Outbound Data Transfer of Personal Information, effective June 1, 2023. The measures provide a transitional period of six months from the effective date for companies to take necessary measures to comply with the requirements. According to the measures, in the cases where the personal information processor provides personal information abroad by concluding a standard contract, the contract shall be concluded in strict compliance with the form Standard Contract, that is attached as an annex to the measures. The measures further provide that personal information processors may agree on other terms with overseas recipients, but they shall not conflict with the Standard Contract. According to the measures, the personal information processor shall, within ten working days from the effective date of the standard contract, file with the local provincial network information department and submit the standard contract and personal information protection impact assessment report for record.

On March 22, 2024, the Cybersecurity Administration of China promulgated the Provisions on Promoting and Regulating Cross-border Data Flows, effective immediately. These provisions delineate scenarios exempt from data cross-border compliance declarations, elevate the threshold for such declarations and reduce the instances requiring them. In case of any inconsistencies between these provisions and the Measures on Security Assessment of Outbound Data Transfer and the Measures for Standard Contract for Outbound Data Transfer of Personal Information, the provisions will prevail.

Regulations on Privacy Protection

The Regulations on Technological Measures for Internet Security Protection were issued by the Ministry of Public Security on December 13, 2005 and came into effect on March 1, 2006. It requires internet service providers to utilize standard technical measures for internet security protection.

Under the Several Provisions on Regulating the Market Order of Internet Information Services, which were issued by the Ministry of Industry and Information Technology on December 29, 2011 and came into effect on March 15, 2012, internet service providers are also prohibited from collecting any personal user information or providing any information to third parties without the consent of the user. The Cybersecurity Law provides an exception to the consent requirement where the information is anonymous, not personally identifiable and unrestorable. Internet service providers must expressly inform the users of the method, content and purpose of the collection and processing of user personal information and may only collect information necessary for its services. Internet service providers are also required to properly maintain user personal information, and in case of any leak or likely leak of user personal information, they must take remedial measures immediately and report any material leak to the telecommunications regulatory authority.

In addition, the Decision on Strengthening Network Information Protection issued by the Standing Committee of the National People's Congress on December 28, 2012 emphasizes the need to protect electronic information that contains individual identification information and other private information. The decision requires internet service providers to establish and publish policies regarding the collection and use of personal electronic information and to take necessary measures to ensure the security of the information and to prevent leakage, damage or loss. Furthermore, the Ministry of Industry and Information Technology's Order on Protection of Personal Information of Telecommunications and Internet Users, which took effect on September 1, 2013, contains detailed requirements on the use and collection of personal information as well as the security measures to be taken by internet service providers.

The Standing Committee of the National People's Congress promulgated the Personal Information Protection Law of the PRC on August 20, 2021, effective on November 1, 2021. According to the Personal Information Protection Law, personal information is all kinds of information, recorded by electronic or other means, related to identified or identifiable natural persons, not including information after anonymization handling. The principles of legality, propriety, necessity, and sincerity shall be observed for personal information handling. Moreover, the Personal Information Protection Law specified rules for handling sensitive personal information, which means personal information that, once leaked or illegally used, may easily cause infringement of the dignity of natural persons or harm to personal or property security, including information on biometric characteristics, financial accounts and individual location tracking, and the personal information of minors under the age of 14. Personal information handlers shall bear responsibility for their personal information handling activities, and adopt the necessary measures to safeguard the security of the personal information they handle. Otherwise, the personal information handlers will be ordered to correct or suspend or terminate the provision of services and be subject to confiscation of illegal income, fines or other penalties. Any personal information processor outside the territory of the PRC that processes the personal information of natural persons located within the PRC territory under any of the circumstances set forth in the Personal Information Protection Law shall establish a special agency or designate a representative within the territory of the PRC to be responsible for handling matters relating to personal information protection. Where a personal information processor needs to provide personal information outside the territory of the PRC due to business or other needs, it shall meet one of the conditions prescribed by the Personal Information Protection Law, such as passing a security evaluation organized by the Cyberspace Administration of China, or other conditions prescribed by laws, administrative regulations or the Cyberspace Administration of China. Where an overseas organization or individual engages in personal information processing activities infringing upon the personal information rights and interests of PRC citizens or endangering the national security and public interests of the PRC, the Cyberspace Administration of China may include such organization or individual in the list of subjects to whom provision of personal information is restricted or prohibited, announce the same, and take measures such as restricting or prohibiting provision of personal information to such organization or individual.

Regulations Relating to Taxation

Regulations on Enterprise Income Tax

The PRC Enterprise Income Tax Law was issued by the Standing Committee of the National People's Congress in 2007 and most recently amended on December 29, 2018. The Implementation Rules for the PRC Enterprise Income Tax Law were issued by the State Council in 2007 and were amended on April 23, 2019. According to these regulations, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with the PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or *de facto* control entity is within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual or *de facto* control entity is located outside the PRC, but (i) have entities or premises in the PRC, or (ii) have no entities or premises but have income generated from China. According to the PRC Enterprise Income Tax Law, foreign-invested enterprises in the PRC are generally subject to a uniform enterprise income tax rate of 25%. A non-resident enterprise that has an establishment or premises within the PRC must pay enterprise income tax at a rate of 25% on its income that is derived from such establishment or premises inside the PRC and that is sourced outside the PRC but is actually connected with the said establishment or premises. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

Enterprises that are recognized as high and new technology enterprises in accordance with the Administrative Measures for the Determination of High and New Tech Enterprises, issued by the Ministry of Science, the Ministry of Finance and the State Administration of Taxation on April 14, 2008 and last amended on January 29, 2016, are entitled to enjoy a preferential enterprise income tax rate of 15%. The validity period of the high and new technology enterprise qualification shall be three years from the date of issuance of the certificate of high and new technology enterprise. An enterprise can re-apply for such recognition as a high and new technology enterprise before or after the previous certificate expires.

On February 3, 2015, the State Administration of Taxation issued the Announcement on Several Issues Concerning Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises, or SAT Circular 7. SAT Circular 7 provides comprehensive guidelines relating to, and heightening the Chinese tax authorities' scrutiny of, indirect transfers by a non-resident enterprise of PRC taxable assets, which include assets of organizations and premises in the PRC, immovable property in the PRC and equity investments in PRC resident enterprises. For instance, if a non-resident enterprise transfers equity interest in an overseas holding company that directly or indirectly holds certain PRC taxable assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, SAT Circular 7 allows the Chinese tax authorities to reclassify the indirect transfer of PRC taxable assets into a direct transfer and therefore impose PRC enterprise income tax at a rate of a 10% on the non-resident enterprise. On the other hand, indirect transfers falling into the scope of the safe harbors under SAT Circular 7 are not subject to PRC tax under SAT Circular 7. The safe harbors include qualified group restructurings, public market trades and exemptions under tax treaties or arrangements.

The State Administration of Taxation issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, which took effect on December 1, 2017 and was amended on June 15, 2018. According to this announcement, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount of equity transfer income.

Under SAT Circular 7 and the Law on the Administration of Tax Collection issued by the Standing Committee of the National People's Congress in 1992 and last amended on April 24, 2015, in the case of an indirect transfer, entities or individuals that are obligated to pay the transfer price to the transferor shall act as withholding agents. If they fail to make withholding or withhold the full amount of tax payable, the transferor of equity must declare and pay tax to the tax authorities in charge within seven days from the occurrence of the tax payment obligation. Where the withholding agent does not make withholding, and the transferor of equity does not pay the payable amount, the tax authority may impose late payment interest on the transferor. In addition, the tax authority may also hold the withholding agents liable and impose a penalty of ranging from 50% to 300% of the unpaid tax on them. The penalty imposed on the withholding agents may be reduced or waived if the withholding agents have submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with SAT Circular 7.

Regulations on Dividend Tax

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements, which took effect on February 20, 2009, all of the following requirements must be satisfied to enjoy the preferential tax rates provided under the tax agreements: (i) the tax resident that receives dividends should be a company as provided in the tax agreement; (ii) the equity interest and voting shares of the PRC resident company directly owned by the tax resident satisfy the percentages specified in the tax agreement; and (3) the equity interest of the PRC resident company directly owned by such tax resident at any time during the 12 months prior to receiving the dividends satisfy the percentage specified in the tax agreement.

The PRC Enterprise Income Tax Law provides that an income tax rate of 10% will normally be applicable to dividends payable to investors that are "non-resident enterprises," and gains derived by such investors, which (i) do not have an establishment or place of business in the PRC or (ii) have an establishment or place of business in the PRC, but the income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and other applicable jurisdictions. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, issued by the State Administration of Taxation in 2006, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from the in-charge tax authority. However, based on the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements, if the PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Based on the Announcement of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties by the State Administration of Taxation, effective from April 1, 2018, to determine the "beneficial owner" status of a resident of the treaty counterparty seeking to enjoy tax treaty benefits, a comprehensive analysis must be carried out in accordance with the factors set out in the announcement.

On August 27, 2015, the State Administration of Taxation issued the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers, which was amended on June 15, 2018. The announcement was repealed by the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits, which was propagated on October 14, 2019 and took effect on January 1, 2020. Under such announcement, non-resident taxpayers meeting conditions for enjoying the convention treatment may be entitled to the convention treatment themselves when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities. Such taxpayers who make their own declaration must assess whether they are entitled to tax treaty benefits, make truthful declarations and submit the reports, statements and materials required by the tax authorities.

Regulations on Value-added Tax

All entities and individuals engaged in the sale of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax in accordance with the Provisional Regulations on Value-added Tax of the PRC and its implementation rules. These regulations were issued by the State Council in 1993 and last amended on November 19, 2017. The regulations applicable to value-added tax were further amended by the Notice of Adjustment of VAT Rates, issued on April 4, 2018, and by the Notice of Strengthening Reform of Value-added Tax Policies, issued on March 20, 2019. Value-added tax payable is calculated as "output value-added tax" minus "input value-added tax." The rate of value-added tax varies from 3% to 13% depending on the product type.

Regulations Relating to Intellectual Property

Regulations on Trademark Law

Trademarks in the PRC are governed by the Trademark Law of the PRC, last amended on April 23, 2019 and effective on November 1, 2019, and the Regulations for the Implementation of Trademark Law of the PRC, last amended on April 29, 2014. The Trademark Office of the National Intellectual Property Administration is responsible for the registration and administration of trademarks throughout the PRC and the Trademark Review and Adjudication Board of the State Administration for Market Regulation under the State Council is responsible for handling trademark disputes.

Registered trademarks in the PRC refer to trademarks that have been approved and registered by the Trademark Office, including commodity trademarks, service trademarks, collective marks and certification marks. A trademark registrant will enjoy an exclusive right to use the trademark, which will be protected by laws and regulations. Any visible mark in the form of word, graphic, alphabet, number, 3D (three-dimension) mark, color combination or the combination of these elements that can distinguish the commodities of the natural person, legal person or other organizations from those of others can be registered as a trademark. A trademark for which an application is filed for registration must be distinctive to be distinguishable, and may not go against the legitimate rights previously obtained by others. A trademark registrant is entitled to include the words "Registered Trademark" or a sign indicating that it is registered.

Any of the following acts will be an infringement upon the right to exclusive use of a registered trademark: (i) using a trademark that is identical to a registered trademark on the same kind of commodities without a license from the registrant of the registered trademark; (ii) using a trademark that is similar to a registered trademark on the same kind of commodities, or using a trademark that is identical or similar to the registered trademark on similar goods without a license from the registrant of the registered trademark, if the use is likely to cause confusion; (iii) selling commodities that infringe upon the right to exclusive use of a registered trademark; (iv) counterfeit or unauthorized production of the label of another's registered trademark, or sale of any such label that is counterfeited or produced without authorization; (v) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of the registered trademark; (vi) providing, intentionally, facilitation for activities infringing upon others' exclusive right of trademark use, and facilitating others to commit infringement on the exclusive right of trademark use; or (vii) causing other damage to the right to exclusive use of a holder of a registered trademark. In the event of infringement of the registered trademark above that leads to disputes, the parties concerned may settle such disputes through negotiations; if no negotiation is prospective or fails, the trademark registrant or any interested party may file a lawsuit before the People's Court or request the administrative department for market regulation for handling.

Regulations on Patent Law

Patents in the PRC are mainly protected under the Patent Law of the People's Republic of China, which was issued by the Standing Committee of the National People's Congress in 1984 and last amended on October 17, 2020, effective on June 1, 2021, and Implementation Rules of the Patent Law of the People's Republic of China, which were promulgated by the State Council in 2001 and last amended on December 11, 2023. The Patent Law and its implementation rules provide for three types of patents: "invention," "utility model" and "design." "Invention" refers to any new technical solution relating to a product, a process or improvement thereof; "utility model" refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and "design" refers to any new design of the whole or partial shape, pattern, color or the combination of any two of them, of a product, that creates an aesthetical feeling and is suitable for industrial application. Invention patents are valid for 20 years, while design patents and utility model patents are valid for 15 years and 10 years, respectively, each calculated from the date of application. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

If a dispute arises due to patent infringement, the dispute must be settled through consultation involving both parties. If one or both parties are unwilling to submit to consultation, or if the consultation fails, then the patentee or any interested party may initiate legal proceedings in the People's Court, or request the patent administrative department to handle the matter.

Regulations on Domain Names

Domain names are protected under the Administrative Measures on Internet Domain Names, issued by the Ministry of Industry and Information Technology on August 24, 2017 and effective as of November 1, 2017. It regulates efforts to undertake internet domain name services as well as the operation, maintenance, supervision and administration thereof and other relevant activities within the territory of the PRC. A person that has domain name root servers, an institution for operating domain name root servers, a domain name registry and a domain name registrar operating within the territory of the PRC must obtain a permit for this purpose from the Ministry of Industry and Information Technology or the relevant communications administration of the local province, autonomous region or municipality. Domain name owners must register their domain names, and the Ministry of Industry and Information Technology is in charge of the administration of PRC internet domain names. In the case of infringement, the telecommunications authority will take measures to stop the infringer and give it a warning or impose a fine of more than RMB10,000 but less than RMB30,000 depending on the seriousness of the case.

Regulations on Copyright and Software Products

Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law of the PRC, which took effect in 1991 and was most recently amended on November 11, 2020, and the related Implementing Regulations of the Copyright Law of the PRC, which was issued by the State Council on August 2, 2002 and most recently amended on January 30, 2013. The next amendment to the Copyright Law took effect on June 1, 2021. Under the Copyright Law of the PRC and the related Implementing Regulations of the Copyright Law of the PRC, works of Chinese citizens, legal persons or other organizations, whether published or not, enjoy copyright in their works, which include works of literature, art, architectural works, natural science, social science, graphic works and model works such as engineering design plan, product design plan, map, schematic diagram and computer software. The term of protection for copyrighted software is 50 years.

Similarly, under the Computer Software Protection Regulations last amended on January 30, 2013 and became effective on March 1, 2013, Chinese citizens, legal persons and other organizations shall enjoy copyright on the software they develop, regardless of whether the software has been released publicly. Software copyright commences from the date on which the development of the software is completed. A software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council. A registration certificate issued by the software registration institution is a preliminary proof of the registered items. The protection period for software copyright of a legal person or other organizations shall be fifty years, concluding on December 31 of the fiftieth year after the software's initial release.

Regulations Relating to Labor

Regulations on Labor Contract

The main PRC employment laws and regulations applicable to us include the Labor Law, the Labor Contract Law, the Implementing Regulations on the Labor Contract Law of the PRC and other laws and regulations.

The Labor Law was last amended on December 29, 2018. Under the Labor Law, employers shall enter into employment contracts with their employees based on the principles of equality, consent and agreement through consultation. Wages will be paid based on the policy of performance, equal pay for equal work, lowest wage protection and special labor protection for female workers and juvenile workers. The Labor Law also requires employers to establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Employers are also required to pay their employees' social insurance premiums.

The Labor Contract Law was last amended on December 28, 2012 and took effect on July 1, 2013. Under the Labor Contract Law and its implementing regulations, enterprises established in the PRC shall enter into employment agreements with their employees to provide for the term of employment, job duties, work time, holidays and statutory payments, labor protection, working condition and occupational hazard prevention and protection and other essential contents. Both employers and employees will duly perform their duties. The Labor Contract Law also provides for the scenario of rescission and termination. Except for certain situations explicitly stipulated in the Labor Contract Law that are not subject to economic compensation, economic compensation shall be paid to the employee by the employer for the rescission or termination of the employment agreement.

Regulations on Social Insurance and Housing Funds

Pursuant to the Social Insurance Law of the PRC, which was last amended on December 29, 2018, the PRC established social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. Employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. Employers must apply for completion of social security registration with the local social security agency within 30 days from the date of incorporation with their business license, registration certificate or corporation seal. Employers that fail to complete social security registration will be ordered by the social security administrative authorities to make correction within a stipulated period; where correction is not made within the stipulated period, the employers will be subject to fines ranging from one to three times the amount of the payable social security premiums, and the person(s)-in-charge who is/are directly accountable and other directly accountable personnel will be subject to fines ranging from RMB500 to RMB3,000. If an employer does not pay the full amount of social insurance premiums as scheduled, the social insurance premium collection institution will order it to make the payment or make up the difference within the stipulated period and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department will impose a fine from one to three times the amount of overdue payment.

Pursuant to the Regulations on the Administration of Housing Funds last amended on March 24, 2019, employers must complete housing funds registration with local housing fund administration centers and open housing fund accounts for their employees in the bank. Employers must, within 30 days from their date of establishment, go through housing funds registration with local housing fund administration centers and complete housing fund account establishment procedures for employees with the examination and approval documents of the housing fund management center within 20 days from completion of registration. The contribution rate of housing funds of an employee and employer may not be less than 5% of the monthly average salary in the previous year, and cities with good conditions may properly raise the contribution rate. Employers are required to pay and deposit housing funds on behalf of their employees in full and in a timely manner, and any employer that fails to open such bank account or contribute housing funds may be fined and ordered to make payment within a prescribed time limit. If the employer still fails to do so, the housing fund administration center may apply to the court for enforcement of the unpaid amount.

Pursuant to the Opinions of the General Office of the State Council on Comprehensively Promoting the Implementation of the Combination of Maternity Insurance and Basic Medical Insurance for Employees issued on March 6, 2019, maternity insurance and basic medical insurance for employees will be consolidated. On July 20, 2018, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Reform Plan of the State Tax and Local Tax Collection Administration System. Under this plan, tax authorities are responsible for the collection of social insurance contributions in the PRC beginning from January 1, 2019.

Pursuant to the Interim Measures for Participation in Social Insurance by Hong Kong, Macao and Taiwan Residents in the Mainland, which was promulgated by the Ministry of Human Resources and Social Security on November 29, 2019, effective on January 1, 2020, employers registered in mainland China shall contribute basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance for Hong Kong, Macao and Taiwan residents who are employed or recruited by them.

Regulations Relating to Foreign Exchange

Regulation on Foreign Currency Exchange

The principal law governing foreign currency exchange in the PRC is the Foreign Exchange Administration Regulations of the PRC. The Foreign Exchange Administration Regulations, most recently amended on August 5, 2008, stipulates that Renminbi is freely convertible into other currencies for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. However, it is not freely convertible for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless prior approval is obtained from SAFE, or its local branch, and prior registration with SAFE is made.

Pursuant to the Regulation of Settlement, Sale and Payment of Foreign Exchange, promulgated by the People's Bank of China and effective on July 1, 1996, foreign-invested enterprises may only buy, sell or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial supporting documents and, in the case of capital account item transactions, obtaining approvals from SAFE or its local counterpart. Foreign-invested enterprises are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. However, foreign exchange transactions involving overseas direct investment or investment and exchange in securities and derivative products abroad are subject to registration with SAFE and approval from or filing with the PRC governmental authorities.

The Notice on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign Invested Enterprises, issued by SAFE and most recently amended on March 23, 2023, further expanding the extent of convertibility under direct investment. It stipulates that the use of capital funds and exchange settlement funds by foreign-invested enterprises will be subject to foreign exchange management regulations and the implementation of negative list management.

On December 4, 2023, SAFE amended the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts. It unifies the discretional foreign exchange settlement for all the domestic institutions. The discretional foreign exchange settlement refers to foreign exchange capital in the capital account that has been confirmed by the relevant policies subject to the discretional foreign exchange settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) and which can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of discretional foreign exchange settlement of the foreign exchange capital is temporarily determined as 100%. Violations of the circulars of SAFE could result in administrative penalties under the Regulations of the PRC on Foreign Exchange Control and relevant provisions. Furthermore, it stipulates that the use of foreign exchange income of capital accounts of foreign-invested enterprises must follow the principles of authenticity and for the enterprises' own use within the business scope of enterprises. Foreign exchange income of capital accounts and capital in Renminbi obtained by foreign-invested enterprises from foreign exchange settlement may not be directly or indirectly used for the following purposes: (i) payment outside of the business scope of the enterprises or the payment prohibited by laws and regulations; (ii) investment in securities or financial schemes other than bank-guaranteed products unless otherwise provided by laws and regulations; (iii) granting loans to non-connected enterprises, unless otherwise permitted by its business scope; and (iv) construction or purchase of real estate that is not for the enterprises' own use (except for the real estate enterprises).

On January 26, 2017, SAFE promulgated the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks must check board resolutions regarding profit distribution, the original versions of tax filing records and audited financial statements; and (ii) domestic entities must hold income to account against previous years' losses before remitting profits. Moreover, domestic entities must make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

On October 23, 2019, SAFE issued the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment, which cancels the restrictions on the domestic equity investment with capital of non-investment foreign-invested enterprises, including the capital obtained from foreign exchange settlement. Such investments should be real and should be in compliance with the laws, regulations and rules, including the provisions of the 2021 Negative List. In addition, it stipulates that qualified enterprises in certain pilot areas may use their capital income from capital, foreign debt and overseas listing, for the purpose of domestic payments without providing authenticity certifications to the banks in advance for those domestic payments. On December 4, 2023, SAFE amended the above notice, explicitly defining the negative list for the use of capital income and facilitating pilot policies for cross-border financing nationwide.

On April 10, 2020, SAFE issued the Notice on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business. It stipulates that on the premise of ensuring the true and compliant use of funds and compliance with the existing regulations on use of income under the capital account, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing for domestic payment, without prior provision of proof materials for veracity to the bank for each transaction. The authority to process the deregistration of qualified overseas loans under domestic guarantee and overseas lending shall be delegated to banks.

Regulations on Dividend Distribution

Pursuant to the laws and regulations on foreign investment, wholly foreign-owned enterprises in China may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned enterprises in China must allocate at least 10% of their respective accumulated after-tax profits each year, after making up previous years' accumulated losses each year, if any, to fund certain statutory reserve funds until these reserves have reached 50% of the registered capital of the enterprises. A PRC company may not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year. These reserves are not distributable as cash dividends. According to the Rules on the Accounting of Financial Enterprises released by the Ministry of Finance, financial enterprises shall allocate general risk reserves prior to the distribution of dividends.

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

On July 4, 2014, SAFE promulgated the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles, or SAFE Circular 37, for the purpose of simplifying the approval process and for the promotion of the cross-border investment. SAFE Circular 37 supersedes the Notice on Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Back in China by Domestic Residents, and revises and regulates matters involving foreign exchange registration for round-trip investment. Under SAFE Circular 37, (i) PRC residents (including PRC entities and PRC individuals) must register with the local branch of SAFE before he or she contributes assets or equity interest in an overseas special purpose vehicle that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (ii) following the initial registration, PRC residents must update their SAFE registration when the offshore special purpose vehicle undergoes material events relating to any change of basic information, including change of such PRC citizens or residents' name, operation term, increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplification and Improvement of Foreign Exchange Administration on Direct Investment, which was amended on December 30, 2019, the registrations described in the preceding paragraph must be directly reviewed and handled by qualified banks, and SAFE and its branches will perform indirect regulation over the foreign exchange registration through qualified banks.

Failure to comply with the registration procedures set forth in the State Administration of Foreign Exchange Circular 37 may result in restrictions being imposed on the foreign exchange activities of the onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who control the company from time to time are required to register with SAFE in connection with their investments in the company. Moreover, failure to comply with the various registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Regulations on Stock Incentive Plans

On February 15, 2012, SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies. Individuals participating in any stock incentive plan of any overseas publicly listed company who are Chinese citizens or foreign citizens who reside in mainland China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE or its local branches and complete certain other procedures. These plan participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stock or interests and fund transfers. In addition, the agent in China is required to further amend the registration as required by State Administration of Foreign Exchange with respect to the stock incentive plan if there is any material change to the stock incentive plan, the mainland Chinese agent or the overseas entrusted institution or other material changes. The Chinese agents must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in China opened by the Chinese agents before distribution to such PRC residents. Under the Circular of the State Administration of Taxation on Issues Concerning Individual Income Tax in Relation to Equity Incentives promulgated by the State Administration of Taxation and effective from August 24, 2009, listed companies and their domestic organizations must, according to the individual income tax calculation methods for "wage and salary income" and stock option income, lawfully withhold and pay individual income tax on such income.

Regulations on Loans Between a Foreign Company and its Chinese Subsidiaries

A loan made by foreign investors as shareholders in a foreign-invested enterprise is considered to be foreign debt in the PRC and is regulated by various laws and regulations, including the Regulation on Foreign Exchange Administration of the PRC, the Interim Provisions on the Management of Foreign Debts promulgated by SAFE, the National Development and Reform Commission and the Ministry of Finance and most recently amended on July 26, 2022, the Administrative Measures for Registration of Foreign Debts promulgated by SAFE and amended on May 4, 2015, and the Notice of the People's Bank of China on Matters Concerning the Prudent Macro Management of All Cross-Border Financing promulgated on January 11, 2017. Under these rules, a shareholder loan in the form of foreign debt made to a Chinese entity does not require the prior approval of SAFE. However, such foreign debt must be registered with and recorded by SAFE or its local branches. The Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment, as most recently amended by SAFE on December 4, 2023, provides that a non-financial enterprise in the pilot areas may register the permitted amounts of foreign debts, which is as twice of the non-financial enterprise's net assets, at the local foreign exchange bureau. Such non-financial enterprise may borrow foreign debts within the permitted amounts and directly handle the relevant procedures in banks without registration of each foreign debt. However, the non-financial enterprise should report its international income and expenditure regularly.

Regulations Relating to Outbound Direct Investment

The Administrative Measures on Overseas Investments was promulgated by the National Development and Reform Commission and took effect on March 1, 2018. Pursuant to it, non-sensitive overseas investment projects are required to make record filings with the local branch of the National Development and Reform Commission. On September 6, 2014, the Ministry of Commerce promulgated the Administrative Measures on Overseas Investments, which took effect on October 6, 2014. According to this regulation, overseas investments of PRC enterprises that involve non-sensitive countries and regions and non-sensitive industries must make record filings with a local branch of Ministry of Commerce. The Notice of State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment was issued by SAFE in 2012 and last amended on December 30, 2019, under which PRC enterprises must register for overseas direct investment with local banks. The shareholders or beneficial owners who are PRC entities are required to be in compliance with the related overseas investment regulations. If they fail to complete the filings or registrations required by overseas direct investment regulations, the authorities may order them to suspend or cease the implementation of such investment and make corrections within a specified time.

Regulations Relating to M&A Rules and Overseas Listing

On August 8, 2006, six PRC regulatory agencies, including Ministry of Commerce, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation, the State Administration for Market Regulation, the CSRC and SAFE, issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which was amended on June 22, 2009. Foreign investors are subject to the M&A Rules when they purchase equity interest of a domestic company or subscribe for the increased capital of a domestic company that changes a domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets via such foreign-invested enterprise; or when the foreign investors purchase the assets of a domestic company, establish a foreign-invested enterprise by injecting such assets and operate the assets. The M&A Rules require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. The M&A Rules also provide that if a PRC entity or individual plans to merge or acquire its related PRC entity through an overseas company legitimately incorporated or controlled by such entity or individual, such a merger or acquisition shall be subject to examination and approval by the Ministry of Commerce.

The M&A Rules and other recently adopted regulations and rules concerning mergers and acquisitions also establish additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, the M&A Rules require that Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand.

On July 6, 2021, the PRC governmental authorities issued the Opinions on Strictly Scrutinizing Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On December 27, 2021, the National Development and Reform Commission and the Ministry of Commerce jointly issued the 2021 Negative List, which became effective on January 1, 2022. Pursuant to that, if a domestic company engaging in the prohibited business stipulated in the 2021 Negative List seeks an overseas offering and listing, it shall obtain the approval from the competent governmental authorities. Besides, the foreign investors of the company shall not be involved in the company's operation and management, and their shareholding percentage shall be subject, mutatis mutandis, to the relevant regulations on the domestic securities investments by foreign investors.

On February 17, 2023, the CSRC released a set of regulations consisting of 6 documents, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Trial Measures, and 5 supporting guidelines, collectively, the Filing Measures, effective March 31, 2023. The Filing Measures establish a new filing-based regime to regulate overseas offerings and listings by domestic companies. According to the Filing Measures, the overseas offering and listing by a domestic company, whether directly or indirectly, shall be filed with the CSRC. The overseas offering or listing shall be considered as an indirect overseas offering and listing by a domestic enterprise, if the issuer meets both of the following conditions: (i) the operating revenue, gross profit, total assets, or net assets of the domestic operating entities in the most recent fiscal year accounts more than 50% of the relevant line item in the issuer's audited consolidated financial statement for that year; and (ii) the business operation is mainly carried out in the PRC or the main places of business are located in the PRC, or senior management personnel responsible for business operations and management are mostly PRC citizens or are ordinarily resident in the PRC. The determination of an indirect offering and listing will be conducted on a "substance over form" basis.

According to the Trial Measures, an overseas offering and listing is prohibited under any of the following circumstances: (i) if the intended securities offering and listing is specifically prohibited by national laws and regulations and provisions; (ii) if the intended securities offering and listing constitutes endangers to national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) if, in the past three years, the domestic enterprise or its controlling shareholders or actual controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy; (iv) if the domestic enterprise is under investigation according to law for suspected crimes or major violations of laws and regulations, but no clear conclusions have been reached; or (v) if there are material ownership disputes over the equity held by the controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller.

The Filing Measures require the issuer or its main operational entity in the PRC to: (i) file with the CSRC for its initial public offering or listing within three working days after the submission of listing application documents outside mainland China; (ii) file with the CSRC for its follow-on securities offerings in the same offshore market within three working days after the completion of such offerings; (iii) file with the CSRC for its offerings or listing in offshore stock market other than the stock market of its initial public offering or listing within three working days after the submission of offering application outside mainland China; (iv) report material events to the CSRC within three working days after the occurrence and announcement of such events, including, among other things, the change of control, investigation or penalties imposed by the authorities, the conversion of listing status or the transfer of listing board.

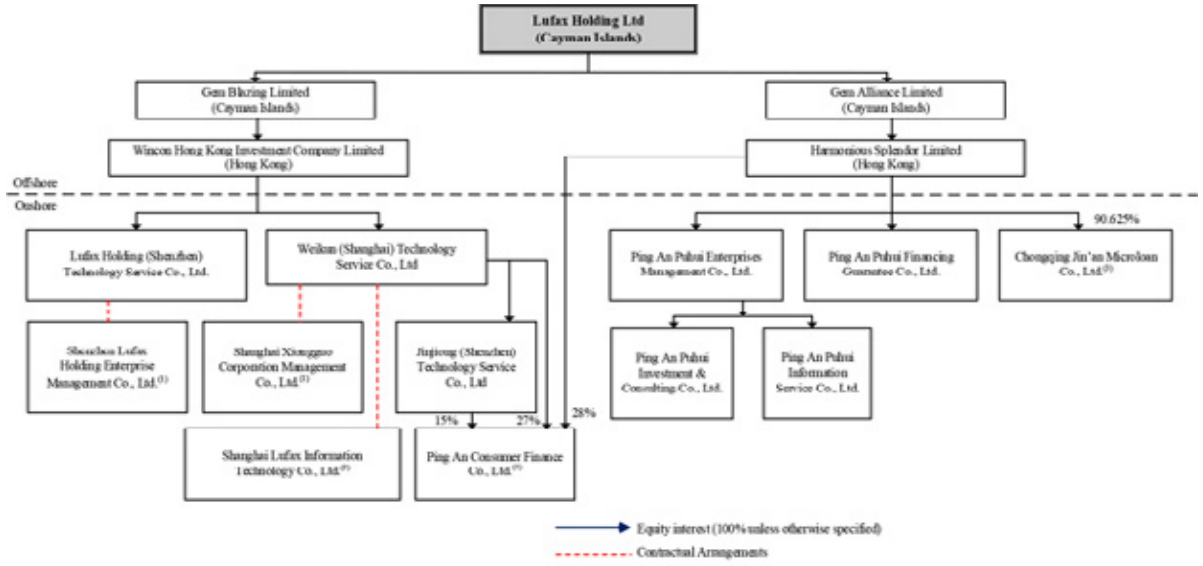
On February 17, 2023, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies, which, among other things, clarifies that domestic companies already listed overseas before March 31, 2023, are not required to complete filing procedures immediately. However, they will be required to file with the CSRC when subsequent matters such as refinancing are involved. Furthermore, regarding the overseas listing of companies with contractual arrangements (also known as VIE structures), the CSRC will solicit opinions from relevant regulatory authorities. The CSRC will then complete the filing of the overseas listing for companies meeting compliance requirements, supporting their development and growth by enabling them to utilize both markets and their resources.

Furthermore, non-compliance with the Trial Measures or an overseas listing completed in breach of the Trial Measures may result in (i) domestic companies being required to correct the illegal behavior, and a warning and a fine of RMB1 million to RMB10 million imposed on the them; (ii) a warning and a fine of RMB500,000 to RMB5,000,000 imposed on the directly responsible supervisors and other directly responsible person; (iii) if the controlling shareholder or actual controller of the domestic enterprise organizes or incites the aforesaid illegal acts, a fine of RMB1 million to RMB10 million shall be imposed on them, and a fine of RMB500,000 to RMB5,000,000 shall be imposed on the directly responsible supervisors and other directly responsible person.

On February 24, 2023, the CSRC, jointly with other governmental authorities, promulgated the revised Provisions on Strengthening Confidentiality and Archives Management of Overseas Securities Issuance and Listing by Domestic Enterprises, effective on March 31, 2023. According to these provisions, domestic companies, whether offering and listing securities overseas directly or indirectly, must strictly abide by the applicable laws and regulations, enhance the sense of confidentiality, improve the archives management system, and take necessary measures to implement the confidentiality and archives management responsibilities when providing or publicly disclosing, either directly or through their overseas listed entities, documents and materials to securities services providers such as securities companies and accounting firms or overseas regulators in the process of their overseas offering and listing. In the event that such documents or materials contain any information related to state secrets or government authorities work secrets, domestic companies must obtain the approval from competent governmental authorities according to the applicable laws, and file with the secrecy administrative department at the same level with the approving governmental authority; and in the event that such documents or materials, if divulged, will jeopardize national security or public interest, domestic companies should strictly fulfill the procedures stipulated by the applicable laws and regulations. Furthermore, domestic companies should also provide a written statement about whether they have completed the approval or filing procedures as above when providing documents and materials to securities companies and securities service providers, and the securities companies and securities service providers should properly retain such written statements for inspection. Securities companies and securities service providers shall also fulfill the applicable legal procedures according to these provisions when providing overseas regulatory institutions and other institutions and individuals with documents or materials containing any state secrets or government authorities work secrets or other documents or materials that, if divulged, will jeopardize national security or public interest.

C. Organizational Structure

The following diagram illustrates our corporate structure as of the date of this annual report, including our principal subsidiaries and the principal consolidated affiliated entities:



(1) Shenzhen Ping An Financial Technology Consulting Co., Ltd, Xinjiang Tongjun Equity Investment Limited Partnership, Shanghai Lanbang Investment Limited Liability Company and Linzhi Jinsheng Investment Management Limited Partnership hold 49.99%, 29.55%, 18.29% and 2.17%, respectively, of the equity interests in each of Shanghai Xiongguo and Shenzhen Lufax Enterprise Management.

Shenzhen Ping An Financial Technology Consulting Co., Ltd is wholly owned by Ping An Insurance. Xinjiang Tongjun Equity Investment Limited Partnership is a limited partnership incorporated under the laws of the PRC, and each of the two individuals, Mr. Wenwei Dou and Ms. Wenjun Wang, owns 50% of Xinjiang Tongjun Equity Investment Limited Partnership's interests. Shanghai Lanbang Investment Limited Liability Company is a company incorporated under the laws of the PRC, and each of the two individuals, Mr. Xuelian Yang and Mr. Jingkui Shi, owns 50% of Shanghai Lanbang Investment Limited Liability Company's shares. Linzhi Jinsheng Investment Management Limited Partnership is a limited partnership incorporated under the laws of the PRC, and Mr. Xuelian Yang owns 60% and Mr. Jingkui Shi owns 40% of Linzhi Jinsheng Investment Management Limited Partnership's interests.

(2) Shanghai Xiongguo and Shanghai Huikang Information Technology Co., Ltd. hold 99.995% and 0.005%, respectively, of the equity interests in Shanghai Lufax. Shanghai Xiongguo holds 100% of the equity interests in Shanghai Huikang Information Technology Co., Ltd., which in turn beneficially owns 100% of the equity interests in Shanghai Lufax.

(3) Ping An Puhui Enterprises Management Co., Ltd. holds the remaining 9.375% of the equity interests in Chongqing Jin'an Microloan Co., Ltd.

(4) Ping An Insurance holds the remaining 30% of the equity interests in Ping An Consumer Finance Co., Ltd.

Our Relationship with Ping An Group

Ping An Group is a leading retail financial services group in the PRC, which principally engages in the following businesses:

- *Insurance*: the insurance business of Ping An Group consists of: (i) life and health insurance business; and (ii) property and casualty insurance business.
- *Banking*: the banking business of Ping An Group is conducted through Ping An Bank, a national joint-stock commercial bank headquartered in Shenzhen, the PRC, and listed on the Shenzhen Stock Exchange. It provides corporate, retail and government clients with multiple banking and financial services through outlets and branches across the PRC.
- *Asset management*: the asset management business of Ping An Group consists of trust business, securities business and other asset management business.

In addition, the technology business of the Ping An ecosystem provides various financial and dailylife services through internet platforms, conducted through: (i) OneConnect Financial Technology Co., Ltd., a technology-as-a-service provider and listed on the NYSE and Hong Kong Stock Exchange; (ii) Ping An Healthcare and Technology Company Limited, a leading online healthcare services platform in the PRC and listed on the Hong Kong Stock Exchange; (iii) Autohome Inc., a leading online automotive services platform in the PRC and listed on the NYSE and Hong Kong Stock Exchange; and (iv) our company, the principal business of which is set out in this annual report.

We enjoy significant benefits by having members of Ping An Group as our principal shareholders and strategic partners and by having extensive cooperation across the Ping An ecosystem. Our business operations and development strategies are supported by Ping An Group in a number of key areas including branding, customer acquisition, credit enhancement, analytics and insights, licenses, and technology. As part of the Ping An ecosystem, we enjoy access to the rest of the Ping An ecosystem and products capabilities spanning insurance, investment, and banking, and have established close business cooperation with Ping An Group, including a mutually beneficial relationship with our credit enhancement partner Ping An P&C, which provided credit enhancement to 52.5% of the outstanding balance of loans we had enabled as of December 31, 2023. Through the Ping An ecosystem, we also have access to valuable insights built on analytics. In addition, many of the technologies that we use, such as facial and voice recognition technology, AI and machine learning algorithms, and the application of blockchain to suitability management, have been licensed from Ping An Group and OneConnect.

Contractual Arrangements with the Principal Consolidated Affiliated Entities

PRC laws and regulations impose restrictions on foreign ownership and investment in certain internet-based businesses. We are a Cayman Islands exempted company and our PRC subsidiaries are considered foreign-invested enterprises. To comply with PRC laws, regulations and regulatory requirements, we have entered into a series of contractual arrangements, mainly (i) through Weikun (Shanghai) Technology, our wholly foreign owned entity, with Shanghai Xiongguo and Shanghai Lufax, the consolidated affiliated entities, and the shareholders of Shanghai Xiongguo and Shanghai Lufax to direct the activities of Shanghai Xiongguo and Shanghai Lufax and their subsidiaries, and (ii) through Lufax (Shenzhen) Technology, our wholly foreign owned entity, with Shenzhen Lufax Enterprise Management, the consolidated affiliated entity, and the shareholders of Shenzhen Lufax Enterprise Management to direct the activities of Shenzhen Lufax Enterprise Management and its subsidiaries.

We currently conduct some of our business through the principal consolidated affiliated entities, Shanghai Xiongguo, Shanghai Lufax and Shenzhen Lufax Enterprise Management, and their subsidiaries based on these contractual arrangements, which allow us to:

- direct the activities of the consolidated affiliated entities and their subsidiaries;
- receive substantially all of the economic benefits from the consolidated affiliated entities and their subsidiaries; and
- hold an exclusive option to purchase all or part of the equity interests and/or assets in the consolidated affiliated entities when and to the extent permitted by PRC law.

As a result of these contractual arrangements, we have become the primary beneficiary of the consolidated affiliated entities under IFRS.

We have consolidated the financial results of Shanghai Xiongguo, Shanghai Lufax and Shenzhen Lufax Enterprise Management and their subsidiaries in our consolidated financial statements in accordance with IFRS.

Contractual Arrangements With Shanghai Xiongguo, Shanghai Lufax and Their Respective Shareholders

Agreements That Allow Us to Receive Economic Benefits From Shanghai Xiongguo and Shanghai Lufax

Exclusive Business Cooperation Agreements. Weikun (Shanghai) Technology entered into exclusive business cooperation agreements with each of Shanghai Xiongguo and Shanghai Lufax. Pursuant to these agreements, Weikun (Shanghai) Technology has the exclusive right to provide Shanghai Xiongguo and Shanghai Lufax with comprehensive business support, technical support and consulting services. Without Weikun (Shanghai) Technology's prior written consent, Shanghai Xiongguo and Shanghai Lufax shall not accept any consulting and/or services covered by these agreements from any third party. Shanghai Xiongguo and Shanghai Lufax agree to pay service fees based on services provided and market conditions on a quarterly basis. Weikun (Shanghai) Technology owns the intellectual property rights arising out of the services performed under these agreements. Unless Weikun (Shanghai) Technology terminates these agreements or pursuant to other provisions of these agreements, these agreements will remain effective for ten years and will be automatically renewed for another five years unless terminated by Weikun (Shanghai) Technology with 30 days' advance written notice.

Agreements That Enable Us to Direct the Activities of Shanghai Xiongguo and Shanghai Lufax

Voting Proxy Agreements. Through a series of voting proxy agreements, each shareholder of Shanghai Xiongguo and Shanghai Lufax irrevocably authorizes Weikun (Shanghai) Technology or any person(s) designated by Weikun (Shanghai) Technology to act as its attorney-in-fact to exercise all of such shareholder's voting and other rights associated with the shareholder's equity interest in Shanghai Xiongguo and Shanghai Lufax, including but not limited to the right to attend shareholder meetings on behalf of such shareholder, the right to appoint legal representatives, directors, supervisors and chief executive officers and other senior management, and the right to sell, transfer, pledge and dispose of all or a portion of the shares held by such shareholder. The voting proxy agreement is irrevocable and remains in force continuously upon execution.

Share Pledge Agreements. Weikun (Shanghai) Technology has entered into share pledge agreements with Shanghai Xiongguo and Shanghai Lufax and their respective shareholders. Pursuant to these share pledge agreements, the shareholders of Shanghai Xiongguo and Shanghai Lufax have pledged all of their equity interests in Shanghai Xiongguo and Shanghai Lufax to Weikun (Shanghai) Technology to guarantee the performance by such shareholders and Shanghai Xiongguo and Shanghai Lufax of their respective obligations under the exclusive business cooperation agreements, the voting proxy agreements, the exclusive option agreements, and any amendment, supplement or restatement to such agreements. If Shanghai Xiongguo and Shanghai Lufax or any of their shareholders breach any obligations under these agreements, Weikun (Shanghai) Technology, as pledgee, will be entitled to dispose of the pledged equity and have priority to be compensated by the proceeds from the disposal of the pledged equity. The shareholders of Shanghai Xiongguo and Shanghai Lufax agree that before their obligations under the contractual arrangements are discharged, they will not dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests which may result in the change of the pledged equity that may have adverse effects on the pledgee's rights under these agreements without the prior written consent of Weikun (Shanghai) Technology. These share pledge agreements will remain effective until Shanghai Xiongguo and Shanghai Lufax and their shareholders discharge all their obligations under the contractual arrangements. We completed the registration of the above share pledge with the relevant office of the Administration for Industry and Commerce of China in 2015. In light of the amendments to the contractual arrangements in February 2023, we completed the registration of each of the share pledge agreements relating to Shanghai Xiongguo and Shanghai Lufax by the end of January 2024.

Agreements That Provide Us With Option to Purchase the Equity Interests and Assets in Shanghai Xiongguo and Shanghai Lufax

Exclusive Option Agreements. Weikun (Shanghai) Technology has entered into exclusive option agreements with Shanghai Xiongguo and Shanghai Lufax and their respective shareholders. Pursuant to these exclusive option agreements, the shareholders of Shanghai Xiongguo and Shanghai Lufax have irrevocably granted our Weikun (Shanghai) Technology or any third party designated by Weikun (Shanghai) Technology an exclusive option to purchase all or part of their respective equity interests in Shanghai Xiongguo and Shanghai Lufax. In addition, Shanghai Xiongguo and Shanghai Lufax have irrevocably granted Weikun (Shanghai) Technology or any third party designated by Weikun (Shanghai) Technology an exclusive option to purchase all or part of their respective assets in Shanghai Xiongguo and Shanghai Lufax. The purchase price of equity interests in Shanghai Xiongguo and Shanghai Lufax will be the lowest price permitted by law. The purchase price of assets in Shanghai Xiongguo and Shanghai Lufax will be the lowest price permitted by law. Without Weikun (Shanghai) Technology's prior written consent, Shanghai Xiongguo and Shanghai Lufax shall not amend their articles of association, increase or decrease the registered capital, sell, dispose of or set any encumbrance on their assets, business or revenue, enter into any material contract outside the ordinary course of business, merge with any other persons, make any investments or distribute dividends. The shareholders of Shanghai Xiongguo and Shanghai Lufax also undertake that they will not transfer, gift or otherwise dispose of their respective equity interests in Shanghai Xiongguo and Shanghai Lufax to any third party or create or allow any encumbrance on their equity interests within the terms of these agreements. These agreements will remain effective for ten years and will be automatically renewed for another five years unless terminated by Weikun (Shanghai) Technology with 30 days' advance written notice.

Contractual Arrangements with Shenzhen Lufax Enterprise Management and Its Shareholders

Agreement That Allows Us to Receive Economic Benefits From Shenzhen Lufax Enterprise Management

Exclusive Business Cooperation Agreement. Lufax (Shenzhen) Technology entered into exclusive business cooperation agreement with Shenzhen Lufax Enterprise Management. Pursuant to the agreement, Lufax (Shenzhen) Technology has the exclusive right to provide Shenzhen Lufax Enterprise Management with comprehensive business support, technical support and consulting services. Without Lufax (Shenzhen) Technology's prior written consent, Shenzhen Lufax Enterprise Management shall not accept any consulting and/or services covered by the agreement from any third party. Shenzhen Lufax Enterprise Management agrees to pay service fees on a quarterly basis. Lufax (Shenzhen) Technology owns the intellectual property rights arising out of the services performed under the agreement. Unless Lufax (Shenzhen) Technology terminates the agreement or pursuant to other provisions of the agreement, the agreement will remain effective for ten years and will be automatically renewed for another five years unless terminated by Lufax (Shenzhen) Technology with 30 days' advance written notice.

Agreements That Enable Us to Direct the Activities of Shenzhen Lufax Enterprise Management

Voting Proxy Agreement. Through the voting proxy agreement, each shareholder of Shenzhen Lufax Enterprise Management irrevocably authorizes Lufax (Shenzhen) Technology or any person(s) designated by Lufax (Shenzhen) Technology to act as its attorney-in-fact to exercise all of such shareholder's voting and other rights associated with the shareholder's equity interest in Shenzhen Lufax Enterprise Management, including but not limited to the right to attend shareholder meetings on behalf of such shareholder, the right to appoint legal representatives, directors, supervisors and chief executive officers and other senior management, and the right to sell, transfer, pledge and dispose of all or a portion of the shares held by such shareholder. The voting proxy agreement is irrevocable and remains in force continuously upon execution.

Share Pledge Agreement. Lufax (Shenzhen) Technology has entered into a share pledge agreement with each shareholder of Shenzhen Lufax Enterprise Management. Pursuant to the share pledge agreement, each shareholder of Shenzhen Lufax Enterprise Management has pledged all its equity interest in Shenzhen Lufax Enterprise Management to Lufax (Shenzhen) Technology to guarantee the performance by such shareholder and Shenzhen Lufax Enterprise Management of their respective obligations under the exclusive business cooperation agreement, the voting proxy agreement, the exclusive option agreements, and any amendment, supplement or restatement to such agreements. If Shenzhen Lufax Enterprise Management or any of its shareholders breaches any obligations under these agreements, Lufax (Shenzhen) Technology, as pledgee, will be entitled to dispose of the pledged equity and have priority to be compensated by the proceeds from the disposal of the pledged equity. Each of the shareholders of Shenzhen Lufax Enterprise Management agrees that before its obligations under the contractual arrangements are discharged, it will not dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests which may result in the change of the pledged equity that may have adverse effects on the pledgee's rights under these agreements without the prior written consent of Lufax (Shenzhen) Technology. The share pledge agreement will remain effective until Shenzhen Lufax Enterprise Management and its shareholders discharge all their obligations under the contractual arrangements. We have completed the registration of the share pledge with the relevant office of the Administration for Market Regulation of China in April 2019.

Letters of Undertakings. Each of the four individual shareholders of the direct shareholders of Shenzhen Lufax Enterprise Management signed a letter of undertakings to our company. Under these letters, the signing indirect shareholder has separately irrevocably undertaken, in the event of his or her death or loss of capacity or any other events that could possibly affect his or her capacity to fulfill his or her obligations under the contractual arrangement, that he or she will unconditionally transfer his or her equity interest in Shenzhen Lufax Enterprise Management to any person designated by Shenzhen Lufax Enterprise Management and the transferee will be deemed to be a party to the contractual arrangements and will assume all of his or her rights and obligations as such under the contractual arrangements. Each signing indirect shareholder represents that his or her spouse has no ownership interest in his or her equity interest in Shenzhen Lufax Enterprise Management. Each signing indirect shareholder further represents that, he or she will not, commit any conduct or omission that is contrary to the purpose and intention of the contractual arrangements, that leads or may lead to any conflict of interest between Shenzhen Lufax Enterprise Management and our company and our subsidiaries, and that if, during his or her performance of the contractual arrangements, there is a conflict of interest between the signing indirect shareholder and our company and our subsidiaries, the signing indirect shareholder will protect the legal interests of Lufax (Shenzhen) Technology under the contractual arrangements and follow the instructions of our company.

Spousal Consent Letters. The spouses of the four individual shareholders of the direct shareholders of Shenzhen Lufax Enterprise Management each signed a spousal consent letter. Under these letters, each signing spouse respectively agreed that he or she was aware of the equity interest beneficially owned by his or her spouse in Shenzhen Lufax Enterprise Management and the relevant contractual arrangements in connection with such equity interest. The signing spouse unconditionally and irrevocably confirmed that he or she does not have any equity interest in Shenzhen Lufax Enterprise Management and committed not to impose any adverse assertions upon his or her spouse's respective equity interest. Each signing spouse further confirmed that such equity interest may be disposed of pursuant to the contractual arrangements, and committed that he or she will take all necessary measures for the performance of those arrangements.

Agreements That Provide Us With Option to Purchase the Equity Interests and Assets in Shenzhen Lufax Enterprise Management

Exclusive Option Agreements. Lufax (Shenzhen) Technology has entered into exclusive option agreements with Shenzhen Lufax Enterprise Management and its shareholders. Pursuant to these exclusive option agreements, the shareholders of Shenzhen Lufax Enterprise Management have irrevocably granted Lufax (Shenzhen) Technology or any third party designated by Lufax (Shenzhen) Technology an exclusive option to purchase all or part of their respective equity interests in Shenzhen Lufax Enterprise Management. In addition, Shenzhen Lufax Enterprise Management has irrevocably granted Lufax (Shenzhen) Technology or any third party designated by Lufax (Shenzhen) Technology an exclusive option to purchase all or part of their respective assets in Shenzhen Lufax Enterprise Management. The purchase price of equity interests in Shenzhen Lufax Enterprise Management will be the higher of (i) the total capital contribution to the registered capital of Shenzhen Lufax Enterprise Management multiplied by the percentage of equity interests purchased, (ii) the amount of loan provided by Lufax (Shenzhen) Technology multiplied by the percentage of equity interests purchased, if applicable, and (iii) the lowest price permitted by law. The purchase price of assets in Shenzhen Lufax Enterprise Management will be the higher of the net book value of the assets to be purchased and the lowest price permitted by law. Without Lufax (Shenzhen) Technology's prior written consent, Shenzhen Lufax Enterprise Management shall not amend their articles of association, increase or decrease the registered capital, sell, dispose of or set any encumbrance on their assets, business or revenue, enter into any material contract outside the ordinary course of business, merge with any other persons, make any investments or distribute dividends. The shareholders of Shenzhen Lufax Enterprise Management also undertake that they will not transfer, gift or otherwise dispose of their respective equity interests in Shenzhen Lufax Enterprise Management to any third party or create or allow any encumbrance on their equity interests within the terms of these agreements. These agreements will remain effective for ten years and will be automatically renewed for another five years unless terminated by Lufax (Shenzhen) Technology with 30 days' advance written notice.

In the opinion of Haiwen & Partners, our PRC counsel: (i) the structures of the consolidated affiliated entities and our WFOEs currently do not result in violation of PRC laws and regulations currently in effect; and (ii) except for certain clauses regarding the remedies or reliefs that may be awarded by an arbitration tribunal and the power of courts to grant interim remedies in support of the arbitration and the winding-up and liquidation arrangements, the agreements under the contractual arrangements between our WFOEs, the consolidated affiliated entities and their shareholders governed by PRC law are valid, binding and enforceable against each party thereto in accordance with their terms and applicable PRC laws and regulations currently in effect, and do not result in violation of PRC laws or regulations currently in effect. However, as of the date of this annual report, the legality and enforceability of our contractual arrangements, as a whole, have not been tested in any PRC court, and we cannot guarantee you that the contractual arrangements, as a whole, would ultimately be legal or enforceable if they were to be tested in a PRC court.

However, Haiwen & Partners, our PRC counsel, has also advised that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to the above opinion of our PRC counsel. If the PRC government finds that the agreements that establish the structure for the operation of the consolidated affiliated entities do not comply with PRC government restrictions on foreign investment in our business, we could be subject to severe penalties, including being prohibited from continuing operations. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure" and "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China."

D. Property, Plant and Equipment

We are headquartered in Shanghai. We had 403 offices in China and another 3 offices in Hong Kong and Indonesia as of December 31, 2023. The following table sets forth a summary of our facilities as of December 31, 2023:

	Number of Facilities	Aggregate Size (m^2)
Guangdong	58	52,055
Jiangsu	17	42,526
Shanghai	42	36,506
Shandong	21	25,657
Hubei	23	23,009
Henan	22	22,123
Hebei	18	18,784
Sichuan	18	17,799
Anhui	13	15,452
Hunan	12	15,192
Others	162	118,443
Total	**406**	**387,547**

As of December 31, 2023, properties that we own have a total gross floor area of 4,783 square meters and each owned property ranges from a gross floor area of approximately 79 square meters to 136 square meters.

We lease our premises under lease agreements. The lease terms vary typically from one to six years. As of December 31, 2023, our leased properties have a total gross floor area of over 8,407 square meters.

Much of our system hardware is hosted in leased facilities located in Shanghai and Shenzhen that are operated by our IT staff. We also maintain a real-time backup system and a remote backup system at separate facilities also located in Shanghai and Shenzhen.

We believe that our existing facilities are generally adequate to meet our current needs, but we expect to seek additional space as needed to accommodate future growth.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. This discussion contains forward-looking statements that involve risks and uncertainties about our business and operations. Our actual results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those we describe under "Item 3. Key Information—D. Risk Factors" and elsewhere in this annual report.

A. Operating Results

Overview

We are a leading financial services enabler for SBOs in China. We offer financing products designed principally to address the needs of SBOs. Through our offline-to-online model, we have served a total of over 6.8 million SBOs in China since our founding, as of December 31, 2023. Our total balance of retail credit enabled reached RMB315.4 billion as of the same date.

Under our core retail credit and enablement model, the borrower is charged fees for the loan that include interest for the lender, guarantee or insurance fees for the guarantor or insurer and enablement service fees for the enabler. (Where the lender bears all the credit risk, there is no separate guarantee or insurance fee.) The aggregate of the fees charged to the borrower in proportion to the outstanding balance of the loan constitutes the borrower's effective APR. What we earn depends on how the loan is structured. When the lender is a trust that we consolidate, we earn the spread between the aggregate of the fees that are paid by the borrower (including interest, guarantee fees and enablement service fees) and the interest that is paid to the investors in the trust as net interest income using the effective interest rate method. When the lender is a trust that we do not consolidate or the lender is a bank, the lender earns the interest while we earn the enablement service fees as retail credit and enablement service fee income and (if we provide a guarantee) guarantee fees as guarantee income. In each case, our operating net profit would also consider various operating expenses as well as credit impairment losses, to the extent that they would be attributable to the operation of our core retail credit and enablement model.

In addition to our core retail credit and enablement model, we earn other technology platform–based income for service fees generated from distribution of financial institutions' products, net interest income for loans made by our consumer finance subsidiary, and other income from account management service fees, penalty fees and other services fees. We also earned referral income from platform service for the referral service we provided to bank partners through Lujintong before its cessation of operation in April 2024.

Our total income was RMB61.8 billion in 2021, RMB58.1 billion in 2022, and RMB34.3 billion (US$4.8 billion) in 2023. Our profit before income tax expenses was RMB23.4 billion in 2021, RMB13.0 billion in 2022 and RMB1.6 billion (US$0.2 billion) in 2023. We had net profits of RMB16.7 billion in 2021, RMB8.8 billion in 2022 and RMB1.0 billion (US$145.7 million) in 2023. We had a net margin of 27.0% in 2021, 15.1% in 2022 and 3.0% in 2023.

Factors Affecting Our Results of Operations

The Impact of Economic Conditions on Our Business

The demand for retail credit enablement in China is dependent upon overall economic conditions. General economic factors, including GDP growth, the interest rate environment and unemployment rates, may affect borrowers' willingness to seek loans and ability to repay them. The gradual slowing in the growth rate of the Chinese economy in recent years has created headwinds for our own growth. Individuals' levels of disposable income may affect their creditworthiness and potentially lead to changes in default rates. In addition, small business owners were particularly vulnerable to the effects of the temporary lock-downs that were imposed from time to time in different places in China to prevent the spread of COVID-19, and some of them were unable to recover from the impact on their businesses.

Economic conditions during and immediately following the COVID-19 epidemic have weighed on borrowers' willingness to borrow and ability to repay. Our total volume of new loans decreased from RMB648.4 billion in 2021 to RMB495.4 billion in 2022, and further decreased to RMB208.0 billion in 2023. These factors have also led to an increase in defaults on loans, including loans we have enabled or made. A combination of the growth in the risk-bearing loan balance on our balance sheet, the growth in our off-balance sheet guarantee exposure from our financing guarantee business and the impact of the COVID-19 pandemic on the Chinese economy has caused us to incur more indemnity loss and book more provisions anticipating deteriorating asset quality of the loan portfolios.

While credit quality deterioration took place across the board in China in 2022 and 2023, we witnessed growing differences in economic resilience in various regions, which led to significant divergence in credit performance by region. In response, we have been recalibrating our strategies to focus on higher quality borrowers in more economically resilient regions, optimizing our sales channel structure and productivity, revising our products and pricing, and enhancing our risk management capabilities to protect our business health and resiliency during economic downturns.

The Effectiveness of Our Credit Risk and Capital Management

The end-to-end performance of our risk management system is crucial to the success of our business, in particular as we bear a higher proportion of credit risk on the loans we enable. Risk management empowers us to identify creditworthy customers who have been underserved by traditional financial institutions, offer differentiated products to borrowers with different risks profiles, and improve our overall loan performance.

Delinquency rate is a backward looking indictor that reflects asset quality trend during a period in the past. As of December 31, 2021, 2022 and 2023, our DPD 30+ delinquency rate was 2.2%, 4.6% and 6.9%, respectively, and our DPD 90+ delinquency rate was 1.2%, 2.6% and 4.1%, respectively. Flow rate is a forward-looking indicator that estimates the percentage of current loans that will become non-performing at the end of three months. Our flow rate for general unsecured loans was around 0.5% or 0.6% in 2021 before rising to around 1.1% as of December 31, 2022 and further to around 1.4% as of December 31, 2023. Similarly, our flow rate for secured loans was around 0.1% or 0.2% in 2021 before rising to around 0.7% as of December 31, 2022 and 2023. See "Item 4. Information on the Company—B. Business Overview—How We Enable Our Institutional Partners—Credit Risk Management" for more explanation.

To properly control the risk exposure in our consumer finance business, we have prudently managed our guarantee leverage ratio following "Regulations on the Supervision and Administration of Financing Guarantee Companies." The regulations set forth that the outstanding guarantee liabilities of a financing guarantee company shall not exceed 10 times its net assets, though the upper limit can be raised to 15 times for a financing guarantee company that mainly provides services to small and micro enterprises, the agriculture sector, rural villages and farmers. The guarantee leverage ratio of Ping An Puhui Financing Guarantee Co., Ltd, our subsidiary which provides financing guarantee services, was 1.8×, 2.0× and 1.8× as of December 31, 2021, 2022 and 2023, respectively. We believe we have ample room to further grow our guarantee business by taking on more risks but we will prudently keep the guarantee leverage ratio at an appropriate level.

The Evolution of Our Business Model

Anticipating the trend in regulatory guidance, we have been increasing the percentage of the risk that we bear on loans that we enable. The percentage of our total outstanding loans with credit risk exposure for our company increased from 16.6% as of December 31, 2021 to 23.5% as of December 31, 2022 and further to 39.8% as of December 31, 2023, including both loans we guarantee through our financing guarantee subsidiary and loans we make through our consumer finance subsidiary.

We provide guarantee services through our financing guarantee subsidiary, which has licensed branches in 30 provinces. For loans funded by third parties requiring credit enhancement, we used to guarantee a portion of the risk on each new loan transaction along with our credit enhancement providers. However, in the fourth quarter of 2023, we successfully completed the transformation of our business to a 100% guarantee business model, under which our licensed financing guarantee subsidiary now provides a guarantee for each new loan transaction without the use of third-party credit enhancement. As of December 31, 2023, 58.2% of financing guarantees for the outstanding balance of loans enabled by us were provided by third-party credit enhancement providers. We expect loan impairment provisions against the risk exposure on our outstanding loan portfolio to continue to increase in the short term as the remaining loans with third-party credit enhancement reach maturity and the percentage of the outstanding loans on which we bear credit risk approaches 100%, which will act as a drag on our financial performance in 2024.

Our increased credit exposure represents an important driver for our widening credit impairment losses as we recognized more loan impairment provisions against increasing risk exposure and we recognized more indemnity losses when we fulfilled our guarantee obligations to our funding partners for defaulted loans. Going forward, we expect the volatility of our credit impairment losses and indemnity losses to increase as we increase the volume of new loans we guarantee and as we experience fluctuations in delinquency indicators as a result of deterioration or improvement in borrowers' repayment ability and macro-economic environment changes. Furthermore, since we assess loan impairment provisions based on expected credit losses on a forward-looking basis, a number of significant assumptions or parameters are also required in applying the accounting requirements for measuring them, and our financial performance may experience more volatility depending on how actual borrower behavior deviates from our expectation.

In addition, the evolution of our business model has led to changes in the structure of our total income. The income contribution from guarantee income increased from 7.1% in 2021 to 12.7% in 2022 and 12.8% in 2023. Meanwhile, the growth in our consumer finance business together with our increased use of consolidated third-party trust plans has led to growing income contribution from net interest income, which we recognize on loans funded by these sources. The income contribution from net interest income increased from 22.9% in 2021 to 32.7% in 2022 and 36.0% in 2023.

Acquisition of High Quality Customers Through Multiple Channels

Our SBO financial services business primarily targets small business owners in China who have access to commercial bank credit, automobile and real estate property and financial assets. We have a robust distribution capability across multiple channels, including full-time direct sales employees, active third-party channel partners, and employees engaged in targeted online and telemarketing campaigns.

We strategically adjust our channel mix based on channel costs and effectiveness to enhance our ability to address the needs of the high quality borrowers we target. In light of a further weakening in the macroeconomic environment in 2023, we have been prioritizing asset quality over asset growth by tightening up customer selection standards and focusing new customer acquisition in more economically resilient regions. We have also been revising our salesforce to concentrate on a smaller number of higher-quality borrowers and shifting to utilize more of our direct sales force channel for better quality control. We believe our ability to properly and efficiently mobilize our sales channels to acquire high quality borrowers is essential to strengthen the resilience of our business through economic cycles and sustain our long-term growth and profitability.

The Mix, Pricing and Effective Tenor of Products and Services

We offer products to meet different borrower needs, including general unsecured loans, secured loans and consumer finance loans, with a variety of tenors and sizes. We earn a mix of technology platform–based income, net interest income, guarantee income and penalty income, depending on the funding and credit enhancement arrangements. As our retail credit enablement service fees are comprised of loan enablement service fees and post-origination service fees, the relatively large ticket sizes and long tenors of the general unsecured loans and secured loans we enable give us a larger and more stable income stream with visibility beyond the current period.

Our borrowers' repayment behaviors and early repayment options affect the effective tenors of the loans we enable. Borrowers' early repayments of loans reduce the number of months that our retail credit and enablement service fees or interest income can be recognized and thus affect the total amount of our fees and interest income in absolute terms. Borrowers' decisions whether to make early repayments can be affected by a number of factors such as early repayment fees, interest rate trends and the availability of other financing options in the market. As the fees for our products and services vary, our income and profitability are affected by the amount and mix of our products and services.

Collaboration With Diversified Financial Institution Partners

Maintaining a healthy collaborative relationship with a diversified set of financial institution partners is critical to our business model. Many funding partners have worked with us for over three years. In 2023, 38.8% of the new loans we enabled were funded directly by a total of 79 banks, and another 26.6% by trust plans representing an even larger number of diverse partners. In 2023, only one funding source accounted for more than 10% of the funding for our outstanding loans. Historically, our ability to enable loans has not been constrained by our funding supply, but our funding supply in the future could be constrained by the commercial dynamics discussed in "—The Evolution of Our Business Model." In addition, prior to our adoption of our 100% guarantee business model, we collaborated with seven third-party credit insurance companies, including primarily Ping An P&C, to provide credit enhancement for loans whose borrowers met their desired risk profile.

The foundation of our loan enablement proposition is a dual KYC-plus-KYB approach. KYC assesses the SBOs' creditworthiness as individuals, while KYB assesses the cash flow sustainability of their businesses. Sourcing borrowers with low credit risk provides value to third-party funding partners and strengthens our relationships with them. As we continue to source high quality borrowers who require lower APRs, our collaboration with quality third-party partners who understand this segment of the market improves our ability to provide reasonably priced funding and credit enhancement solutions to our borrowers. Our mature collection framework and data collected from these efforts also represent an integral part of our value propositions, enhancing our relationship with our funding partners.

Operational Efficiency

Our operational efficiency and cost structure have a large impact on the results of our business. Our variable costs are primarily comprised of sales and marketing expenses and operation and servicing expenses. Our sales and marketing expenses primarily relate to borrower acquisition expenses and, to a much lesser extent, investor acquisition and retention expenses. Our fixed costs, which are primarily comprised of general and administrative expenses and technology and analytics expenses, benefit significantly from economies of scale. In particular, the application of advanced technology in our credit assessment and loan collection process scales up our capabilities without a proportionate increase in operational expenses. Our fixed costs as a percentage of our total income declined from 9.1% in 2021 to 8.1% in 2022 and then increased to 10.8% in 2023.

Regulatory Environment in China

The regulatory environment for retail credit enablement in China is developing and evolving, creating both challenges and opportunities that could affect our financial performance. The Chinese government has been putting the pieces in place for a more mature regulatory framework covering all aspects of our business. New regulations may result in both opportunities and challenges for us by weeding out weaker players, triggering consolidation within the industry and increasing compliance risk. We have a proven record of navigating complex regulatory changes over the last several years, as we have comprehensively overhauled our product offerings and business models, and we will continue to make efforts to ensure that we are in compliance with the existing and new laws, regulations and governmental policies relating to our industry.

On– and Off–Balance Sheet Treatment of Loans and Risk Exposure

We have established diversified funding sources, including banks, trust plans and our own licensed microloan and consumer finance subsidiaries, to ensure that we have scalable and stable funding for the loans we enable. We help banks to source prospective borrowers and the banks extend loans to select individuals among those prospective borrowers using their own funds. We also work with trust companies to set up trust plans with loans that we enable as the underlying assets. We earn technology platform–based income for the loan enablement and post-origination services we provide to our funding partners and guarantee income for the credit enhancement services we provide. Third-party funding sources supplied a large majority of the funding for our outstanding loans in 2021, 2022 and 2023, with the remainder funded by us through our consumer finance subsidiary. Those loans that are funded by us are recorded on our balance sheet at net carrying amount, whether or not third parties provide credit enhancement on those loans.

Due to the needs of investors in certain trust plans with loans we enabled as the underlying assets, we hold subordinated tranches of the trust plans or put in guarantee deposits. We consolidate the loans under this trust funding model on our balance sheet. In addition, we consolidate trust plans under other circumstances based on control and variable return assessment in accordance with IFRS 10. The arrangement of consolidated and unconsolidated trust plans is quite similar while the variable return could be different, depending on a dynamic mix of commercial factors. In 2021, 2022 and 2023, we have gradually lowered the APR on loans we enable. With the decrease in investor's return as a result of decrease in market interest rate and the increase in the proportion of loans on which we bear credit risk, the magnitude of variable return attributable to funding partners and/or credit enhancement providers declines accordingly, while the magnitude of variable return earned by us keeps relatively stable. As a result, more loans enabled with trust plans were consolidated since we were entitled to higher proportion of the variable return. As of December 31, 2021, 2022 and 2023, we consolidated 90.1%, 95.6% and 96.0%, respectively, of the outstanding balance of loans we enabled with trusts as the funding source. All cash flows directly attributable to these on–balance sheet loans, including the contractual interest income, service fees, guarantee fees, and borrower acquisition expenses, are recorded as net interest income using the effective interest method in accordance with IFRS 9. As a result, the net carrying value of the loans we enabled plus the interest receivables on those loans amounted to RMB215.0 billion as of December 31, 2021, RMB211.4 billion as of December 31, 2022 and RMB129.7 billion (US$18.3 billion) as of December 31, 2023, which was recorded as loans to customers on our balance sheet.

As of December 31, 2021, 2022 and 2023, we had credit risk exposure to 16.6%, 23.5% and 39.8%, respectively, of the outstanding balance of the loans we enabled. The credit risk exposure between our third-party external partners and ourselves is on a *pari passu* basis, meaning that we share all losses in proportion to our respective commitments. The parties that provide credit enhancement will indemnify the lender when the loans that we enabled are 80 days past due. We need to record losses only to the extent of our exposed credit risk based on our guarantee products. For those loans that are less than 90 days past due, we will apply our estimation on the probability of default and loss given default under the expected credit loss impairment model to reach an amount of expected impairment losses which is charged to our income statement under impairment losses. If the loans are 90 days past due, we record our losses based on our best estimate of recoverable amount.

Key Operating Metrics

We regularly review a number of operating metrics to evaluate our business, measure our performance, identify trends, formulate financial projections and make strategic decisions.

	As of or For the Year Ended December 31,		
	2021	2022	2023
Number of active borrowers (thousands)	4,906	4,805	3,924
Number of active funding partners	66	81	85
	(RMB in billions except where otherwise indicated)		
Outstanding balance of loans enabled	661.0	576.5	315.4
General unsecured loans	520.1	423.8	207.9
Secured loans	129.3	123.1	70.4
Consumer finance loans	11.6	29.7	37.1
Percentage with risk exposure for our company	16.6%	23.5%	39.8%
Off–balance sheet	446.3	360.4	180.1
Without credit risk exposure	381.5	291.9	125.2
With credit risk exposure	64.7	68.6	54.9
On–balance sheet	214.8	216.1	135.3
Without credit risk exposure	169.6	149.2	64.6
With credit risk exposure	45.1	66.9	70.7
Volume of new loans enabled	648.4	495.4	208.0
Off–balance sheet	414.2	279.5	81.5
Without credit risk exposure	341.7	219.8	42.9
With credit risk exposure	72.5	59.7	38.6
On–balance sheet	234.2	215.8	126.5
Without credit risk exposure	175.0	125.3	35.3
With credit risk exposure	59.2	90.6	91.2
Financing guarantee subsidiary leverage ratio (×)[(1)]	1.8×	2.0×	1.8×
Net assets of financing guarantee subsidiary	47.4	47.9	44.6
Net assets of Lufax Holding (consolidated)	94.6	94.8	93.7
30 day+ delinquency rate[(2)] (%)	2.2%	4.6%	6.9%
90 day+ delinquency rate[(2)] (%)	1.2%	2.6%	4.1%
Cost-to-income ratio[(3)] (%)	48.8%	46.3%	57.4
Credit impairment losses	6.6	16.6	12.7

Notes:

(1) Calculated in accordance with "Supervision and Administration of Financing Guarantee Companies." The leverage ratio of the financing guarantee subsidiary is calculated as the outstanding guarantee liabilities of the financing guarantee company divided by its net assets.
(2) Excluding consumer finance business.
(3) Calculated as the sum of sales and marketing expenses, general and administrative expenses, operation and servicing expenses, and technology and analytics expenses divided by total income.

Key Components of Our Results of Operations

Income

The proportion of our total income that constitutes technology platform–based income has declined from 61.9% in 2021 to 44.7% in 2023 as our net interest income has increased from 22.9% to 36.0% and our guarantee income has increased from 7.1% to 12.8% over the same period of time. This evolution in the mix of our total income is driven primarily by changes in our business model as we have gradually taken on more credit risk, changes in funding mix and growth in our consumer finance business.

Our on–balance sheet loans include loans that we fund ourselves directly through our licensed microloan and consumer finance subsidiaries and loans that are funded by consolidated trust plans and generate interest income recognized under IFRS 9. Our off–balance sheet loans generate loan enablement service fees and post-origination service fees recognized under IFRS 15 and guarantee income to the extent that we supply part of the credit enhancement service. Although the underlying business arrangements might be similar, the application of IFRS 15 or IFRS 9 can have an impact on the timing and amount of fee or interest income recognition. Early repayment of loans by borrowers will reduce the number of months that the fees or interest income are being recognized and thus affect the total amount of fees or interest income in absolute terms.

The following table sets forth the breakdown of our total income, both in absolute amounts and as percentages of our total income, for the years indicated:

	For the Year Ended December 31,						
	2021		2022		2023		
	(RMB)	(%)	(RMB)	(%)	(RMB)	(US$)	(%)
	(in millions, except percentages)						
Technology platform–based income	38,294	61.9	29,218	50.3	15,326	2,159	44.7
Net interest income	14,174	22.9	18,981	32.7	12,348	1,739	36.0
Guarantee income	4,370	7.1	7,373	12.7	4,392	619	12.8
Other income	3,875	6.3	1,238	2.1	1,144	161	3.3
Investment income	1,152	1.9	1,306	2.2	1,050	148	3.1
Share of net profit/(loss) of investments accounted for using the equity method	(31)	(0.1)	(0)	0.0	(5)	(1)	0.0
Total income	**61,835**	**100.0**	**58,116**	**100.0**	**34,255**	**4,825**	**100.0**

Technology Platform–based Income

Technology platform–based income includes retail credit and enablement service fees and other technology platform–based income. Retail credit and enablement service fees include loan enablement services and post origination services, which are considered to be two distinctive services under one product provided to our borrowers and funding partners, as well as referral income from platform service, which includes income from the referral service we used to provide to bank partners through Lujintong. Loan enablement services include credit assessment of the borrower, enabling loans from the funding partner to the borrower and providing technical assistance to the borrower and the funding partner. Post-origination services include repayment reminders, payment processing, and collection services. Lujintong was designed to help banks with strong risk capabilities acquire borrowers directly through dispersed third-party agents nation-wide. Under this model, we earned referral fees based on transaction volume and did not participate in credit risk assessment and sharing. As a result, we do not count loans enabled through Lujintong as part of our volume of new loans enabled or our total outstanding loans. We downscaled the operations of Lujintong in 2023 and plan to cease its operation by the end of April 2024. Other technology platform–based income includes service fees generated from distribution of financial institutions' products including asset management plans, bank products, mutual funds, trust plans and other products.

The following table sets forth the breakdown of our technology platform–based income for the years indicated:

	For the Year Ended December 31,					
	2021		2022		2023	
	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)
	(in millions, except percentages)					
Retail credit and enablement service fees						
Loan enablement service fees	5,676	14.8	3,446	11.8	979	6.4
Post-origination service fees	30,411	79.4	24,028	82.2	13,729	89.6
Referral income from platform services	706	1.8	1,147	3.9	426	2.8
Retail credit and enablement service fees	36,793	96.1	28,621	98.0	15,134	98.7
Other technology platform–based income	1,501	3.9	597	2.0	192	1.3
Total technology platform–based income	**38,294**	**100.0**	**29,218**	**100.0**	**15,326**	**100.0**

We do not provide loan enablement services or post-origination services on a standalone basis. Loan enablement service fees and post-origination service fees are recognized upon completion of different performance obligations, and they include the service fees for both the off-balance sheet loans newly enabled during the current financial year and those had been enabled in previous years.

The following table sets forth the sum of the loan enablement service fees and post-origination service fees that is expected to arise from the remaining performance of long-term contracts for our financial enablement services as of December 31, 2023. Upon the fulfillment of the obligations under service contracts, the fees are expected to be recognized in the respective periods in the amounts as described in the table below given the best estimated loan repayment time. The actual amount that we recognize is subject to the actual repayment behavior of borrowers, which may differ from the estimation in our model. If early repayment increases, the total service fee expected to be paid by the borrowers decreases, thus decreasing the income we recognize for each of the loans enabled, and the reverse is true if early repayment decreases. Although the estimate of loan repayment time represents our best estimate based on the information that is currently available to us, there is no assurance that the actual loan repayment time will not deviate from our best estimate, which in turn would affect the income in the respective expected periods of recognition.

	Amount (RMB in millions)	Percentage (%)
Expected period of recognition		
2024	5,614	65.1
2025	1,924	22.3
2026	812	9.4
2027	280	3.2
2028	0	0.0
Total	**8,631**	**100.0**

When predicting the repayment behavior of borrowers and effective tenor of loans, historical early repayment data is the key indicator of future trends. On a regular basis, we review the actual early repayments that have occurred and adjust the early repayment assumption to update our best estimate of the effective tenor for outstanding loans.

The table below sets forth the estimated effective tenor of loans that we do not consolidate on our balance sheet, after considering the actual early repayments that have occurred and expected future early repayments, as of December 31, 2021, 2022 and 2023.

	As of December 31,		
	2021	2022	2023
	(months)		
Estimated Effective Tenor for Off–Balance Sheet Loans			
General unsecured loans	19.37	19.75	20.46
Secured loans	13.44	14.62	15.50

The table below sets forth the impact of changes in estimated effective tenor on the sum of loan enablement service fees and post-origination service fees of RMB8,631 million expected as of December 31, 2023 to be recognized in the remaining period of the loans when the remaining performance obligations are satisfied.

	General unsecured loans	Secured loans	Total
	(RMB millions)		
Change in estimated effective tenor			
–1 month	188	45	233
+1 month	194	47	240

Net Interest Income

Net interest income consists of net interest income from consolidated trusts, microloans and consumer finance loans. In late 2018, we began to introduce a third-party funded trust plan model under which most though not all of the trust plans required consolidation under IFRS 10. Under IFRS 10, we consolidate those trust plans over which we have control and from which we receive variable returns which are affected by our control over these trust plans. Consequently, we recognize net interest income based on the cash flows directly attributable to loans funded by these consolidated trust plans using the effective interest rate method. Hence, borrower acquisition expenses from such third-party funded trust plans are recognized as offsetting net interest income under IFRS 9. However, we only bear limited credit risk even in the trusts that we consolidate. See "Item 4. Information on the Company—B. Business Overview—How We Enable Our Institutional Partners—Our Funding Partners—Trusts."

In June 2020, we also started to serve consumers under our licensed consumer finance subsidiary. As a result, the net carrying value of the loans we originated plus the interest receivables on those loans amounted are categorized as on-balance sheet outstanding loans and recorded as loans to customers on our balance sheet. See "—On- and Off-Balance Sheet Treatment of Loans and Risk Exposure."

The following table sets forth the breakdown of our net interest income for the years indicated.

	For the Year Ended December 31,					
	2021		2022		2023	
	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)
	(in millions, except percentages)					
Consolidated trust plans:						
Interest income	21,230	149.8	25,870	136.3	14,767	119.6
Interest expense	(8,401)	(59.3)	(10,217)	(53.8)	(6,722)	(54.4)
Net interest income from consolidated trust plans	12,829	90.5	15,653	82.5	8,045	65.1
Microloans and consumer finance:						
Interest income	1,535	10.8	4,024	21.2	5,008	40.6
Interest expense	(190)	(1.3)	(695)	(3.7)	(704)	(5.7)
Net interest income from microloans and consumer finance	1,345	9.5	3,329	17.5	4,303	34.9
Net interest income	**14,174**	**100.0**	**18,981**	**100.0**	**12,348**	**100.0**

Guarantee Income

Whether under our bank-funding model or trust-funding model, 58.2% of financing guarantees for the outstanding balance of loans enabled by us were provided by third-party credit enhancement providers as of December 31, 2023. We earn guarantee income as a return to our credit risk exposure to the extent that we provide credit enhancement service for loans we enable. We do not provide guarantees as a stand-alone service for loans that we did not enable. Guarantee income consists of the fees we charge to our borrowers for the guarantee services we provide on loan products. As we have increased the proportion of the loans we enable for which we provide credit enhancement, guarantee income has accounted an increasing though still relatively low proportion of our total income, from 7.1% in 2021 to 12.7% in 2022 and 12.8% in 2023.

Other Income

Other income includes account management service fees, penalty fees and other services fees. Account management service fees represent service fees charged to credit enhancement providers for reminder services provided to them for loans enabled by us that are covered by their credit enhancement services. Penalty fees represent both late payment fees and early repayment fees paid by borrowers. Other income accounted for 6.3% of our total income in 2021, 2.1% of our total income in 2022 and 3.3% of our total income in 2023.

Investment Income

Investment income primarily consists of interest income and realized and unrealized gains and losses on financial assets and financial investments, which mainly consist of asset management plans, mutual fund investments, trust plans, factoring products, structured deposits, bank wealth management products and debt investments. Investment income accounted for 1.9% of our total income in 2021, 2.2% of our total income in 2022 and 3.1% of our total income in 2023.

Total Expenses

Our expenses include sales and marketing expenses, general and administrative expenses, operation and servicing expenses, technology and analytics expenses, and credit impairment costs, among others. The following table sets forth the breakdown of our expenses, both in absolute amounts and as percentages of our total income, for the years indicated:

	For the Year Ended December 31,						
	2021		2022		2023		
	(RMB)	(%)	(RMB)	(%)	(RMB)	(US$)	(%)
	(in millions, except percentages)						
Sales and marketing expenses	17,993	29.1	15,757	27.1	9,867	1,390	17.0
General and administrative expenses	3,559	5.8	2,830	4.9	2,305	325	4.0
Operation and servicing expenses	6,558	10.6	6,430	11.1	6,119	862	10.5
Technology and analytics expenses	2,084	3.4	1,872	3.2	1,387	195	2.4
Credit impairment losses	6,644	10.7	16,550	28.5	12,697	1,788	21.8
Asset impairment losses	1,101	1.8	427	0.7	31	4	0.1
Finance costs	996	1.6	1,239	2.1	414	58	0.7
Other (gains)/losses – net	(499)	(0.8)	(3)	(0.0)	(210)	(30)	(0.4)
Total expenses	**38,435**	**62.2**	**45,102**	**77.6**	**32,610**	**4,593**	**56.1**

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of borrower acquisition expenses, investor acquisition and retention expenses, and general sales and marketing expenses.

Our borrower acquisition expenses mainly represent the expenses we incur for off-balance sheet loan enablement as compensation to our sales employees and third-party channels. Borrower acquisition expenses are capitalized and amortized on a systematic basis consistent with revenue recognition. For our on–balance sheet loans, as part of the cash flows directly attributable to the loans, the corresponding expenses were reflected in net interest income rather than in borrower acquisition expenses, in accordance with IFRS 9.

The following table sets forth the breakdown of our borrower acquisition costs, both in absolute amounts and percentages of total borrower acquisition costs, for the years indicated:

	For the Year Ended December 31,					
	2021		2022		2023	
	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)
	(in millions, except percentages)					
Direct sales	4,462	44.1	3,814	48.5	2,593	51.6
Channel partners	4,922	48.6	3,555	45.2	2,135	42.4
Online and telemarketing	735	7.3	496	6.3	302	6.0
Total borrower acquisition costs	**10,120**	**100.0**	**7,865**	**100.0**	**5,031**	**100**

The borrower acquisition costs are all related to the off–balance sheet loans. For our on–balance sheet loans, the corresponding expenses are reflected in net interest income rather than in borrower acquisition expenses, in accordance with IFRS 9.

Our investor acquisition and retention expenses mainly represent the costs incurred to acquire and retain investors. These included primarily expenses for our member referral channel and our online direct marketing channel. The expenses for our online direct marketing channel consist primarily of incentives paid for new investor referrals, coupons, and online marketing expenses.

Our general sales and marketing expenses mainly represent payroll and related expenses for personnel engaged in marketing, brand promotion costs, business development costs and other marketing and advertising costs.

Referral expenses from platform service are related to Lujintong.

The following table sets forth the breakdown of our sales and marketing expenses, both in absolute amounts and as percentages of our total sales and marketing expenses, for the years indicated:

	For the Year Ended December 31,					
	2021		2022		2023	
	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)
	(in millions, except percentages)					
Borrower acquisition expenses	10,120	56.2	7,865	49.9	5,031	51.0
Investor acquisition and retention expenses	677	3.8	301	1.9	24	0.2
General sales and marketing expenses	6,637	36.9	6,654	42.2	4,377	44.4
Referral expenses from platform service	559	3.1	937	5.9	435	4.4
Total sales and marketing expenses	**17,993**	**100.0**	**15,757**	**100.0**	**9,867**	**100.0**

General and Administrative Expenses

General and administrative expenses consist primarily of employee benefit expenses and office rentals that are not included in sales and marketing, operation and servicing, or technology and analytics expenses, tax surcharges, consulting service fees, business entertainment costs and other expenses.

Operation and Servicing Expenses

Operation and servicing expenses consist primarily of (i) platform operation expenses, which mainly represent the expenses to external payment networks and partner banks for processing transactions, (ii) loan servicing expenses that are associated with enabling and servicing loans, which mainly represent the expenses related to credit assessment, customer and system support, payment processing services and collection, (iii) the cost of operating consolidated trust plans and (iv) salaries and benefits for personnel associated operation and servicing.

Technology and Analytics Expenses

Technology and analytics expenses consist primarily of the expenses with respect to research and development expenses and maintenance expenses related to our technology systems, technology service fees, as well as depreciation and salaries and benefits for IT personnel.

Impairment Losses

Under IFRS 9, we use an expected loss model to determine and recognize impairments, which were recorded within credit impairment losses.

The following table sets forth credit and asset impairment losses for the years indicated:

	For the Year Ended December 31,		
	2021	2022	2023
	(RMB in millions)		
Credit impairment losses	6,644	16,550	12,697
Asset impairment losses	1,101	427	31
Total	**7,745**	**16,978**	**12,729**

The following table sets forth the key components of impairment losses for the years indicated:

	For the Year Ended December 31,		
	2021	2022	2023
	(RMB in millions)		
Loan-related[(1)]	6,349	15,931	12,728
Investment-related[(2)]	273	575	(28)
Others[(3)]	1,123	472	28
Total	**7,745**	**16,978**	**12,729**

Notes:

(1) Loan-related impairment losses consist of actual and expected losses from loan to customers, accounts and other receivables and contract assets related to our retail credit and enablement business and guarantee contracts.
(2) Investment related impairment losses consist of losses from financial assets at amortized cost.
(3) Other impairment losses primarily consist of losses from accounts and other receivables related to wealth management business, goodwill and intangible assets.

The increase in loan-related impairment losses in 2022 was primarily due to the increase of provision and indemnity loss driven by increased risk exposure and by worsening credit performance due in large part to the cumulative impact of successive COVID-19 outbreaks on the Chinese economy. The decrease in loan-related impairment losses in 2023 was primarily due to the decreased loan balance.

Finance Costs

Finance cost primarily consists of the interest expenses in connection with our convertible promissory note issued in October 2015 for acquiring our retail credit and enablement business, interest expenses on the debt component of the convertible redeemable preferred shares, and the interest expenses of our bank borrowings for general corporate operations that are not related to our retail credit and enablement business.

Taxation

Cayman Islands

We are incorporated as an exempted company in the Cayman Islands. The Cayman Islands currently have no income, corporation or capital gains tax.

Hong Kong

Our subsidiaries incorporated in Hong Kong are subject to Hong Kong profit tax at a rate of 8.25% on assessable profits up to HK$2,000,000 and 16.5% on any part of assessable profits over that amount. Hong Kong does not impose a withholding tax on dividends.

China

Generally, our subsidiaries and consolidated affiliated entities incorporated in China are subject to enterprise income tax on their worldwide taxable income as determined under PRC tax laws and accounting standards at a rate of 25%. Some of our subsidiaries are entitled to a favorable statutory tax rate of 15% because of their qualifications as “High and New Technology Enterprises” or because of favorable local tax treatment.

We are subject to value added tax at rates of 3% or 6% on the services we provide to borrowers and investors, less any deductible value added tax we have already paid or borne. We are also subject to surcharges on value added tax payments in accordance with PRC law.

Dividends paid by our wholly foreign-owned subsidiary in China to our intermediary holding company in Hong Kong will be subject to a withholding tax rate of 10%, unless the Hong Kong entity satisfies all the requirements under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital and receives approval from the relevant tax authority. If our Hong Kong subsidiary satisfies all the requirements under the tax arrangement and receives approval from the tax authority, then the dividends paid to the Hong Kong subsidiary would be subject to withholding tax at the standard rate of 5%.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders."

Income Tax Expenses

For the years ended December 31, 2021, 2022 and 2023, our income tax expenses were RMB6.7 billion, RMB4.2 billion and RMB0.6 billion (US$0.1 billion), respectively. Our effective tax rate was 28.6%, 32.6% and 37.1% for 2021, 2022 and 2023, respectively. Our effective tax rate during these periods was higher than the PRC enterprise income tax rate of 25% primarily because overseas losses are not deductible for tax purposes, and also due to the reversal of deferred tax assets recognized in prior years in 2021 and 2022 and a decrease in deferred income taxes in 2022 and 2023.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the years indicated, both in absolute amounts and as percentages of our total income. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The operating results in any year are not necessarily indicative of the results that may be expected for any future year.

	For the Year Ended December 31,			
	2021	2022	2023	
	(RMB)	(RMB)	(RMB)	(US$)
	(in millions)			
Technology platform–based income				
Retail credit and enablement service fees				
Loan enablement service fees	5,676	3,446	979	138
Post-origination service fees	30,411	24,028	13,729	1,934
Referral income from platform service	706	1,147	426	60
Retail credit and enablement service fees	36,793	28,621	15,134	2,132
Other technology platform–based income	1,501	597	192	27
Total technology platform–based income	38,294	29,218	15,326	2,159
Net interest income	14,174	18,981	12,348	1,739
Guarantee income	4,370	7,373	4,392	619
Other income	3,875	1,238	1,144	161
Investment income	1,152	1,306	1,050	148
Share of net profit/(loss) of investments accounted for using the equity method	(31)	0	(5)	(1)
Total income	**61,835**	**58,116**	**34,255**	**4,825**
Sales and marketing expenses:				
Borrower acquisition expenses	(10,120)	(7,865)	(5,031)	(709)
Investor acquisition and retention expenses	(677)	(301)	(24)	(3)
General sales and marketing expenses	(6,637)	(6,654)	(4,377)	(617)
Referral expenses from platform service	(559)	(937)	(435)	(61)
Sales and marketing expenses	(17,993)	(15,757)	(9,867)	(1,390)
General and administrative expenses	(3,559)	(2,830)	(2,305)	(325)
Operation and servicing expenses	(6,558)	(6,430)	(6,119)	(862)
Technology and analytics expenses	(2,084)	(1,872)	(1,387)	(195)
Credit impairment losses	(6,644)	(16,550)	(12,697)	(1,788)
Asset impairment losses	(1,101)	(427)	(31)	(4)
Finance costs	(996)	(1,239)	(414)	(58)
Other gains/(losses) – net	499	3	210	30
Total expenses	**(38,435)**	**(45,102)**	**(32,610)**	**(4,593)**
Profit before income tax expenses	23,400	13,013	1,645	232
Less: Income tax expenses	(6,691)	(4,238)	(611)	(86)
Net profit attributable to:				
Owners of our company	16,804	8,699	887	125
Non-controlling interests	(95)	76	148	21
	16,709	8,775	1,034	146

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Technology Platform–based Income

Our technology platform–based income decreased by 47.5% from RMB29.2 billion in 2022 to RMB15.3 billion (US$2.2 billion) in 2023. This decrease was primarily due to a decrease of 47.1% in retail credit and enablement service fees from RMB28.6 billion in 2022 to RMB15.1 billion (US$2.1 billion) in 2023 and a decrease of 67.9% in other technology platform-based income from RMB0.6 billion in 2022 to RMB0.2 billion (US$27.0 million) in 2023. The decrease of 47.1% in retail credit and enablement service fees was mainly due to a decrease of 42.9% in post-origination service fees from RMB24.0 billion in 2022 to RMB13.7 billion (US$1.9 billion) in 2023 and a decrease of 71.6% in loan enablement service fees from RMB3.4 billion in 2022 to RMB1.0 billion (US$137.9 million) in 2023, which were primarily due to a decrease in new loan sales and balance of our off-balance sheet loans which are funded by banks and by unconsolidated trust plans, and changes in our business model that resulted in more income being recognized as net interest income and guarantee income, and a decrease of 62.9% in referral income from platform services from RMB1.1 billion in 2022 to RMB0.4 billion (US$60.0 million) in 2023 as a result of the decrease in new loan sales through Lujintong.

Net Interest Income

Our net interest income decreased by 34.9% from RMB19.0 billion in 2022 to RMB12.0 billion (US$2.0 billion) in 2023.

Consolidated Trust Plans

Our net interest income from consolidated trust plans decreased by 48.6% from RMB15.7 billion in 2022 to RMB8.0 billion (US$1.1 billion) in 2023. Interest income from consolidated trust plans decreased by 42.9% from RMB25.9 billion in 2022 to RMB14.8 billion (US$2.1 billion) in 2023, and interest expenses decreased by 34.2% from RMB10.2 billion in 2022 to RMB6.7 billion (US$0.9 billion) in 2023, in both cases primarily due to the decrease in our average balance of loans originated by consolidated trust plans from RMB194.3 billion in 2022 to RMB142.3 billion (US$20.0 billion) in 2023. Interest income represents interest income receivable by loans funded by these trust plans while interest expenses represent interest payable by these consolidated trust plans to their investors.

Microloans and Consumer Finance

Our net interest income from microloans and consumer finance increased by 29.3% from RMB3.3 billion in 2022 to RMB4.3 billion (US$0.6 billion) in 2023. Interest income from microloans and consumer finance increased by 24.4% from RMB4.0 billion in 2022 to RMB5.0 billion (US$0.7 billion) in 2023. Interest expense from microloans and consumer finance remained stable at RMB0.7 billion (US$0.1 billion) in 2023, compared to to RMB0.7 billion in 2022. The increase in interest income from microloans and consumer finance was primarily due to the expansion of our consumer finance business. The outstanding loan balance of our consumer finance business increased from RMB29.7 billion as of December 31, 2022 to RMB37.1 billion (US$5.2 billion) as of December 31, 2023.

Guarantee Income

Our guarantee income decreased by 40.4% from RMB7.4 billion in 2022 to RMB4.4 billion (US$0.6 billion) in 2023. This decrease was primarily attributable to a decrease in the loan balance and a lower average fee rate.

Other Income

Our other income decreased by 7.6% from RMB1.2 billion in 2022 to RMB1.1 billion (US$0.2 billion) in 2023. This decrease was primarily attributable to the change of fee structure that we charged to our credit enhancement partners.

Sales and Marketing Expenses

Our sales and marketing expenses decreased by 37.4% from RMB15.8 billion in 2022 to RMB9.9 billion (US$1.4 billion) in 2023.

Borrower Acquisition Expenses

Our borrower acquisition expenses decreased by 36.0% from RMB7.9 billion in 2022 to RMB5.0 billion (US$0.7 billion) in 2023. Our borrower acquisition expenses primarily represent the expenses we incur as compensation for new loans we enabled that generated technology platform–based income, both for loans enabled in 2022 and for loans enabled in prior years whose remaining balance and tenor of obligations had not lapsed. The decrease in borrower acquisition expenses was primarily due to the decreased new loan sales.

Investor Acquisition and Retention Expenses

Our investor acquisition and retention expenses decreased by 92.0% from RMB301.1 million in 2022 to RMB24.0 million (US$3.4 million) in 2023. This decrease was primarily due to the decreased transaction volume.

General Sales and Marketing Expenses

Our general sales and marketing expenses decreased by 34.2% from RMB6.7 billion in 2022 to RMB4.4 billion (US$0.6 billion) in 2023. This decrease was primarily due to the decrease in staff costs for sales and marketing personnel.

Referral Expenses From Platform Service

Our referral expenses from platform service decreased by 53.5% from RMB936.6 million in 2022 to RMB435.1 million (US$61.3 million) in 2023. This decrease was primarily due to the decrease in new loan sales through Lujintong.

General and Administrative Expenses

Our general and administrative expenses decreased by 18.6% from RMB2.8 billion in 2022 to RMB2.3 billion (US$0.3 billion) in 2023. This decrease was primarily due to our expense control measures and the decrease in taxes and surcharges.

Operation and Servicing Expenses

Our operation and servicing expenses decreased by 4.8% from RMB6.4 billion in 2022 to RMB6.1 billion (US$0.9 billion) in 2023, primarily due to our expense control measures and the decrease in the loan balance, partially offset by the increased resources we invested in collection services.

Technology and Analytics Expenses

Our technology and analytics expenses decreased by 25.9% from RMB1.9 billion in 2022 to RMB1.4 billion (US$0.2 billion) in 2023. This decrease was primarily due to our improved efficiency and the expense control measures we adopted.

Impairment Losses

Our impairment losses, including credit impairment losses and asset impairment losses, decreased by 25.0% from RMB17.0 billion in 2022 to RMB12.7 billion (US$1.8 billion) in 2023.

Credit impairment losses decreased by 23.3% from RMB16.6 billion in 2022 to RMB12.7 billion (US$1.8 billion) in 2023, primarily due to the decrease in provision of loans and receivables as a result of the decreased loan balance, partially offset by the increase of actual losses.

Asset impairment losses decreased by 92.7% from RMB427.1 million in 2022 to RMB31.2 million (US$4.4 million) in 2023, primarily due to the higher base of impairment loss for the year ended December 31, 2022 as a result of impairment loss of long term investment.

Finance Costs

Our finance costs decreased by 66.6% from RMB1,239.0 million in 2022 to RMB414.0 million (US$58.3 million) in 2023, primarily due to the decreased interest expenses as a result of our early repayment of Ping An Convertible Promissory Notes and repayment of optionally convertible promissory notes.

Income Tax Expenses

Our income tax expenses decreased by 87.4% from RMB4,238.2 million in 2022 to RMB610.6 million (US$86.0 million) in 2023. The decrease was primarily due to the decrease in profit before income tax expenses.

Net Profits

As a result of the above, our net profits decreased by 88.2% from RMB8.8 billion in 2022 to RMB1.0 billion (US$145.7 million) in 2023.

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

Technology Platform–based Income

Our technology platform–based income decreased by 23.7% from RMB38.3 billion in 2021 to RMB29.2 billion in 2022. This decrease was primarily due to a decrease of 22.2% in retail credit and enablement service fees from RMB36.8 billion in 2021 to RMB28.6 billion in 2022 and a decrease of 60.2% in other technology platform-based income from RMB1.5 billion in 2021 to RMB0.6 billion in 2022. The decrease of 22.2% in retail credit and enablement service fees was mainly due to a decrease of 39.3% in loan enablement service fees from RMB5.7 billion in 2021 to RMB3.4 billion in 2022 and a decrease of 21.0% in post-origination service fees from RMB30.4 billion in 2021 to RMB24.0 billion in 2022, which were primarily due to a decrease in new loan sales of our off-balance sheet loans which are funded by banks and by unconsolidated trust plans, and changes in our business model that resulted in more income being recognized as net interest income and guarantee income, partially offset by an increase of 62.4% in referral income from platform services from RMB0.7 billion in 2021 to RMB1.1 billion in 2022 as a result of an increase in new loan sales through Lujintong.

Net Interest Income

Our net interest income increased by 33.9% from RMB14.2 billion in 2021 to RMB19.0 billion in 2022.

Consolidated Trust Plans

Our net interest income from consolidated trust plans increased by 22.0% from RMB12.8 billion in 2021 to RMB15.7 billion in 2022. Interest income from consolidated trust plans increased by 21.9% from RMB21.2 billion in 2021 to RMB25.9 billion in 2022, and interest expenses increased by 21.6% from RMB8.4 billion in 2021 to RMB10.2 billion in 2022, in both cases primarily driven by the increase in our average balance of loans originated by consolidated trust plans from RMB157.2 billion in 2021 to RMB194.3 billion in 2022. Interest income represents interest income receivable by loans funded by these trust plans while interest expenses represent interest payable by these consolidated trust plans to their investors.

Microloans and Consumer Finance

Our net interest income from microloans and consumer finance increased by 147% from RMB1.3 billion in 2021 to RMB3.3 billion in 2022. Interest income from microloans and consumer finance increased by 162% from RMB1.5 billion in 2021 to RMB4.0 billion in 2022, and interest expense from microloans and consumer finance increased from RMB0.2 billion in 2021 to RMB0.7 billion in 2022. The increases were primarily due to the expansion of our consumer finance business, as we had ceased to make microloans in 2020. The outstanding loan balance of our consumer finance business increased from RMB11.6 billion as of December 31, 2021 to RMB29.7 billion as of December 31, 2022.

Guarantee Income

Our guarantee income increased by 68.7% from RMB4.4 billion in 2021 to RMB7.4 billion in 2022. This increase was primarily attributable to the increase in the proportion of the loans we enabled for which we had provided credit enhancement.

Other Income

Our other income decreased by 68.1% from RMB3.9 billion in 2021 to RMB1.2 billion in 2022. This decrease was primarily attributable to a refund of account management fees to Ping An P&C as a result of worse-than-expected collection performance, and the narrowing down of service scope and change of fee structure that we provided and charged to Ping An P&C since the third quarter of 2022.

Sales and Marketing Expenses

Our sales and marketing expenses decreased by 12.4% from RMB18.0 billion in 2021 to RMB15.8 billion in 2022.

Borrower Acquisition Expenses

Our borrower acquisition expenses decreased by 22.3% from RMB10.1 billion in 2021 to RMB7.9 billion in 2022. Our borrower acquisition expenses primarily represent the expenses we incur as compensation for new loans we enabled that generated technology platform–based income, both for loans enabled in 2022 and for loans enabled in prior years whose remaining balance and tenor of obligations had not lapsed. The decrease in borrower acquisition expenses was primarily due to decreased new loan sales and reductions in commissions.

Investor Acquisition and Retention Expenses

Our investor acquisition and retention expenses decreased by 55.5% from RMB0.7 billion in 2021 to RMB0.3 billion in 2022. This decrease was primarily due to the decrease in sales of wealth management products.

General Sales and Marketing Expenses

Our general sales and marketing expenses increased by 0.3% from RMB6.6 billion in 2021 to RMB6.7 billion in 2022. This increase was primarily due to the increase in staff costs for sales and marketing personnel.

Referral Expenses From Platform Service

Our referral expenses from platform service increased by 67.4% from RMB0.6 billion in 2021 to RMB0.9 billion in 2022. This increase was primarily due to the increase in new loan sales through Lujintong.

General and Administrative Expenses

Our general and administrative expenses decreased by 20.5% from RMB3.6 billion in 2021 to RMB2.8 billion in 2022. This decrease was primarily due to cost control measures we instituted in 2022.

Operation and Servicing Expenses

Our operation and servicing expenses decreased by 1.9% from RMB6.6 billion in 2021 to RMB6.4 billion in 2022, primarily due to the decrease in our total outstanding balance of loans.

Technology and Analytics Expenses

Our technology and analytics expenses decreased by 10.2% from RMB2.1 billion in 2021 to RMB1.9 billion in 2022. This decrease was primarily due to our improved efficiency.

Impairment Losses

Our impairment losses, including credit impairment losses and asset impairment losses, increased by 119% from RMB7.7 billion in 2021 to RMB17.0 billion in 2022.

Credit impairment losses increased by 149% from RMB6.6 billion in 2021 to RMB16.6 billion in 2022, primarily due to the increase of provision and indemnity loss driven by increased risk exposure and by worsening credit performance due to the impact of successive COVID-19 outbreaks on the Chinese economy.

Asset impairment losses decreased by 61.2% from RMB1.1 billion in 2021 to RMB0.4 billion in 2022.

Finance Costs

Our finance costs increased by 24.5% from RMB1.0 billion in 2021 to RMB1.2 billion in 2022, due primarily to our redemption of convertible promissory notes as well as the increase in our total borrowings.

Income Tax Expenses

Our income tax expenses decreased by 36.7% from RMB6.7 billion in 2021 to RMB4.2 billion (US$0.6 billion) in 2022. The decrease was primarily due to the 44.4% decrease in profit before income tax expenses.

Net Profits

As a result of the above, our net profits decreased by 47.5% from RMB16.7 billion in 2021 to RMB8.8 billion in 2022.

B. Liquidity and Capital Resources

We had net cash generated from operating activities of RMB4,987 million, RMB4,455 million and RMB15,030 million (US$2,117 million) in 2021, 2022 and 2023, respectively.

In addition to net cash generated from operating activities, we raised cash from three rounds of equity financing prior to our initial public offering, the first two in 2015 and 2016, and the third with separate closings in 2018 and 2019, as well as a three-year syndicated loan facility agreement and our initial public offering in 2020. We did not receive cash from our issuance of automatically convertible promissory notes and optionally convertible promissory notes in 2020. As of December 31, 2023, all of the automatically convertible promissory notes had converted into our ordinary shares, and all of the optionally convertible promissory notes, along with the accrued interest, had been fully repaid.

The following table sets forth a summary of our cash flows for the years presented:

	For the Year Ended December 31,			
	2021	2022	2023	
	(RMB)	(RMB)	(RMB)	(US$)
	(in millions)			
Summary Consolidated Cash Flows Data:				
Net cash generated from operating activities	4,987	4,455	15,030	2,117
Net cash (used in)/generated from investing activities	314	8,448	(5,937)	(836)
Net cash generated from/(used in) financing activities	(2,448)	(9,919)	(20,555)	(2,895)
Effect of exchange rate changes on cash and cash equivalents	(143)	57	405	57
Net increase/(decrease) in cash and cash equivalents	2,711	3,041	(11,057)	(1,557)
Cash and cash equivalents at beginning of the year	23,786	26,496	29,538	4,160
Cash and cash equivalents at end of the year	26,496	29,538	18,480	2,603

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. We assess various options for the deployment of surplus capital or surplus funds, including investment in financial assets, acquisitions or dividend payouts to shareholders.

As of December 31, 2023, we had RMB39.6 billion (US$5.6 billion) in cash at bank, of which 98.8% was held in Renminbi. All of our cash at bank are held by major financial institutions located in China, which we believe are of high credit quality. As of December 31, 2023, there were two banks with which our cash and cash equivalents balance exceeded 10% of our total cash at bank. We had cash generated from operating activities of RMB5.0 billion, RMB4.5 billion and RMB15.0 billion (US$2.1 billion) in the year ended December 31, 2021, 2022 and 2023, respectively.

We believe that net cash generated from operating activities and our cash on hand will be sufficient to meet our current and anticipated needs for general corporate purposes for at least the next 12 months. We may decide to enhance our liquidity position or increase our cash reserve through additional capital and finance funding. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

In utilizing the proceeds that we received from our initial public offering or that we may receive from other securities offerings outside of the PRC, we may make additional capital contributions to our PRC subsidiaries, establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, make loans to our PRC subsidiaries, acquire onshore entities, or acquire offshore entities with business operations in China in offshore transactions. However, most of these uses are subject to PRC regulations and approvals. For example:

- capital contributions to our PRC subsidiaries must be approved by or reported to the Ministry of Commerce or its local counterparts; and
- loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local branches.

See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Foreign Exchange.”

Substantially all of our future income is likely to be in Renminbi. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval as long as certain routine procedural requirements are fulfilled. Therefore, our PRC subsidiaries are allowed to pay dividends in foreign currencies to us without prior SAFE approval by following certain routine procedural requirements. However, approval from or registration with competent government authorities is required where the Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future.

Operating Activities

Net cash generated from operating activities for the year ended December 31, 2023 was RMB15.0 billion (US$2.1 billion), as compared to profit before income tax expenses of RMB1.6 billion (US$0.2 billion) for the same period. The difference was primarily due to a decrease in loans to customers and accounts and other receivables of RMB105.9 billion and a decrease in accounts and other payables of RMB96.7 billion. The decrease in loans to customers and accounts and other receivables was mainly due to the decrease in outstanding balance of loans originated by consolidated trust plans and the decrease in accounts and other receivables as we prudently scaled down our business due to macroeconomic challenges. The decrease in accounts and other payables and payables to investors of consolidated structured entities was mainly due to the decrease in payables to investors of consolidated trust plans as a result of the decrease in outstanding balance of loans originated by consolidated trust plans. In addition to these changes in our working capital accounts, the difference between our net cash generated from operating activities and our profit before income tax expenses was also due to the impact of certain other items, in particular unrealized credit impairment losses of RMB5.6 billion and finance cost classified as financing activities of RMB1.8 billion, partially offset by investment income classified as investing activities of RMB1.2 billion.

Net cash generated from operating activities for the year ended December 31, 2022 was RMB4.5 billion, as compared to profit before income tax expenses of RMB13.0 billion for the same period. The difference was primarily due to a decrease in loans to customers and accounts and other receivables of RMB10.4 billion and a decrease in accounts and other payables of RMB24.1 billion. The decrease in loans to customers and accounts and other receivables was mainly due to the decrease in outstanding balance of loans originated by consolidated trust plans and the decrease in accounts and other receivables as we prudently scaled down our business due to macroeconomic challenges. The decrease in accounts and other payables and payables to investors of consolidated structured entities was mainly due to the decrease in payables to investors of consolidated trust plans as a result of the decrease in outstanding balance of loans originated by consolidated trust plans. In addition to these changes in our working capital accounts, the difference between our net cash generated from operating activities and our profit before income tax expenses was also due to the impact of certain other items, in particular unrealized credit impairment losses of RMB12.0 billion, finance cost classified as financing activities of RMB2.5 billion and foreign exchange losses of RMB0.9 billion, partially offset by investment income classified as investing activities of RMB1.5 billion.

Net cash generated from operating activities for the year ended December 31, 2021 was RMB5.0 billion, as compared to profit before income tax expenses of RMB23.4 billion for the same period. The difference was primarily due to an increase in loans to customers and accounts and other receivables of RMB101.2 billion and an increase in accounts and other payables of RMB82.5 billion. The increase in loans to customers and accounts and other receivables was due to increase in volume of loans originated by consolidated trust plans and volume of consumer finance loans enabled by our consumer finance subsidiary. The increase in accounts and other payables and payables to investors of consolidated structured entities was due to increase in payables to investors of consolidated trust plans as investment returns. In addition to these changes in our working capital accounts, the difference between our net cash generated from operating activities and our profit before income tax expenses was also due to the impact of certain other items, in particular credit impairment losses of RMB5.7 billion, finance cost classified as financing activities of RMB1.8 billion, asset impairment losses of RMB1.1 billion and depreciation of right-of-use assets of RMB0.6 billion, partially offset by investment income classified as investing activities of RMB1.6 billion.

Investing Activities

We prudently manage our investment allocation to ensure that we have investments readily convertible into cash from time to time in the event that there is a need for liquidity. We generally seek low-risk investment assets, including bank deposits, wealth management products, and fixed income products.

Net cash used in investing activities for 2023 was RMB5.9 billion (US$0.8 billion), primarily as a result of payment for acquisition of investment assets of RMB73.9 billion, partially offset by proceeds from sale of investment assets of RMB67.0 billion and interest received on investment assets of RMB1.0 billion.

Net cash generated from investing activities for 2022 was RMB8.4 billion, primarily as a result of proceeds from sale of investment assets of RMB99.0 billion, a decrease in securities purchases under agreements to resell of RMB5.5 billion and interest received on investment assets of RMB1.7 billion, partially offset by payment for acquisition of investment assets of RMB97.7 billion.

Net cash generated from investing activities for the year ended December 31, 2021 was RMB0.3 billion, primarily as a result of proceeds from sale of investment assets of RMB132.4 billion, partially offset by payment for acquisition of investment assets of RMB128.6 billion and an increase in securities purchases under agreements to resell of RMB4.8 billion. We also received RMB1.5 billion in interest on investment assets.

Financing Activities

We generally seek longer term domestic financing activities and implement early repayment or minimizing foreign exchange risk as our strategy for overseas financing activities.

Net cash used in financing activities for 2023 was RMB20.6 billion (US$2.9 billion), primarily as a result of repayment of borrowings of RMB18.3 billion, repayment of optionally convertible promissory notes of RMB8.3 billion, payment for early redemption and extension of convertible promissory notes payable of RMB3.6 billion and repayment of bonds payable of RMB2.2 billion, partially offset by proceeds from borrowings of RMB14.6 billion.

Net cash used in financing activities for 2022 was RMB9.9 billion, primarily as a result of payment for interest expenses and dividend declared of RMB8.9 billion, repayment of borrowings of RMB5.8 billion and repayment of convertible promissory note payable of RMB3.7 billion, partially offset by proceeds from borrowings of RMB9.0 billion.

Net cash used in financing activities for the year ended December 31, 2021 was RMB2.4 billion, primarily as a result of payment for share repurchase program of RMB6.4 billion, repayment of borrowings of RMB1.8 billion, proceeds from issuance of shares and other equity securities of RMB22.3 million and payment for interest expenses of RMB0.9 billion, partially offset by proceeds from borrowings of RMB7.3 billion.

Off–Balance Sheet Arrangements

As of December 31, 2023, the majority of financing guarantees for the loans we enabled were provided by third-party credit enhancement providers, while the remainder were provided by our licensed financing guarantee subsidiary. The following table sets forth the balance of our remaining commitment as at each balance sheet date under the financing guarantee contracts for which we do not consolidate the underlying loans.

	As of December 31,			
	2021	2022	2023	
	(RMB)	(RMB)	(RMB)	(US$)
	(in millions)			
Financing guarantee commitments	64,731	68,503	54,903	7,733

Aside from the above, we have not entered into any financing guarantees or other commitments to guarantee the payment obligations of any unconsolidated third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity or that are not reflected in our consolidated financial statements. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2023:

	Total		Less than 1 year		1–3 years		3–5 years		More than 5 years	
	(RMB)	(US$)	(RMB)	(US$)	(RMB)	(US$)	(RMB)	(US$)	(RMB)	(US$)
	(in millions)									
Non-cancellable leases	39	5	24	3	14	2	0	0	—	—

Non-cancellable leases represent leases for office premises.

As of December 31, 2023, we had committed to significant capital expenditure totaling HK$933 million for the acquisition of a virtual bank in Hong Kong. This expenditure has not yet been recognized as a liability as of the date of this annual report. For further details on this acquisition, please refer to "Item 4. Information on the Company—History and Development of the Company.

Other than as shown above, we did not have any significant capital and other commitments, long-term obligations, or guarantees as of December 31, 2023.

Holding Company Structure

Lufax Holding Ltd is a holding company with no material operations of its own. We conduct operations in China primarily through our subsidiaries, the consolidated affiliated entities and their subsidiaries in China. As a result, although other means are available for us to obtain financing at the holding company level, Lufax Holding Ltd's ability to continue paying dividends to its shareholders and investors of the ADSs in the future, as well as its ability to service any debt it has incurred or may incur, may depend upon dividends paid by our PRC subsidiaries and, indirectly, on technical and consulting service fees paid by the consolidated affiliated entities in China. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and consolidated affiliated entities in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, our subsidiaries and consolidated affiliated entities may allocate a portion of their after-tax profits based on PRC accounting standards to discretionary surplus funds at their discretion. Some of our subsidiaries are also required to set aside risk reserve funds. The statutory reserve funds and the discretionary surplus funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. Some of our PRC subsidiaries will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds or general risk reserves.

C. Research and Development

See "Item 4. Information on the Company—B. Business Overview—Our Technology" and "—Intellectual Property."

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period since January 1, 2024 that are reasonably likely to have a material effect on our revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Critical Accounting Estimates

Not applicable.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The following table sets forth information regarding our executive officers and directors.

Directors and Executive Officers	Age	Position/Title
Yong Suk Cho	52	Chairman of the Board and Chief Executive Officer
Gregory Dean Gibb	57	Director and Co-Chief Executive Officer
Yonglin Xie	55	Director
Xin Fu	44	Director
Yuqiang Huang	42	Director
Rusheng Yang	56	Independent Director
Weidong Li	55	Independent Director
Xudong Zhang	58	Independent Director
David Xianglin Li	60	Independent Director
Dongqi Chen	55	General Manager
Youn Jeong Lim	53	Chief Risk Officer
David Siu Kam Choy	49	Chief Financial Officer
Jinliang Mao	57	Chief Technology Officer

Mr. Yong Suk Cho has been the chairman of our board and chief executive officer of our company since August 2022, and he served as co-chief executive officer of our company from January 2021 to August 2022 and has been a director of our company since March 2016. He has also been a director of Ping An Puhui since December 2017. Mr. Cho has extensive experience in the consumer finance industry. Mr. Cho served as the vice president of portfolio management team of Citibank Korea from July 1999 to March 2006, and senior vice president of marketing department of the Hongkong and Shanghai Banking Corporation Limited, Seoul Branch from April 2006 to October 2007. Mr. Cho subsequently joined Ping An Group where he held a number of management positions, including deputy general manager of the business & strategy development division of the credit guarantee insurance business department, assistant to the general manager, deputy general manager and general manager of the credit guarantee insurance business department from October 2007 to February 2015. Mr. Cho obtained his MBA degree from the University of California, Berkeley, Haas School of Business in May 1999.

Mr. Gregory Dean Gibb has been the co-chief executive officer of our company since January 2021 and a director of our company since December 2014, and he served as our chief executive officer from March 2016 to January 2021. He has also been the legal representative of Shanghai Lufax since September 2011. Mr. Gibb has over 20 years of experience serving multinational and domestic companies in the finance and investment industry. Mr. Gibb served various positions at McKinsey & Company from January 1992 to September 2006, including as its director and the chief operating officer of Taishin Financial Holding Co., Ltd, a company listed on the Taiwan Stock Exchange (stock code: 2887), from September 2006 to May 2011. After that, Mr. Gibb joined Ping An Insurance and served as the chief innovation officer from May 2011 to April 2013. Mr. Gibb obtained his bachelor of arts degree from Middlebury College in May 1989.

Mr. Yonglin Xie has been a director of our company since August 2023. Mr. Xie is currently an executive director, the president and co-CEO of Ping An Insurance (a company whose shares are dually listed on the Shanghai Stock Exchange (stock code: 601318) and the Hong Kong Stock Exchange (stock code: 2318) and one of the controlling shareholders of our company) and the chairman of Ping An Bank (a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000001)). Mr. Xie joined Ping An Insurance in 1994 and has been serving as a director of Ping An Insurance since April 2020. He was the deputy director of Ping An Insurance's Strategic Development & Reform Center from June 2005 to March 2006. He held positions of the operations director, the human resources director, and a vice president of Ping An Bank from March 2006 to November 2013, and served as the special assistant to the chairman, the president and the CEO, and the chairman of Ping An Securities Co., Ltd. from November 2013 to November 2016 consecutively. He was a senior vice president of Ping An Insurance from September 2016 to December 2019. Previously, Mr. Xie served as the deputy general manager of sub-branches of Ping An Property & Casualty Insurance Company of China, Ltd., the deputy general manager and then the general manager of branches of Ping An Life Insurance Company of China, Ltd., and the general manager of the marketing department of Ping An Life. Mr. Xie graduated from Nanjing University with a Ph.D. in Corporate Management and a Master of Science degree.

Ms. Xin Fu has been a director of our company since November 2022. Currently, she has been serving as the senior vice president of Ping An Group since August 2023. She joined Ping An Group in October 2017 as general manager of its planning department, and served as deputy chief financial officer of Ping An Group between March 2020 and March 2022. Prior to joining Ping An Group, Ms. Fu worked in Roland Berger Enterprise Management (Shanghai) Co., Ltd from August 2015 to October 2017, where she had years of experience in planning and implementing finance and fintech related projects. Ms. Fu has also been serving as a non-executive director of OneConnect Financial Technology Co., Ltd., a company listed on the NYSE (stock code: OCFT) and on the Hong Kong Stock Exchange (stock code: 6638), since November 2022. Ms. Fu obtained a master's degree in business administration from Shanghai Jiao Tong University in June 2012.

Mr. Yuqiang Huang has been a director of our company since December 2022. Currently, he has been serving as a non-executive director of Ping An Leasing International Co., Ltd. since December 2022, a non-executive director of Ping An Real Estate Co., Ltd. since December 2022, and the general manager of audit and supervision department of Ping An Group since March 2023. Mr. Huang has over 18 years of experience in risk management of the financial industry. Mr. Huang held various positions at Shenzhen Development Bank (now merged with and renamed as Ping An Bank) from July 2004 to May 2021, including as manager of the economic capital and portfolio management office of the risk management department of the head office from April 2015 to December 2016, manager of the credit risk management office of the risk management department of the head office from December 2016 to September 2018, and deputy general manager and subsequently general manager of the asset monitoring department of the head office from September 2018 to May 2021. Mr. Huang obtained a bachelor's degree in business management from Nanjing University in June 2004.

Mr. Rusheng Yang has been an independent director of our company since July 2020. Mr. Yang currently is a partner at Jonten Certified Public Accountants and an independent non-executive director of IPE Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 929), since June 2017. Mr. Yang has over 20 years of experience in the finance, audit and tax industries. Mr. Yang served as the senior manager at Shenzhen Yongming CPA Co., Ltd. from October 1994 to December 2000, partner at Shenzhen Guangshen Certified Public Accountants Firm from January 2001 to December 2004, managing partner at Shenzhen Youxin Certified Public Accountants Firm from January 2005 to July 2007, managing partner at Wanlong Asia CPA Co., Ltd. from August 2007 to September 2009, partner at Crowe Horwath China Certified Public Accountants Co., Ltd. from October 2009 to September 2013, and partner at Rui Hua Certified Public Accountants from October 2013 to December 2019. Mr. Yang has been a partner at Zhongtianyun Certified Public Accountants (Special General Partnership) since January 2020. Mr. Yang obtained his master's degree in accounting from Jinan University in June 1993. Mr. Yang is a certified public accountant since January 1995 and is currently a certified tax agent in the PRC.

Mr. Weidong Li has been an independent director of our company since April 2018. Mr. Li has been an independent director of Shenzhen Yan Tian Port Holdings Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000088), since June 2022, an independent non-executive director of Ocean Line Port Development Limited, a company listed on the Hong Kong Stock Exchange (stock code: 8502), since June 2018, an independent non-executive director of China Traditional Chinese Medicine Holdings Co. Limited, a company listed on the Hong Kong Stock Exchange (stock code: 00570), since February 2019, and Mr. Li had also been an independent director of Ping An Securities Co., Ltd. from September 2016 to November 2022, an independent director of AVIC Sanxin Co., Ltd. (currently known as Hainan Development Holdings Nanhai Co., Ltd.), a company listed on the Shenzhen Stock Exchange (stock code: 002163), from June 2018 to June 2020, an independent director of Shenzhen MYS Environmental Protection & Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002303), from September 2013 to November 2019, and an independent director of Netac Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300042), from February 2014 to February 2017, respectively. Mr. Li has extensive experience in corporate legal affairs. Mr. Li was a lawyer at Jiangsu Jingwei Law Firm (later known as Jiangsu Gaode Law Firm) from February 1994 to March 1997. Mr. Li obtained his bachelor's degrees in mineral ore geochemistry and economic law from Nanjing University in July 1990 and July 1992, respectively. He obtained his Ph.D. degree in law from the City University of Hong Kong in November 2004. Mr. Li is currently a qualified lawyer in the PRC and a registered foreign lawyer with the Law Society of Hong Kong.

Mr. Xudong Zhang has been an independent director of our company since April 2018. Mr. Zhang also served as an independent director of Ping An Securities Co., Ltd. from January 2017 to November 2022 and serves as a director of Chifeng Jilong Gold Mining Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600988), since January 2022. Mr. Zhang is currently the chairman of Huakong Tsingjiao Information Science (Beijing) Co., Ltd. Mr. Zhang has extensive experiences in the financial services industry. Mr. Zhang served as a private placement service analyst in New England Financial from October 1990 to June 1994, a vice president in BankBoston, N.A. from July 1994 to September 1996, and a managing director of corporate finance department in Koch Industries, Inc. from September 1996 to July 1998. Mr. Zhang subsequently served as the managing director and head of China structured sales in global markets division of Deutsche Bank AG, Hong Kong Branch from March 2007 to August 2009, and the managing director of the fixed income, currency & commodities divisions of Goldman Sachs (Asia) L.L.C. from September 2009 to December 2012. He was the chairman of Sapinda Asia Pacific Holdings Limited from July 2014 to September 2016. Mr. Zhang obtained his master's degree in community economic development from Southern New Hampshire University (formerly known as New Hampshire College) in September 1990.

Mr. David Xianglin Li has been an independent director of our company since January 2021. Mr. Li is currently a clinical professor and co-director (academic) of the master of finance program at the Shanghai Advanced Institute of Finance, and an vice president of Chinese Academy of Financial Research at Shanghai Jiao Tong University and deputy director of the China Academy of Financial Research. Mr. Li has extensive experience in the finance industry and is a recognized leader in credit derivatives research and risk management. Prior to his current position, Mr. Li served as the investment vice president in risk management at Prudential Financial from March 2016 to June 2017, and managing director and the head of risk management group at China International Capital Corporation Ltd. from June 2008 to February 2012. Mr. Li also has extensive research experiences in various financial institutions, including Citigroup, Canadian Imperial Bank of Commerce, AXA Financial, RiskMetrics Group and Barclays Capital. Mr. Li obtained his bachelor's degree in mathematics from Yangzhou Normal College (consolidated into and currently known as Yangzhou University) in July 1983, master's degree in monetary banking from Nankai University in June 1987, MBA degree from Laval University in May 1991, and Ph.D. degree in statistics from the University of Waterloo in October 1995.

Mr. Dongqi Chen has been the general manager of our company since August 2022. He currently also serves as chairman of Ping An Consumer Finance Co., Ltd. Mr. Chen has over 25 years of experience in sales management and the financial industry. Prior to his current positions, Mr. Chen has served as general manager of Ping An Puhui from June 2020 to August 2022, executive deputy general manager of Ping An Puhui from February 2017 to June 2020, deputy general manager of Ping An Puhui from June 2016 to February 2017, and assistant to the general manager of Ping An Puhui from July 2015 to May 2016. Mr. Chen has served as assistant to the general manager of Ping An Insurance Agency Co., Ltd. from November 2014 to June 2015 and held a number of positions in Ping An Property & Casualty Insurance Company of China Ltd. from September 1996 to October 2014, including as assistant to general manager of the Credit Guarantee Insurance Business Unit from July 2013 to October 2014. Mr. Chen received his bachelor's degree in insurance from Nankai University in July 1991.

Ms. Youn Jeong Lim has been the chief risk officer of our company since August 2022. She served as vice president of Ping An Puhui from March 2017 to August 2022, and was also the chief risk officer of Ping An Puhui, where she was responsible for the comprehensive risk management of retail lending business of our company. Ms. Lim has led the transformation of Ping An Puhui's risk management system from a traditional model into a technology-supported, data-driven online model. Prior to joining Ping An Puhui in May 2008, Ms. Lim has served as the head of consumer finance risk management department of Standard Chartered Bank in Korea from July 2006 to April 2008 and the head of credit card business planning department of Citibank in Korea from April 1999 to September 2005. Ms. Lim received her master's degree in arts from Ohio State University in June 1996.

Mr. David Siu Kam Choy has been the chief financial officer of our company since August 2022. He has also been the chief financial officer of Ping An Puhui since October 2018. Mr. Choy served in various positions at KPMG Hong Kong and Ernst & Young Beijing, Guangzhou and Hong Kong from July 1997 to September 2005, and served as the general manager of the finance department of Shenzhen Development Bank Company Limited (now known as Ping An Bank) from October 2005 to December 2006. Mr. Choy subsequently joined Ping An Insurance where he served as the deputy general manager of group finance department from March 2007 to January 2009, deputy general manager of group planning department from January 2009 to March 2014, and deputy general manager and general manager of group treasury department from March 2014 to September 2018. Representing Ping An Insurance during his service at the group, Mr. Choy also served in various directorship roles within the Ping An Group, namely, chairman of China Ping An Insurance Overseas (Holdings) Limited, director of each of Shenzhen Ping An Fintech Company, Ping An of China Asset Management (Hong Kong) Company Limited, Ping An Real Estate Co., Ltd. and Ping An Yiqianbao E-commerce Company Limited. Mr. Choy obtained his bachelor's degree in finance from The Hong Kong University of Science and Technology in November 1997 and his master's degree in corporate governance and directorship from the Hong Kong Baptist University in November 2015. He also completed the senior executives program in corporate governance at Stanford University in March 2017. He is currently a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Jinliang Mao has been the chief technology officer of our company since December 2017. He has also been the general manager of Lufax (Shenzhen) Technology since September 2018. Mr. Mao has extensive experience in internet technology. He joined Ping An in April 1993 and has since then held various positions relating to information management within Ping An Group. Mr. Mao obtained his bachelor's degree in engineering from National University of Defense Technology in July 1988 and master's degree in engineering from National University of Defense Technology in June 1991.

B. Compensation

Compensation of Directors and Executive Officers

For the year ended December 31, 2023, we paid an aggregate of RMB33.7 million (US$4.7 million) in cash and benefits to our executive officers and directors. For share incentive grants to our officers and directors, see "—Share Incentive Plans." We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors or entered into service contracts with our directors providing for benefits upon termination of employment. Our PRC subsidiaries are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing fund.

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with our senior executive officers. Pursuant to these agreements, we are entitled to terminate a senior executive officer's employment for cause at any time for certain acts of the officer, such as being convicted of any criminal conduct, any act of gross or willful misconduct or any serious, willful, grossly negligent or persistent breach of any employment agreement provision, or engaging in any conduct which may make the continued employment of such officer detrimental to our company. We may also terminate a senior executive officer's employment without cause upon 60-day advance written notice, and a senior executive officer may terminate his/her employment agreement voluntarily at any time with a 60-day advance written notice. The employment agreements also contain confidentiality, non-disclosure, assignment of intellectual property, non-competition, non-solicitation and non-interference provisions.

We have also entered into indemnification agreements with our directors and senior executive officers. Under these agreements, we agree to indemnify them against certain liabilities and expenses that they incur in connection with claims made by reason of their being a director or officer of our company.

Share Incentive Plans

Amended and Restated Phase I Share Incentive Plan

We adopted the Phase I Share Incentive Plan in December 2014 and the Phase II Share Incentive Plan in August 2015. These plans were amended and restated from time to time. In April 2023, we terminated the Phase II Share Incentive Plan. Simultaneously, we further amended and restated the Phase I Share Incentive Plan, which we refer to as the 2014 Plan in this annual report. This modification aimed to merge the award pools of both plans and ensure that the 2014 Plan complies with Chapter 17 of the Hong Kong Listing Rules.

The maximum aggregate number of shares authorized and reserved under the 2014 Plan is 30,644,803 ordinary shares. As of March 31, 2024, options to purchase a total of 12,482,505 ordinary shares were outstanding under the 2014 Plan.

The following paragraphs summarize the principal terms of the 2014 Plan.

Grant of options. The 2014 Plan permits us to grant options to qualified participants to purchase a specified number of our ordinary shares at a specified price during specified time periods. The options may be vested and exercised subject to certain terms and conditions. Our board of directors determines whether we will grant any options on an annual basis.

Plan administration. Our board of directors determines the participants to receive options, the number of options to be granted, the time and number of options to be vested, the number of vested options to be exercised, and other terms and conditions of each grant. Our board of directors may delegate authority to a director, a committee of the board, or other designated person to administer the 2014 Plan.

Grant letter. Each option grant should be supported by a grant letter issued by our company to the participants. Each grant is subject to all terms and conditions outlined in the 2014 Plan, and the corresponding grant letter will specify the terms for each grant.

Eligible participants. We may grant options to our directors, officers, employees, service providers, and employees of any entity directly or indirectly controlling us, controlled by us, or under common control with us.

Vesting schedule. Unless otherwise approved by our board of directors, the vesting schedule for each grant is four years, and each grant may start to vest on the first anniversary of the date of grant, with the maximum number of options vested for each year being 25% of such grant, subject to certain exceptions provided in the 2014 Plan. Vesting is subject to performance targets. In determining vested options for each grant, our board considers the operating results of our company and related entities and the individual performance of the participants in the most recent appraisal and their performance ranking. Our board may adjust the performance targets attached to each grant.

Exercise of options. Our board of directors determines the exercise price per ordinary share or per ADS for each option in accordance with the terms of the 2014 Plan. The exercise price per ordinary share may not be set below the higher of (i) the fair market value of one ordinary share on the grant date and (ii) the par value of one ordinary share. In the case of options exercisable into ADSs with the exercise price in U.S. dollars, the exercise price per ADS may not be set below the closing price of the ADSs as stated in the NYSE's daily quotations sheet on the grant date, if the grant date is a trading day of the NYSE, or the average closing price of the ADSs as stated in the NYSE's daily quotation sheets for the five business days immediately preceding the grant date, if the grant date is not a trading day of the NYSE. In the case of options exercisable into ordinary shares with the exercise price in Hong Kong dollars, the exercise price per ordinary share may not be set below the closing price of the ordinary shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the grant date, if the grant date is a trading day of the Hong Kong Stock Exchange, or the average closing price of the ordinary shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date, if the grant date is not a trading day of the Hong Kong Stock Exchange.

Unless approved by our shareholders, the total number of ordinary shares issued and to be issued by our company upon the vesting or exercise of all options and/or awards granted and to be granted under the 2014 Plan and other share incentive plans of our company to each eligible participant (excluding any lapsed awards) in any 12-month period cannot exceed 1% of the total number of issued and outstanding ordinary shares of our company.

Lapse of options. Options remain valid for ten years from the grant date and lapse automatically at the term's end unless exercised or already lapsed.

Transfer restriction. Unless otherwise permitted by applicable law and agreed upon by our board of directors, options may not be transferred, pledged or otherwise disposed of in any manner by the participants.

Amendment and termination. Unless otherwise permitted by the 2014 Plan or applicable rules, our board of directors has discretionary authority to amend the 2014 Plan. Shareholders' approval is necessary for any change to (i) the material terms of the 2014 Plan, (ii) the terms of the 2014 Plan relating to the matters set out in Rule 17.03 of the Hong Kong Listing Rules to the advantage of the participants, or (iii) the authority of our board of directors or the administrator to amend the terms of the 2014 Plan. The 2014 Plan has a ten-year term and will terminate in December 2024. Our board of directors may decide to terminate the 2014 Plan before the expiry of its term, following which no further options will be granted thereunder. However, outstanding options granted under the 2014 Plan may still vest or be exercised pursuant to the original grant terms even after termination.

Amended and Restated 2019 Performance Share Unit Plan

We adopted the 2019 Performance Share Unit Plan in September 2019. We refer to this plan as the 2019 Plan in this annual report. We have amended and restated the 2019 Plan from time to time, most recently in April 2023, when we further amended and restated it to ensure that it complies with Chapter 17 of the Hong Kong Listing Rules.

The maximum aggregate number of shares authorized and reserved under the 2019 Plan is 15,000,000 ordinary shares. As of March 31, 2024, performance share units to receive a total of 1,789,050 ordinary shares were outstanding under the 2019 Plan.

The following paragraphs summarize the principal terms of the 2019 Plan.

Grant of performance share units. The 2019 Plan permits us to grant performance share units to qualified participants to purchase a specified number of our ordinary shares at a specified price during specified time periods. The performance share units may be unlocked and vested subject to certain terms and conditions. Our board of directors determines whether we will grant any performance share units on an annual basis.

Plan administration. Our board of directors, or the plan administrator authorized by our board of directors, determines the participants to receive performance share units and the number of performance share units to be granted. Our board of directors further determines the time and number of performance share units to be unlocked, the number of unlocked performance share units to be vested, and other terms and conditions of each grant.

Grant letter. Each option grant should be supported by a grant letter issued by our company to the participants. Each grant is subject to all terms and conditions outlined in the 2019 Plan, and the corresponding grant letter will specify the terms for each grant.

Eligible participants. We may grant options to our directors, officers, employees, service providers, and employees of any entity directly or indirectly controlling us, controlled by us, or under common control with us.

Unlocking schedule. Unless otherwise approved by our board of directors, the unlocking schedule for each grant is four years, and each grant may start to unlock on the first anniversary of the date of grant, with the maximum number of performance share units unlocked for each year being 25% of such grant, subject to certain exceptions provided in the 2019 Plan. Unlocking is subject to performance targets. In determining unlocked performance share units for each grant, our board considers the operating results of our company and related entities, the market price of our ordinary shares and ADSs, and the individual performance of the participants in the most recent appraisal and their performance ranking. Our board may adjust the performance targets attached to each grant.

Vest of performance share units. Unless approved by our shareholders, the total number of ordinary shares issued and to be issued by our company upon the vesting or exercise of all performance share units and/or awards granted and to be granted under the 2019 Plan and other share incentive plans of our company to each eligible participant (excluding any lapsed awards) in any 12-month period cannot exceed 1% of the total number of issued and outstanding ordinary shares of our company.

Lapse of performance share units. Performance share units remain valid for ten years from the grant date and lapse automatically at the term's end unless vested or already lapsed.

Transfer restriction. Unless otherwise permitted by applicable law and agreed upon by our board of directors, performance share units may not be transferred, pledged or otherwise disposed of in any manner by the participants.

Amendment and termination. Unless otherwise permitted by the 2019 Plan or applicable rules, our board of directors has discretionary authority to amend the 2019 Plan. Shareholders' approval is necessary for any change to (i) the material terms of the 2014 Plan, (ii) the terms of the 2019 Plan relating to the matters set out in Rule 17.03 of the Hong Kong Listing Rules to the advantage of the participants, or (iii) the authority of our board of directors or the administrator to amend the terms of the 2019 Plan. The 2019 Plan has a ten-year term. Our board of directors may decide to terminate the 2019 Plan before the expiry of its term, following which no further performance share units will be granted thereunder. However, outstanding performance share units granted under the 2019 Plan may still vest or be exercised pursuant to the original grant terms even after termination.

The following table summarizes, as of March 31, 2024, the number of ordinary shares underlying outstanding options that we granted to our directors and executive officers pursuant to the 2014 Plan.

Name	Ordinary Shares Underlying Outstanding Options Granted	Exercise Price for Options (Per Ordinary Share in RMB)	Date of Grant	Vesting Period	Date of Expiration
Yong Suk Cho	*	98.06 – 118.0	April 8, 2016 and December 29, 2017	4 years	April 8, 2026 and December 29, 2027
Gregory Dean Gibb	*	8.0 – 98.06	December 22, 2014 to April 1, 2017	4 years	December 22, 2024 to April 1, 2027
Dongqi Chen	*	98.06	August 1, 2016	4 years	August 1, 2026
Youn Jeong Lim	*	98.06	August 1, 2016	4 years	August 1, 2026
Jinliang Mao	*	50.0 – 118.00	August 14, 2015 to December 29, 2017	4 years	August 14, 2025 to December 29, 2027

* Less than 1% of our total outstanding shares.

The following table summarizes, as of March 31, 2024, the number of ordinary shares underlying outstanding performance share units that we granted to our directors and executive officers pursuant to the 2019 Plan.

Name	Ordinary Shares Underlying Unvested Performance Share Units Granted	Date of Grant	Unlocking Period	Date of Expiration
Yong Suk Cho	*	November 1, 2020	4 years	November 1, 2030
Gregory Dean Gibb	*	November 1, 2020	4 years	November 1, 2030
Dongqi Chen	*	November 1, 2020	4 years	November 1, 2030
Youn Jeong Lim	*	November 1, 2020	4 years	November 1, 2030
David Siu Kam Choy	*	June 3, 2020 and November 1, 2020	4 years	June 3, 2030 and November 1, 2030
Jinliang Mao	*	November 1, 2020	4 years	November 1, 2030

* Less than 1% of our total outstanding shares.

As of March 31, 2024, our employees and consultants other than directors and executive officers as a group held options to purchase and performance share units to receive 11,993,506.5 ordinary shares, with exercise prices ranging from RMB8 per share to RMB118 per share for outstanding options.

C. Board Practices

Board of Directors

Our board of directors consists of 9 directors. A director is not required to hold any shares in our company to qualify to serve as a director. Following a declaration of nature of interest pursuant to our memorandum and articles of association and subject to any separate requirement for audit committee approval under applicable law, the listing rules of the NYSE or the Hong Kong Listing Rules, and unless disqualified by the chairman of the board meeting, a director may vote with respect to any contract, proposed contract, or arrangement in which he or she is interested. The directors may exercise all the powers of the company to raise or borrow money, to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital and subject to the Companies Act (As Revised) of the Cayman Islands, to issue debentures, bonds or other securities whether outright or as collateral security for any debt, liability or obligation of the company or of any third party.

Committees of the Board of Directors

We have established an audit committee and a nomination and remuneration committee under the board of directors. We have adopted a charter for each of the two committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Mr. Rusheng Yang, Mr. Xudong Zhang and Mr. David Xianglin Li, and is chaired by Mr. Rusheng Yang. Each of Mr. Yang, Mr. Zhang and Mr. Li satisfies the "independence" requirements of Section 303A of the Corporate Governance Rules of the NYSE and meet the independence standards under Rule 10A-3 under the Exchange Act. We have determined that Mr. Rusheng Yang qualifies as an "audit committee financial expert." The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm, subject to shareholders' approval regarding the appointment, removal and remuneration of the independent auditors pursuant to the Hong Kong Listing Rules;

- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent registered public accounting firm; and
- reporting regularly to the board.

Nomination and Remuneration Committee. Our nomination and remuneration committee consists of Mr. Weidong Li, Mr. Xudong Zhang and Mr. Rusheng Yang, and is chaired by Mr. Weidong Li. Each of Mr. Li, Mr. Zhang and Mr. Yang satisfies the "independence" requirements of Section 303A of the Corporate Governance Rules of the NYSE. The nomination and remuneration committee assists the board in selecting individuals qualified to become our directors, determining the composition of the board and its committees, reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated upon. The nomination and remuneration committee is responsible for, among other things:

- recommending nominees to the board for election or re-election to the board, or for appointment to fill any vacancy on the board;
- reviewing annually with the board the current structure, size and composition of the board with regards to characteristics such as independence, age, skills, experience and availability of service to us;
- selecting and recommending to the board the names of directors to serve as members of the audit committee, as well as of the nomination and remuneration committee itself;
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance;
- reviewing the total compensation package for our executive officers and making recommendations to the board with respect to it;
- reviewing the compensation of our non-employee directors and making recommendations to the board with respect to it; and
- periodically reviewing and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, and employee pension and welfare benefit plans.

Duties of Directors

Under Cayman Islands law, our directors have fiduciary duties, including duties of loyalty and a duty to act honestly, in good faith with a view to our best interests. Our directors also owe a duty of care, diligence and skill to us. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association. We have the right to seek damages if a duty owed by our directors is breached. You should refer to "Item 10. Additional information—B. Memorandum and Articles of Association—Differences in Corporate Law" for additional information on our standard of corporate governance under Cayman Islands law.

Terms of Directors and Officers

Our officers are appointed by and serve at the discretion of the board of directors. Our directors are not subject to a term of office and hold office until such time as they resign or are removed from office by ordinary resolution of the shareholders. A director will be removed from office automatically if, among other things, the director (i) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his or her creditors; or (ii) dies or is found by our company to be of unsound mind or (iii) without special leave of absence from the board, is absent from meetings of the board for three consecutive meetings and the board resolves that his office be vacated; or (iv) is prohibited by law or the listing rules of the NYSE or the Hong Kong Listing Rules from being a director; or (v) ceases to be a director by virtue of any provision of the law of the Cayman Islands or is removed from office pursuant to our memorandum and articles of association.

At every annual general meeting of the company, one-third of the directors (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) are required to retire from office by rotation provided that every director (including every independent director and/or those appointed for a specific term) is required to be subject to retirement by rotation at least once every three years. A retiring director can retain office until the close of the meeting at which he or she retires and will be eligible for re-election thereat.

D. Employees

Our success depends on our ability to attract, retain and motivate qualified personnel, including personnel from both the finance and technology industries. We had a total of 92,380 full-time employees as of December 31, 2021, a total of 71,034 full-time employees as of December 31, 2022, and a total of 36,215 full-time employees as of December 31, 2023. Almost all of our employees are based in China.

The following table sets forth a breakdown of our employees by function as of December 31, 2023:

Function	Number of Employees	Percentage
Sales and marketing		
Direct sales	21,443	59.2%
Channel management	1,614	4.5%
Online sales	1,608	4.4%
Total sales and marketing	24,665	68.1%
Credit assessment	1,260	3.5%
Post-origination services	6,340	17.5%
General and administrative	3,163	8.7%
Technology and research	567	1.6%
Other	220	0.6%
Total	**36,215**	**100.0%**

The following table sets forth the number of our employees by geography as of December 31, 2023:

	Number of Employees	Percentage
Jiangsu	4,816	13.3%
Guangdong	3,605	10.0%
Shanghai	2,588	7.1%
Shandong	2,518	7.0%
Hebei	2,504	6.9%
Hubei	2,347	6.5%
Henan	1,859	5.1%
Sichuan	1,790	4.9%
Anhui	1,770	4.9%
Hunan	1,434	4.0%
Others	10,984	30.3%
Total	**36,215**	**100.0%**

As part of our retention strategy, we offer employees competitive salaries, performance-based cash bonuses, incentive share grants and other incentives. Our management recognizes the importance of realizing personal values for our employees and promotes a transparent appraisal system for all our employees seeking career advancement across different business departments. Our appraisal system provides the basis for making human resource decisions such as base compensation, bonuses, career promotion and employee share incentive grants. In order to maintain a competitive edge, we will continue to focus on attracting and retaining qualified professionals by providing an incentive-based and market-driven compensation structure that rewards performance and results.

We primarily recruit our employees through recruitment agencies, on-campus job fairs, industry referrals, internal referrals and online channels. In addition to on-the-job training, we regularly provide management, financial, technology, regulatory and other training to our employees by internally sourced speakers or externally hired consultants. Our employees may also attend external training with the approval of their supervisor.

As required by PRC laws and regulations, we participate in housing fund and various employee social security plans that are organized by the regional government authorities, including housing, pension, medical, work-related injury, maternity insurance and unemployment benefit plans, under which we make contributions at specified percentages of the salaries of our employees. We also purchase commercial health and accident insurance coverage for our employees. In 2021, 2022 and 2023, we complied with all material aspects of these requirements and were not subject to any material administrative fines or penalties.

To date, we have not experienced any labor strikes or other material labor disputes that have affected our operations. None of our employees are represented by a union or collective bargaining agreements. We believe that we have a good relationship with our employees.

E. Share Ownership

The following table sets forth information concerning the beneficial ownership of our ordinary shares as of the date of this annual report by:

- each of our directors and executive officers; and
- each person known to us to beneficially own more than 5% of our total outstanding shares on an as-converted basis.

The calculations in the table below are based on 1,146,570,557 ordinary shares outstanding (excluding shares underlying the ADSs repurchased by our company pursuant to the share repurchase programs and shares issued to the depositary for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of options or awards granted under the share incentive plans) as of March 31, 2024.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Ordinary Shares Beneficially Owned	
	Number	%
Directors and Executive Officers:**		
Yong Suk Cho	*	*
Gregory Dean Gibb	*	*
Yonglin Xie[(1)]	—	—
Xin Fu[(1)]	—	—
Yuqiang Huang[(1)]	—	—
Rusheng Yang[(2)]	—	—
Weidong Li[(3)]	—	—
Xudong Zhang[(4)]	—	—
David Xianglin Li[(5)]	—	—
Dongqi Chen	*	*
Youn Jeong Lim	*	*
David Siu Kam Choy	*	*
Jinliang Mao	*	*
All Directors and Executive Officers as a Group	*	*
Principal Shareholders:		
Ping An Group[(6)]	474,905,000	41.4
Tun Kung Company Limited[(7)]	308,198,174	26.9

* Less than 1% of our total outstanding shares.

** Except as indicated otherwise below, the business address of our directors and executive officers is Tower A, Shanghai Ping An Building, No. 206 Kaibin Road, Xuhui District, Shanghai, the People's Republic of China.

(1) The business address of Mr. Yonglin Xie, Ms. Xin Fu and Mr. Yuqiang Huang is Ping An Financial Center, 5033 Yitian Road, Futian District, Shenzhen, Guangdong, the People's Republic of China.

(2) The business address of Mr. Rusheng Yang is 2609B Golden Central Tower, 3037 Jintian Road, Futian District, Shenzhen, Guangdong, the People's Republic of China.

(3) The business address of Mr. Weidong Li is Pilkem Commercial Centre, 8 Pilkem Street, Kowloon, Hong Kong.

(4) The business address of Mr. Xudong Zhang is 10/F, Chuangye Building, Tsinghua University Science Park, Haidian District, Beijing, the People's Republic of China.

(5) The business address of Mr. David Xianglin Li is Office 714, 211 West Huaihai Road, Shanghai, the People's Republic of China.

(6) Represents 285,000,000 ordinary shares held by An Ke Technology Company Limited, a Hong Kong company, and 189,905,000 ordinary shares held by China Ping An Insurance Overseas (Holdings) Limited, a Hong Kong company. An Ke Technology Company Limited is a wholly owned subsidiary of Shenzhen Ping An Financial Technology Consulting Co. Ltd., which is wholly owned by Ping An Insurance, a company incorporated under the laws of the PRC whose shares are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The registered address of An Ke Technology Company Limited is Suite 2353, 23/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. China Ping An Insurance Overseas (Holdings) Limited is a direct wholly owned subsidiary of Ping An Insurance. The registered address of China Ping An Insurance Overseas (Holdings) Limited is Suite 2318, 23/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

(7) Represents 308,198,174 ordinary shares beneficially owned by Tun Kung Company Limited, a British Virgin Islands company, consisting of (i) 246,550,714 ordinary shares held of record by Tun Kung Company Limited, (ii) 32,994,744 ordinary shares (represented by 16,497,372 ADSs) recorded in and represented by the collateral accounts and the custodial accounts held in the name of Tun Kung Company Limited with Goldman Sachs International pursuant to certain covered call arrangements by and among Tun Kung Company Limited, Goldman Sachs International and Goldman Sachs (Asia) L.L.C. between June and September 2023, and (iii) 28,652,716 ordinary shares lent by Tun Kung Company Limited to certain designated dealers (including J.P. Morgan Broking (Hong Kong) Limited and/or its affiliates) to create additional liquidity of our company's ordinary shares following the listing of our company's ordinary shares on the Hong Kong Stock Exchange, as reported in a Schedule 13G/A jointly filed by Tun Kung Company Limited, Tongjun Investment Company Limited, and Lanbang Investment Company Limited on February 9, 2024. Each of Tongjun Investment Company Limited and Lanbang Investment Company Limited holds 47.2% and 52.8% of the issued and outstanding share capital of Tun Kung Company Limited, respectively, as reported in a Schedule 13G/A jointly filed by Tun Kung Company Limited, Tongjun Investment Company Limited, and Lanbang Investment Company Limited on February 9, 2024. Tongjun Investment Company Limited and Lanbang Investment Company Limited are both British Virgin Islands companies. Each of the two individuals, Mr. Wenwei Dou and Ms. Wenjun Wang, owns 50% of Tongjun Investment Company Limited's shares. Each of the two individuals, Mr. Xuelian Yang and Mr. Jingkui Shi, owns 50% of Lanbang Investment Company Limited's shares. The registered address of Tun Kung Company Limited, Tongjun Investment Company Limited and Lanbang Investment Company Limited is Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, VG1110, British Virgin Islands.

Tongjun Investment Company Limited is a company directly held by two individuals, Mr. Wenwei Dou and Ms. Wenjun Wang, as nominee shareholders to hold the shares of Tongjun Investment Company Limited on behalf of the beneficiaries, who are senior employees of Ping An Insurance and its subsidiaries or associates. Mr. Wenwei Dou is a senior attorney of Ping An Insurance. The nominee shareholders act upon, and vote and pass shareholders' resolutions relating to, the matters of Tongjun Investment Company Limited in accordance with instructions from a five-person management committee. The five members of the management committee, which consist of Jun Yao, Jianrong Xiao, Peng Gao, Wenwei Dou and Wenjun Wang, represent the beneficiaries in making investment decisions for and supervise the management and operation of Tongjun Investment Company Limited. The five members of the management committee are all employees of Ping An Group. None of the five members is a director or senior management of Ping An Insurance, or a director, senior management or employee of our company.

Each shareholder of Lanbang Investment Company Limited, Mr. Jingkui Shi and Mr. Xuelian Yang, has granted an option to An Ke Technology Company Limited to purchase up to 100% of his shares in Lanbang Investment Company Limited, which we refer to as the Lanbang Offshore Call Options. Lanbang Investment Company Limited held 52.8% of the shares of Tun Kung Company Limited, which in turn beneficially owned 14.2% of our ordinary shares. Each shareholder of Lanbang Investment Company Limited is entitled to his voting and other rights in Lanbang Investment Company Limited prior to An Ke Technology Company Limited's exercise of the Lanbang Offshore Call Options.

Lanbang Investment Company Limited has also granted an option to An Ke Technology Company Limited to purchase up to 100% of its shares in Tun Kung Company Limited, which we refer to as the Tun Kung Offshore Call Options, and together with the Lanbang Offshore Call Options, which we refer to as the Offshore Call Options. Lanbang Investment Company Limited is entitled to its voting and other rights in Tun Kung Company Limited prior to An Ke Technology Company Limited's exercise of the Tun Kung Offshore Call Options.

The shareholders of Lanbang Investment Company Limited also hold the entire equity interest in Shanghai Lanbang Investment Limited Liability Company, which holds 18.29% of the equity interest in two of the consolidated affiliated entities, Shanghai Xiongguo and Shenzhen Lufax Enterprise Management. Each of Mr. Jingkui Shi and Mr. Xuelian Yang has granted an option to Shenzhen Ping An Financial Technology Consulting Co. Ltd., the parent company of An Ke Technology Company Limited, to purchase up to 100% of his equity interest in Shanghai Lanbang Investment Limited Liability Company, which we refer to as the Onshore Call Options. The Offshore Call Options and the Onshore Call Options are collectively referred to as the Call Options.

On August 20, 2021, we were notified that An Ke Technology Company Limited and its parent company, Shenzhen Ping An Financial Technology Consulting Co. Ltd., amended the exercise period of the Call Options. Following such amendments to the exercise period of the Call Options, the Call Options are exercisable concurrently, in whole or in part, during the period commencing on November 1, 2024 and ending on October 31, 2034. Such ten-year period may be extended by An Ke Technology Company Limited or Shenzhen Ping An Financial Technology Consulting Co. Ltd., as applicable, by written notice.

The exercise price of the Offshore Call Options is calculated pursuant to a formula, which is primarily based upon a predetermined value as multiplied by the ratio of the market price of our ADSs representing our ordinary shares plus any dividends and distributions to the price of our shares paid by our A-round investors. If An Ke Technology Company Limited had already exercised an option to call the shares under Tun Kung Offshore Call Options before the first exercise of the option to call the shares under Lanbang Offshore Call Options, the exercise price for the first exercise of the option to call the shares under Lanbang Offshore Call Options shall be increased by an amount calculated based on the proceeds received by Lanbang Investment Company Limited pursuant to the exercise of the Tun Kung Offshore Call Options. The exercise price of the Onshore Call Options is calculated pursuant to another formula, which is primarily based upon a predetermined value plus amount as adjusted by a premium rate.

In October 2015, in connection with our acquisition of the retail credit and enablement business from Ping An Insurance, we issued convertible promissory notes in an aggregate principal amount of US$1,953,800,000 to China Ping An Insurance Overseas (Holdings) Limited. On the same date, China Ping An Insurance Overseas (Holdings) Limited agreed to transfer US$937,824,000 of the outstanding principal amount of the notes and all rights, benefits and interests attached thereunder to An Ke Technology Company Limited. We refer to the aforementioned convertible promissory notes issued to Ping An Insurance Overseas (Holdings) Limited and An Ke Technology Company Limited as the Ping An Convertible Promissory Notes in this annual report.

In December 2022, China Ping An Insurance Overseas (Holdings) Limited, An Ke Technology Company Limited and our company entered into an amendment and supplemental agreement to amend the terms of the Ping An Convertible Promissory Notes, pursuant to which (i) the parties agreed to extend the maturity date from October 8, 2023 to October 8, 2026 and the commencement date of the conversion period from April 30, 2023 to April 30, 2026 for the remaining 50% outstanding Ping An Convertible Promissory Notes, and (ii) 50% of the outstanding principal amount of the Ping An Convertible Promissory Notes shall be deemed redeemed from the effective date of the amendment and supplemental agreement. As a result, each of these Ping An Convertible Promissory Notes bears interest from the date of issuance, unless otherwise agreed, at the rate of 0.7375% per annum of the principal amount of each of the Ping An Convertible Promissory Notes outstanding from time to time, which will be payable by us semi-annually until the eleventh anniversary of the issuance date of the Ping An Convertible Promissory Notes. The remaining 50% outstanding Ping An Convertible Promissory Notes which were not redeemed can be converted, in whole or in part, into our ordinary shares (or the ADSs) at any time from April 30, 2026 until the date which is five business days before (and excluding) October 8, 2026, at an initial conversion price of US$14.8869 per ordinary share subject to certain adjustments as set forth in the terms and conditions of each of the Ping An Convertible Promissory Notes. The Ping An Convertible Promissory Notes can be converted into an aggregate of 76,679,748 ordinary shares of our company as of March 31, 2024. Unless converted or purchased and canceled prior to October 8, 2026, we will redeem the remaining 50% outstanding principal amount of the Ping An Convertible Promissory Notes together with accrued interest on October 8, 2026. The holders of the Ping An Convertible Promissory Notes shall have the right (but not obligation) to require us to redeem the outstanding principal amount of the Ping An Convertible Promissory Notes and accrued interest after the occurrence of an event of default under the Ping An Convertible Promissory Notes and our company fails to take any remedial steps within 45 days after the receipt of the written notice served by the holders of the Ping An Promissory Notes specifying the occurrence of any of the events of defaults.

On September 30, 2020, we issued automatically convertible promissory notes and optionally convertible promissory notes in a total principal amount of US$1,361,925,000 to certain holders of our Class C ordinary shares, in exchange for a total of 45,287,111 Class C ordinary shares held by them. The automatically convertible promissory notes were converted into 7,566,665 ordinary shares upon the closing of our initial public offering in November 2020. In October 2023, we fully repaid the US$1,158 million total principal amount of the optionally convertible promissory notes, along with the accrued interest.

In March 2024, our board of directors resolved to recommend the declaration and distribution of a special dividend in the amount of US$1.21 per ordinary share or US$2.42 per ADS, subject to the approval of shareholders at the forthcoming annual general meeting to be held on May 30, 2024. If approved, this special dividend will be payable in cash, with eligible holders of ordinary shares given an option to elect to receive the special dividend wholly in the form of new ordinary shares and eligible holders of ADSs given an option to elect to receive the special dividend wholly in the form of new ADSs (except for Hong Kong Securities Clearing Company Nominees Limited, the depositary bank for the ADS program and other intermediaries such as brokers that are aggregating the elections of more than one holder, which may elect to receive their entitlement partly in cash and partly in the form of new ordinary shares or ADSs). If the special dividend is approved at the annual general meeting, a shareholder could become obligated to make a mandatory general offer pursuant to Rule 26 of the Hong Kong Code on Takeovers and Mergers if (i) the shareholder (together with parties acting in concert with it) increases its shareholding in our company to 30% or more of the enlarged issued share capital of our company, or (ii) depending on its overall shareholding percentage in our company, the shareholder (together with parties acting in concert with it) increases its shareholding in our company by more than 2% of the enlarged issued share capital of our company.

As of March 31, 2024, none of our ordinary shares are held by any record holder in the United States. It is likely that we have a large number of beneficial owners of our ADSs in the United States.

Except as described elsewhere herein, we are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation

Not applicable.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

Please refer to "Item 6. Directors, Senior Management and Employees—E. Share Ownership."

B. Related Party Transactions

Contractual Arrangements with The Consolidated Affiliated Entities and Their Respective Shareholders

See "Item 4. Information on the Company—C. Organizational Structure."

Transactions with Ping An Group

Summary of Transactions with Ping An Group

For the years ended December 31, 2021, 2022 and 2023, we provided various types of services, including loan account management, wealth management product enablement and other services, to Ping An Group for an aggregate of RMB4,953.9 million, RMB2,583.2 million and RMB1,610.6 million (US$226.8 million) in technology platform based income and other income, respectively. Such income represented 8.0%, 4.4% and 4.7% of our total income for the years ended December 31, 2021, 2022 and 2023, respectively.

For the years ended December 31, 2021, 2022 and 2023, we had investment income and interest income from Ping An Group in the amount of RMB841.7 million, RMB619.4 million and RMB457.8 million (US$64.5 million), respectively, in connection with our investment products issued or managed by Ping An Group and bank deposits at Ping An Group, representing 1.4%, 1.1% and 1.3% of our total income for the years ended December 31, 2021, 2022 and 2023, respectively.

For the years ended December 31, 2021, 2022 and 2023, we had total expenses (excluding finance costs) to Ping An Group in the amount of RMB3,506.0 million, RMB2,569.1 million and RMB2,022.9 million (US$284.9 million), respectively, primarily in connection with accounting processing, data communication, transaction settlement, custodian, office premise rental services, technology support and HR support provided by Ping An Group to us, representing 9.1%, 5.7% and 6.2% of our total expenses for the years ended December 31, 2021, 2022 and 2023, respectively.

We incurred interest expense to Ping An Group in the aggregate amount of RMB6.2 million, RMB25.4 million and RMB14.1 million (US$2.0 million), respectively, for the years ended December 31, 2021, 2022 and 2023, in connection with borrowings from Ping An Group and interest paid to Ping An Group for its subscription in the consolidated wealth management products managed by us, representing 0.0%, 0.1% and 0.0% of our total expenses for the years ended December 31, 2021, 2022 and 2023, respectively.

We had cash balances of RMB9.6 billion, RMB14.3 billion and RMB10.9 billion (US$1.5 billion) held at banks who are affiliates with Ping An Group as of December 31, 2021, 2022 and 2023, respectively, representing 2.7%, 4.1% and 4.6% of our total assets as of December 31, 2021, 2022 and 2023, respectively.

We had account and other receivables and contract assets due from Ping An Group in the amount of RMB3,052.1 million, RMB2,951.6 million and RMB1,508.0 million (US$212.4 million) as of December 31, 2021, 2022 and 2023, respectively, representing 0.8%, 0.8% and 0.6% of our total assets as of December 31, 2021, 2022 and 2023, respectively.

As of December 31, 2021, 2022 and 2023, we had balance of financial assets at amortized cost and financial investments (loans and receivables) and financial assets at fair value through profit or loss with Ping An Group in the amount of RMB4,779.9 million, RMB2,504.6 million and RMB1,501.0 million (US$211.4 million), respectively, primarily in connection with certain asset management plan products we purchased from Ping An Group, representing 1.3%, 0.7% and 0.6% of our total assets as of December 31, 2021, 2022 and 2023, respectively.

As of December 31, 2021, 2022 and 2023, in addition to the convertible promissory notes we issued to China Ping An Insurance Overseas (Holdings) Limited as described below, we had borrowings due to Ping An Group in the amount of nil, RMB820.7 million and nil, respectively, representing nil, 0.3% and 0.0% of our total liabilities as of December 31, 2021, 2022 and 2023, respectively.

As of December 31, 2021, 2022 and 2023, we had account and other payables and contract liabilities due to Ping An Group in the amount of RMB801.7 million, RMB4,400.7 million and RMB184.7 million (US$26.0 million), respectively, representing 0.3%, 1.7% and 0.1% of our total liabilities as of December 31, 2021, 2022 and 2023, respectively.

Convertible Promissory Notes Issued to China Ping An Insurance Overseas (Holdings) Limited and An Ke Technology Company Limited

In October 2015, in connection with our acquisition of the retail credit and enablement business from Ping An Insurance, we issued convertible promissory notes in an aggregate principal amount of US$1,953.8 million to China Ping An Insurance Overseas (Holdings) Limited. On the same date, China Ping An Insurance Overseas (Holdings) Limited agreed to transfer approximately US$937.8 million of the outstanding principal amount of the notes and all rights, benefits and interest attached thereunder to An Ke Technology Company Limited. We refer to the aforementioned convertible promissory notes issued to Ping An Insurance Overseas (Holdings) Limited and An Ke Technology Company Limited as the Ping An Convertible Promissory Notes in this annual report.

In December 2022, China Ping An Insurance Overseas (Holdings) Limited, An Ke Technology Company Limited and our company entered into an amendment and supplemental agreement to amend the terms of the Ping An Convertible Promissory Notes, pursuant to which (i) the parties agreed to extend the maturity date from October 8, 2023 to October 8, 2026 and the commencement date of the conversion period from April 30, 2023 to April 30, 2026 for the remaining 50% outstanding Ping An Convertible Promissory Notes, and (ii) 50% of the outstanding principal amount of the Ping An Convertible Promissory Notes shall be deemed redeemed from the effective date of the amendment and supplemental agreement. As a result, each of these Ping An Convertible Promissory Notes bears interest from the date of issuance, unless otherwise agreed, at the rate of 0.7375% per annum of the principal amount of each of the Ping An Convertible Promissory Notes outstanding from time to time, which will be payable by us semi-annually until the eleventh anniversary of the issuance date of the Ping An Convertible Promissory Notes. The remaining 50% outstanding Ping An Convertible Promissory Notes which were not redeemed can be converted, in whole or in part, into our ordinary shares (or the ADSs) at any time from April 30, 2026 until the date which is five business days before (and excluding) October 8, 2026, at an initial conversion price of US$14.8869 per ordinary share subject to certain adjustments as set forth in the terms and conditions of each of the Ping An Convertible Promissory Notes. Unless converted or purchased and canceled prior to October 8, 2026, we will redeem the remaining 50% outstanding principal amount of the Ping An Convertible Promissory Notes together with accrued interest on October 8, 2026. The holders of the Ping An Convertible Promissory Notes shall have the right (but not obligation) to require us to redeem the outstanding principal amount of the Ping An Convertible Promissory Notes and accrued interest after the occurrence of an event of default under the Ping An Convertible Promissory Notes and our company fails to take any remedial steps within 45 days after the receipt of the written notice served by the holders of the Ping An Promissory Notes specifying the occurrence of any of the events of defaults.

In consideration of the above redemption and the extension of the maturity date and taking into account the fair market value of the Ping An Convertible Promissory Notes determined by the independent valuers, pursuant to the amendment and supplemental agreement, we agreed to pay China Ping An Insurance Overseas (Holdings) Limited and An Ke Technology Company Limited a total amount of US$1,071.1 million together with the unpaid interest accrued on the redeemed notes up to and including the effective date of the amendment and supplemental agreement. We had paid the first tranche payment in the total amount of US$535.5 million in December 2022 and the second tranche payment in the total amount of US$535.6 million in March 2023. As of December 31, 2023, the outstanding principal amount of the Ping An Convertible Promissory Notes amounted to US$976.9 million.

For the years ended December 31, 2021, 2022 and 2023, the contractual interest we were required to pay on the convertible promissory notes were US$7.5 million, US$3.5 million and US$3.7 million to China Ping An Insurance Overseas (Holdings) Limited and US$6.9 million, US$10.4 million and US$3.5 million to An Ke Technology Company Limited, respectively.

Capital Contribution in Ping An Consumer Finance Co., Ltd.

In November 2019, the China Banking and Insurance Regulatory Commission approved the establishment of Ping An Consumer Finance Co., Ltd. We subscribed RMB3.5 billion or 70% of the equity interest of Ping An Consumer Finance while Ping An Group subscribed RMB1.5 billion or 30%. The entity obtained approval to open from the China Banking and Insurance Regulatory Commission in March 2020 and started operating a consumer finance business from April 2020.

Acquisition of Ping An OneConnect Bank (Hong Kong) Limited

On November 13, 2023, we entered into a share purchase agreement with our related parties, OneConnect Financial Technology Co., Ltd. and Ping An OneConnect Bank (Hong Kong) Limited. Pursuant to this agreement, OneConnect Financial Technology Co., Ltd. agreed to sell the entire issued share capital of Jin Yi Tong Limited, the indirect holding company of Ping An OneConnect Bank (Hong Kong) Limited, to us for a consideration of HK$933 million (US$131 million) in cash. The transaction was closed on April 2, 2024, and we paid the purchase price in full on the same day.

Employment Agreements and Indemnification Agreements

See "Item 6. Directors, Senior Management and Employees—B. Compensation."

Share Incentive Plan

See "Item 6. Directors, Senior Management and Employees—B. Compensation."

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal Proceedings

We are currently not a party to any material legal or administrative proceedings. We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

Dividend Policy

On March 9, 2023, our board of directors approved a revised semi-annual cash dividend policy. Under the revised dividend policy, starting from 2023, we will declare and distribute a recurring cash dividend semi-annually in which the aggregate amount of the semi-annual dividend distributions for each year is equivalent to approximately 20% to 40% of our net profit in such fiscal year, or as otherwise authorized by the board of directors. The determination to make dividend distributions and the exact amount of such distributions in any particular semi-annual period will be based upon our operations and earnings, cash flow, financial condition, and other factors, and subject to adjustment and determination by the board of directors.

We are a holding company incorporated as an exempted company in the Cayman Islands. Although other means are available for us to obtain financing at the holding company level, our ability to continue paying dividends to our shareholders and investors of the ADSs in the future, as well as our ability to service any debt we have incurred or may incur, may depend upon dividends paid by our PRC subsidiaries and, indirectly, on technical and consulting service fees paid by the consolidated affiliated entities in China. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business."

If we pay any dividends, we will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

Item 9. The Offer and Listing

A. Offering and Listing Details

Our ADSs have been listed on the NYSE since October 30, 2020. Our ADSs trade under the symbol "LU." As of the date of this annual report, one ADS represents two of our ordinary shares.

Our ordinary shares have been listed on the Hong Kong Stock Exchange since April 14, 2023 under the stock code "6623."

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been listed on the NYSE since October 30, 2020 under the symbol "LU." On December 15, 2023, we effected an ADS ratio change to adjust our ordinary share to ADS ratio from two ADSs representing one ordinary share to one ADS representing two ordinary shares.

Our ordinary shares have been listed on the Hong Kong Stock Exchange since April 14, 2023 under the stock code "6623."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The following are summaries of material provisions of our currently effective memorandum and articles of association, as well as the Companies Act (As Revised) of the Cayman Islands insofar as they relate to the material terms of our shares.

Shares

General

All of our outstanding shares are fully paid and non-assessable. Certificates representing the shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares. Our company will issue only non-negotiable shares, and will not issue bearer or negotiable shares.

Dividends

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

Any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited by our board of directors and, if so forfeited, shall revert to our company.

Voting Rights

Subject to any special rights or restrictions attached to any shares, at any general meeting (i) every member of our company present shall have the right to speak; (ii) on a show of hands every member present shall have one vote; and (iii) on a poll every member present shall have one vote for every fully paid share of which he is the holder. At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the rules of the Designated Stock Exchange (as defined in our currently effective memorandum and articles of association) to be voted on by a show of hands.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes cast by those members of our company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with our currently effective memorandum and articles of association. Holders of the ordinary shares may, among other things, divide or consolidate their shares by ordinary resolution. A special resolution requires the affirmative vote of no less than three-fourths of the votes cast by those members of our company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Transfer of Shares

Subject to our currently effective memorandum and articles of association, any member may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in any other form approved by our board of directors and may be under hand or, if the transferor or transferee is a clearing house or a central depository house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as our board of directors may approve from time to time.

However, our board of directors may, in its absolute discretion, and without giving any reason therefor, refuse to register any transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four joint holders or a transfer of any share (not being a fully paid up share) on which our company has a lien. Our board of directors may also decline to recognize any instrument of transfer unless:

- a fee of such maximum sum as the Designated Stock Exchange may determine to be payable or such lesser sum as our board of directors may from time to time require is paid to our company in respect thereof;
- the instrument of transfer is in respect of only one class of share;
- the instrument of transfer is lodged at the registered office of our company or such other place at which the register is kept in accordance with the Companies Act or the Registration Office (as defined in our currently effective memorandum and articles of association) (as the case may be) accompanied by the share certificate(s) and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and
- if applicable, the instrument of transfer is duly and properly stamped.

If our board of directors refuses to register a transfer of any share, it shall, within three months after the date on which the transfer was lodged with our company, send to each of the transferor and the transferee notice of the refusal.

Liquidation

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares, (i) if our company shall be wound up and the assets available for distribution amongst the shareholders shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if our company shall be wound up and the assets available for distribution amongst the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

Redemption, Repurchase and Surrender of Shares

Our company may issue shares on terms that such shares are subject to redemption, at the option of our company or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by ordinary resolutions of the members. Subject to the Companies Act, our currently effective memorandum and articles of association and, where applicable, the rules of the Designated Stock Exchange and/or any competent regulatory authority, our company shall have the power to purchase or otherwise acquire its own shares and such power shall be exercisable by our board of directors in such manner, upon such terms and subject to such conditions as it in its absolute discretion thinks fit and any determination by our board of directors of the manner of purchase shall be deemed authorized by our currently effective memorandum and articles of association for purposes of the Companies Act. Under the Companies Act, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (i) unless it is fully paid up, (ii) if such redemption or repurchase would result in there being no shares outstanding, or (iii) if our company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variation of Rights of Shares

The rights attaching to any class of shares (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not our company is being wound up, be varied, modified or abrogated with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

General Meetings of Shareholders

Shareholders' general meetings may be held in such place within or outside the Cayman Islands as our board of directors considers appropriate.

Our company shall hold a general meeting as its annual general meeting in each financial year. The annual general meeting shall be specified as such in the notices calling it.

Shareholders' annual general meetings and any other general meetings of the shareholders may be convened by a majority of our board of directors or the chairman of our board of directors.

Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the voting rights, on a one vote per share basis, in the share capital of our company shall at all times have the right, by written requisition to our board of directors or the secretary of our company, to require an extraordinary general meeting to be called by our board of directors for the transaction of any business specified in such requisition and to add resolutions to a meeting agenda; and such meeting shall be held within two months after the deposit of such requisition. If within sixty-one days of such deposit our board of directors fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our board of directors shall be reimbursed to the requisitionist(s) by our company.

Appointment and Removal of Directors

Our currently effective memorandum and articles of association provide that unless otherwise determined by our company in general meeting, the number of directors shall not be less than three. There shall be no maximum number of directors unless otherwise determined from time to time by the members in general meeting.

Our currently effective memorandum and articles of association provide that our company may by ordinary resolution appoint any person to be a director either to fill a casual vacancy or as an addition to the existing board of directors, or remove any director (including a managing director or other executive director) before the expiration of his term of office. In addition, our board of directors may, by the affirmative vote of a simple majority of the remaining directors present and voting at a meeting of our board of directors, appoint any person as a director to fill a casual vacancy on our board of directors or as an addition to the existing board of directors. Any director so appointed shall hold office only until the first annual general meeting of our company after his or her appointment and shall then be eligible for re-election. Our company may from time to time in general meeting by ordinary resolution increase or reduce the number of directors but so that the number of directors shall never be less than two.

There is no shareholding qualification for directors nor is there any specific age limit for directors. The office of a director shall be vacated if the director:

- resigns his office by notice in writing delivered to our company at the office or tendered at a meeting of our board of directors;
- becomes of unsound mind or dies;
- without special leave of absence from our board of directors, is absent from meetings of our board of directors for three consecutive meetings and our board of directors resolves that his office be vacated;
- becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- is prohibited by law or the rules of the Designated Stock Exchange from being a director; or
- ceases to be a director by virtue of any provision of the Companies Act or is removed from office pursuant to our currently effective memorandum and articles of association.

Proceedings of the Board

The quorum necessary for the transaction of the business of our board of directors may be fixed by our board of directors and, unless so fixed at any other number, shall be a majority of the directors.

The directors may meet together (whether within or outside the Cayman Islands) for the despatch of business, adjourn and otherwise regulate their meetings as they consider appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

Changes in Share Capital

Our company may by ordinary resolution:

(a) increase the share capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;

(b) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(c) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by our currently effective memorandum and articles of association (subject, nevertheless, to the Companies Act), and may by such resolution determine that, as between the holders of the shares resulting from such sub division, one or more of the shares may have any such preferred, deferred or other rights or be subject to any such restrictions as compared with the other or others as our company has power to attach to unissued or new shares;

(d) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so canceled or, in the case of shares, without par value, diminish the number of shares into which its capital is divided.

Directors' Power to Issue Shares

Subject to the Companies Act, our currently effective memorandum and articles of association and, where applicable, the rules of the Designated Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, the unissued shares of our company (whether forming part of the original or any increased capital) shall be at the disposal of our board of directors, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as our board of directors may in its absolute discretion determine but so that no shares shall be issued at a discount. Subject to the provisions of the Companies Act, the rules of the Designated Stock Exchange, our currently effective memorandum and articles of association and to any special rights conferred on the holders of any shares or class of shares, any share in our company (whether forming part of the present capital or not) may be issued with or have attached thereto such rights or restrictions whether in regard to dividend, voting, return of capital or otherwise as our board of directors may determine, including without limitation on terms that they may be, or at the option of our company or the holder are, liable to be redeemed on such terms and in such manner, including out of capital, as our board of directors may deem fit.

Directors Borrowing Powers

Our board of directors may exercise all the powers of our company to raise or borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital of our company and, subject to the Companies Act, to issue debentures, bonds and other securities whether outright or as collateral security for any debt, liability or obligation of our company or of any third party.

Disclosure of Interest in Contracts with Our Company or Any of Our Subsidiaries

A director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our company shall declare the nature of his interest at the meeting of our board of directors at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of our board of directors after he knows that he is or has become so interested.

A general notice to our board of directors by a director to the effect that (i) he is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm; or (ii) he is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with a specified person who is connected with him; shall be deemed to be a sufficient declaration of interest under our currently effective memorandum and articles of association in relation to any such contract or arrangement, provided that no such notice shall be effective unless either it is given at a meeting of our board of directors or the director takes reasonable steps to secure that it is brought up and read at the next board of directors meeting after it is given.

Subject to any separate requirement for audit committee (if an audit committee has been formed by our board of directors) approval under applicable law or the listing rules of our company's Designated Stock Exchange, and unless disqualified by the chairman of the meeting, a director may vote in respect of any contract or proposed contract or arrangement in which such director is interested and may be counted in the quorum at such meeting.

Remuneration of Directors

The remuneration of the directors may be determined by the directors.

The directors shall be entitled to be paid their traveling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending meetings of our board of directors, or committee of our board of directors, or general meetings or separate meetings of any class of shares or of debenture of our company, or otherwise in connection with the discharge of their duties as a director.

Restriction on Ownership of Securities

There are no provisions in our currently effective memorandum and articles of association relating to restrictions on ownership of our company's shares or securities.

Appointment, Removal and Remuneration of Auditors

Our company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of our company who shall hold office until the next annual general meeting. Our company may by ordinary resolution remove an auditor before the expiration of his period of office. The remuneration of the auditors shall be fixed by our company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

Exclusive Forum

Unless we consent in writing to the selection of an alternative forum, the United States District Court for the Southern District of New York (or, if the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts of New York County, New York) shall be the exclusive forum within the United States for the resolution of any complaint asserting a cause of action arising out of or relating in any way to the federal securities laws of the United States.

Differences in Corporate Law

The Companies Act (As Revised) is derived, to a large extent, from the older Companies Acts of England but does not follow recent United Kingdom statutory enactments, and accordingly there are significant differences between the Companies Act (As Revised) and the current Companies Act of England.

In addition, the Companies Act (As Revised) differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Companies Act (As Revised) applicable to us and the laws applicable to United States corporations and companies incorporated in the State of Delaware.

Mergers and Similar Arrangements

The Companies Act (As Revised) permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (1) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (2) a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies in the consolidated company.

In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (1) a special resolution of the shareholders of each constituent company, and (2) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose a company is a "parent" of a subsidiary if it holds issued shares that together represent at least 90% of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain limited circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation, provide the dissenting shareholder complies strictly with the procedures set out in the Companies Act. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Act (As Revised) also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, provided that the arrangement is approved by (a) 75% in value of the shareholders or class of shareholders, as the case may be, or (b) a majority in number representing 75% in value of the creditors or each class of creditors, as the case may be, with whom the arrangement is to be made, that are, in each case, present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the Grand Court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

The Companies Act (As Revised) also contains a statutory power of compulsory acquisition which may facilitate the "squeeze out" of dissentient minority shareholder upon a tender offer. When a tender offer is made and accepted by holders of 90% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares to the offeror on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction by way of scheme of arrangement is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits

In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company, and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to follow and apply the common law principles (namely the rule in Foss v. Harbottle and the exceptions thereto) so that a non-controlling shareholder may be permitted to commence a class action against or derivative actions in the name of our company to challenge actions where:

- an act which is ultra vires or illegal and is therefore incapable of ratification by the shareholders;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and

- an act which constitute a fraud against the minority where the wrongdoer are themselves in control of the company.

Indemnification of Directors and Executive Officers and Limitation of Liability

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.

Our memorandum and articles of association permit indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty or fraud of such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Directors' Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction.

The duty of loyalty requires that a director acts in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally.

In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he or she owes the following duties to the company:

- a duty to act in good faith in the best interests of the company,
- a duty not to make a personal profit based on his or her position as director (unless the company permits him or her to do so),
- a duty not to put himself or herself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party, and
- a duty to exercise powers for the purpose for which such powers were intended.

A director of a Cayman Islands company owes to the company a duty of care, diligence and skill. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Shareholder Action by Written Consent

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law and our currently effective memorandum and articles of association provide that our shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of all shareholders who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Act (As Revised) does not provide shareholders with an express right to put forth any proposal before a general meeting of the shareholders. However, the Companies Act (As Revised) may provide shareholders with limited rights to requisition a general meeting but such rights must be stipulated in the articles of association of the company.

Any one or more shareholders holding not less than one-tenth of the voting rights on a one vote per share basis, in the share capital of the company at the date of deposit of the requisition shall at all times have the right, by written requisition to the board of directors or the secretary of the company, to require an extraordinary general meeting to be called by the board of directors for the transaction of any business specified in such requisition.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for election of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director.

There are no prohibitions relating to cumulative voting under the laws of the Cayman Islands, but our memorandum and articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our memorandum and articles of association, directors may be removed with or without cause, by an ordinary resolution of our shareholders at any time before the expiration of his term of office notwithstanding anything in our memorandum and articles of association or in any agreement between our company and such director (but without prejudice to any claim for damages under any such agreement).

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting shares within the past three years.

This statute has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and for a proper purpose and not with the effect of constituting a fraud on the minority shareholders.

Restructuring

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

(a) is or is likely to become unable to pay its debts; and

(b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

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

Dissolution; Winding Up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our memorandum and articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class with the sanction of a special resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise.

Under Cayman Islands law, our memorandum and articles of association may only be amended with a special resolution of our shareholders.

Rights of Non-resident or Foreign Shareholders

There are no limitations imposed by our memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares.

In addition, there are no provisions in our memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

Inspection of Books and Records

Under the Delaware General Corporation Law, any shareholder of a corporation may for any proper purpose inspect or make copies of the corporation's stock ledger, list of shareholders and other books and records.

Shareholders of Cayman Islands exempted companies like us have no general right under Cayman Islands law to inspect corporate records (other than the memorandum and articles of association, the register of mortgages and charges and any special resolutions passed by our shareholders) or obtain copies of the list of shareholders of these companies. However, we intend to provide our shareholders with annual reports containing audited financial statements.

C. Material Contracts

Other than in the ordinary course of business and other than those described in "Item 4. Information on the Company" or "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions" or elsewhere in this annual report, we have not entered into any material contract during the two years immediately preceding the date of this annual report.

D. Exchange Controls

See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Foreign Exchange."

E. Taxation

The following summary of material Cayman Islands, PRC and U.S. federal income tax consequences of an investment in our ADSs or ordinary shares is based upon laws and interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under state, local and other tax laws.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the holders of our ordinary shares or ADSs levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands.

There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to Section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and

(2) that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(i) on or in respect of our shares, debentures or other obligations; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Act (As Revised) of the Cayman Islands.

The undertaking for us is for a period of 20 years from December 16, 2014.

People's Republic of China Taxation

Although we are incorporated as an exempted company in the Cayman Islands, we may be treated as a PRC resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law. The PRC Enterprise Income Tax Law and its implementation rules provide that an enterprise established under the laws of a foreign country or region but whose "de facto management body" is located in the PRC is treated as a PRC resident enterprise for PRC tax purposes. The implementing rules of the PRC Enterprise Income Tax Law merely define the "de facto management body" as the "organizational body which effectively manages and controls the production and business operation, personnel, accounting, properties and other aspects of operations of an enterprise." In April 2009, the State Administration of Taxation issued the Circular Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, further amended on December 29, 2017, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this regulation only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the State Administration of Taxation's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to this regulation, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and (iv) at least 50% of voting board members or senior executives habitually reside in China. Based on a review of the facts and circumstances, we do not believe that Lufax Holding Ltd should be considered a PRC resident enterprise for PRC tax purposes. However, there is limited guidance and implementation history of the PRC Enterprise Income Tax Law and its implementation rules. The tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." If Lufax Holding Ltd were to be considered a PRC resident enterprise, then PRC income tax at a rate of 10% would generally be applicable to any gain realized on the transfer of our ADSs or ordinary shares by investors that are "non-resident enterprises" of the PRC and to any interest or dividends payable by us to such investors. It is unclear whether our non-PRC individual shareholders (including our ADS holders) would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether non-PRC shareholders of Lufax Holding Ltd would be able to claim the benefits of any tax treaties between their country of tax residence and China in the event that Lufax Holding Ltd is treated as a PRC resident enterprise. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders."

United States Federal Income Tax Considerations

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of our ADSs or ordinary shares by a U.S. Holder (as defined below) that holds our ADSs or ordinary shares as "capital assets" (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended, or the Code. This discussion is based upon existing U.S. federal tax law, which is subject to differing interpretations or change, possibly with retroactive effect. There can be no assurance that the Internal Revenue Service or a court will not take a contrary position. This discussion, moreover, does not address the U.S. federal estate, gift, Medicare, and minimum tax considerations, or any state, local and non-U.S. tax considerations, relating to the ownership or disposition of our ADSs or ordinary shares. The following summary does not address all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances or to persons in special tax situations such as:

- banks and other financial institutions;
- insurance companies;
- pension plans;
- cooperatives;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to use a mark-to-market method of accounting;
- certain former U.S. citizens or long-term residents;
- tax-exempt entities (including private foundations);
- persons liable for alternative minimum tax;
- persons who acquire their ADSs or ordinary shares pursuant to any employee share option or otherwise as compensation;
- investors that will hold their ADSs or ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes;
- investors that have a functional currency other than the U.S. dollar;
- persons that actually or constructively own ADSs or ordinary shares representing 10% or more of our stock (by vote or value); or
- partnerships or other entities taxable as partnerships for U.S. federal income tax purposes, or persons holding ADSs or ordinary shares through such entities,

all of whom may be subject to tax rules that differ significantly from those discussed below.

Each U.S. Holder is urged to consult its tax advisor regarding the application of U.S. federal taxation to its particular circumstances, and the state, local, non-U.S. and other tax considerations of the ownership and disposition of our ADSs or ordinary shares.

General

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of our ADSs or ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created in, or organized under the laws of, the United States or any state thereof or the District of Columbia;
- an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a U.S. person under the Code.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our ADSs or ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or ordinary shares and their partners are urged to consult their tax advisors regarding an investment in our ADSs or ordinary shares.

For U.S. federal income tax purposes, a U.S. Holder of ADSs generally will be treated as the beneficial owner of the underlying shares represented by the ADSs. The remainder of this discussion assumes that a U.S. Holder of our ADSs will be treated in this manner. Accordingly, deposits or withdrawals of ordinary shares for ADSs generally will not be subject to U.S. federal income tax.

Passive Foreign Investment Company Considerations

A non-U.S. corporation, such as our company, will be classified as a PFIC for U.S. federal income tax purposes for any taxable year if either (i) 75% or more of its gross income for such year consists of certain types of "passive" income or (ii) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income. We refer to the latter test as the asset test. For the purpose of the asset test, cash and assets readily convertible into cash are categorized as passive assets and the company's goodwill and other unbooked intangibles not reflected on its balance sheet are taken into account. Passive income generally includes, among other things, dividends, interest, rents, royalties, and gains from the disposition of passive assets. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, 25% or more (by value) of the stock.

Although the law in this regard is not entirely clear, we intend to treat the consolidated affiliated entities (including their subsidiaries, if any) as being owned by us for U.S. federal income tax purposes, not only because we are able to direct the activities of the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operations in our consolidated financial statements.

Based on the market price of our ADSs and the nature and composition of our assets (in particular the retention of a substantial amount of cash and investments), we believe that we were a PFIC for U.S. federal income tax purposes for our taxable year ended December 31, 2023, and we will likely be a PFIC for our current taxable year ending December 31, 2024 unless the market price of our ADSs significantly increases and/or we invest a substantial amount of cash and other passive assets we hold in assets that produce or are held for the production of non-passive income.

If we are a PFIC for any year during which a U.S. Holder holds our ADSs or ordinary shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or ordinary shares, unless we were to cease to be a PFIC and the U.S. Holder were to make a "deemed sale" election with respect to the ADSs or ordinary shares. The U.S. federal income tax rules that apply if we are classified as a PFIC are discussed below under "—Passive Foreign Investment Company Rules."

Dividends

Subject to the discussion under "—Passive Foreign Investment Company Rules" below, the gross amount of any distributions paid on our ADSs or ordinary shares (including the amount of any PRC tax withheld) out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of ordinary shares, or by the depositary, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution we pay will generally be treated as a "dividend" for U.S. federal income tax purposes. Dividends received on our ADSs or ordinary shares will not be eligible for the dividends received deduction allowed to corporations in respect of dividends received from U.S. corporations.

Individuals and other non-corporate U.S. Holders will be subject to tax on any such dividends at the lower capital gains tax rate applicable to "qualified dividend income," provided that certain conditions are satisfied, including that (1) our ADSs or ordinary shares on which the dividends are paid are readily tradable on an established securities market in the United States, or, in the event that we are deemed to be a PRC resident enterprise under the PRC tax law, we are eligible for the benefit of the U.S.-PRC income tax treaty, (2) we are neither a PFIC nor treated as such with respect to a U.S. Holder (as discussed below) for the taxable year in which the dividend is paid or the preceding taxable year, and (3) certain holding period requirements are met. For this purpose, ADSs listed on the NYSE will generally be considered to be readily tradable on an established securities market in the United States. U.S. Holders are urged to consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to our ADSs or ordinary shares. In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law (see "Item 10. Additional Information—E. Taxation—People's Republic of China Taxation"), we may be eligible for the benefits of the U.S.-PRC income tax treaty. If we are eligible for such benefits, dividends we pay on our ordinary shares, regardless of whether such shares are represented by the ADSs, and regardless of whether our ADSs are readily tradable on an established securities market in the United States, would be potentially eligible for the reduced rates of taxation described in the preceding paragraph.

For U.S. foreign tax credit purposes, dividends paid on our ADSs or ordinary shares generally will be treated as income from foreign sources and generally will constitute passive category income. In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, a U.S. Holder may be subject to PRC withholding taxes on dividends paid on our ADSs or ordinary shares (see "Item 10. Additional Information—E. Taxation—People's Republic of China Taxation"). Depending on the U.S. Holder's particular facts and circumstances and subject to a number of complex conditions and limitations, PRC withholding taxes on dividends that are non-refundable under the U.S.-PRC income tax treaty may be treated as foreign taxes eligible for credit against a U.S. Holder's U.S. federal income tax liability. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction for U.S. federal income tax purposes, in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

As described above, we believe that we were a PFIC for U.S. federal income tax purposes for our taxable year ended December 31, 2023, and we will likely be a PFIC for our current taxable year ending December 31, 2024. U.S. Holders are urged to consult their tax advisors regarding the availability of the lower tax rate for dividends paid with respect to our ADSs or ordinary shares in their particular circumstances.

Sale or Other Disposition

Subject to the discussion under "—Passive Foreign Investment Company Rules" below, a U.S. Holder will generally recognize gain or loss upon the sale or other disposition of ADSs or ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder's adjusted tax basis in such ADSs or ordinary shares. The gain or loss will generally be capital gain or loss. Any capital gain or loss will be long term if the ADSs or ordinary shares have been held for more than one year at the time of disposition. The deductibility of a capital loss may be subject to limitations.

Any such gain or loss that the U.S. Holder recognizes will generally be treated as U.S. source income or loss for foreign tax credit limitation purposes, which will generally limit the availability of foreign tax credits.

As described in "Item 10. Additional Information—E. Taxation—People's Republic of China Taxation," if we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, gains from the disposition of the ADSs or ordinary shares may be subject to PRC income tax and will generally be U.S. source, which may limit the ability to receive a foreign tax credit. If a U.S. Holder is eligible for the benefits of the U.S.-PRC income tax treaty, such holder may be able to elect to treat such gain as PRC source income under the U.S.-PRC income tax treaty. Pursuant to the United States Treasury regulations, however, if a U.S. Holder is not eligible for the benefits of the U.S.-PRC income tax treaty or does not elect to apply the U.S.-PRC income tax treaty, then such holder may not be able to claim a foreign tax credit arising from any PRC tax imposed on the disposition of the ADSs or ordinary shares. The rules regarding foreign tax credits and deduction of foreign taxes are complex. U.S. Holders should consult their tax advisors regarding the availability of a foreign tax credit or deduction in light of their particular circumstances, including their eligibility for benefits under the U.S.-PRC income tax treaty, and the potential impact of the United States Treasury regulations.

As described above, we believe that we were a PFIC for U.S. federal income tax purposes for our taxable year ended December 31, 2023, and we will likely be a PFIC for our current taxable year ending December 31, 2024. U.S. Holders are urged to consult their tax advisors regarding the tax considerations of the sale or other disposition of our ADSs or ordinary shares under their particular circumstances.

Passive Foreign Investment Company Rules

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125 percent of the average annual distributions paid to the U.S. Holder in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the ADSs or ordinary shares), and (ii) any gain recognized on the sale or other disposition (including, under certain circumstances, a pledge) of ADSs or ordinary shares. Under the PFIC rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the ADSs or ordinary shares;
- the amount allocated to the taxable year of the distribution or gain and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which we are classified as a PFIC will be taxable as ordinary income; and
- the amount allocated to each prior taxable year other than a year included in the preceding bullet point will be subject to tax at the highest tax rate in effect for individuals or corporations, as appropriate, for that year, increased by an additional tax equal to the interest on the resulting tax deemed deferred with respect to each such taxable year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares and any of our subsidiaries, the consolidated affiliated entities or any of the subsidiaries of the consolidated affiliated entities are also PFICs, each a lower-tier PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of such lower-tier PFIC for purposes of the application of these rules. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries, the consolidated affiliated entities or any of the subsidiaries of the consolidated affiliated entities.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock. If a U.S. Holder makes a mark-to-market election with respect to our ADSs, the holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but such deduction will only be allowed to the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of our ADSs and we cease to be classified as a PFIC, the holder will not be required to take into account the gain or loss described above during any period that we are not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election.

The mark-to-market election is available only for "marketable stock," which is stock that is regularly traded on a qualified exchange or other market, as defined in applicable United States Treasury regulations. We expect that our ADSs, but not our ordinary shares, will be treated as marketable stock based on their listing on the NYSE, provided that they are regularly traded. We anticipate that our ADSs should qualify as being regularly traded, but no assurances may be given in this regard.

Because a mark-to-market election cannot technically be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. Holder owns our ADSs or ordinary shares during any taxable year that we are a PFIC, the holder must generally file an annual IRS Form 8621. U.S. Holders should consult their tax advisors regarding the reporting requirements that may apply and the U.S. federal income tax considerations of owning and disposing of our ADSs or ordinary shares if we are or become a PFIC, including the possibility of making a mark-to-market election.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers, and are required to file reports and other information with the SEC. Specifically, we are required to file annually an annual report on Form 20-F within four months after the end of each fiscal year, which is December 31. All information we file with the SEC can be obtained over the internet at the SEC's website at *www.sec.gov.* As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish Citibank, N.A., the depositary of the ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with IFRS, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

I. Subsidiary Information

Not applicable.

J. Annual Report to Security Holders

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Foreign Exchange Risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which we conduct business may affect our financial position and results of operations. The foreign currency risk we have assumed mainly comes from movements in the US$/RMB exchange rate.

We and our major overseas intermediate holding companies' functional currency is US$. We are mainly exposed to foreign exchange risk arising from our cash and cash equivalents and loans to subsidiaries denominated in RMB. We have entered into spot-forward US$/RMB currency swaps to manage our exposure to foreign currency risk arising from loans to subsidiaries denominated in RMB until the aforementioned swaps expired in May 2023. Since then, we have entered into forward RMB-FX trading to manage the exposure to foreign currency risk arising from loans to subsidiaries denominated in RMB.

Our subsidiaries are mainly operating in mainland China with most of the transactions settled in RMB. We consider that our business in mainland China is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of these subsidiaries denominated in the currencies other than RMB.

The table below illustrates the impact of an appreciation or depreciation of RMB spot and forward rates against US$ by 5% on our profit before income tax:

	For the Year Ended December 31,		
	2021	2022	2023
		(RMB millions)	
5% appreciation of RMB	699	(125)	(188)
5% depreciation of RMB	(699)	125	188

Interest Rate Risk

Interest rate risk is the risk that the fair value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest on floating rate instruments is repriced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instruments and is fixed until maturity. Floating rate instruments expose us to cash flow interest rate risk, whereas fixed rate instruments expose us to fair value interest risk. Our interest rate risk mainly arises from fixed rate instruments including cash at bank, accounts and other receivables and contract assets, loans to customers, and accounts and other payables and contract liabilities. Our interest rate risk policy requires us to manage interest rate risk by managing the maturities of interest-bearing financial assets and interest-bearing financial liabilities.

The following table sets out our financial assets, financial liabilities and interest rate derivative instruments exposed to interest rate risk by repricing date, contractual maturity date or expected maturity date, whichever is the earlier.

	As of December 31, 2023							
	< 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	> 3 years	Overdue	No interest	Total
	(RMB millions)							
ASSETS								
Cash at bank	21,575	3,517	3,546	5,287	5,674	—	—	39,599
Restricted cash	9,977	440	211	511	7	—	—	11,146
Financial assets at fair value through profit or loss	10,012	2,564	44	485	3,524	2,770	9,495	28,893
Financial assets at amortized cost	1,509	138	979	—	—	385	—	3,012
Accounts and other receivables and contract assets	—	—	—	—	—	—	7,294	7,294
Loans to customers	35,653	60,858	24,592	5,401	63	3,127	—	129,694
Total financial assets	**78,725**	**67,518**	**29,372**	**11,684**	**9,267**	**6,282**	**16,788**	**219,636**
LIABILITIES								
Payable to platform investors	—	—	—	—	—	—	986	986
Borrowings	10,260	25,771	1,839	953	—	—	—	38,823
Accounts and other payables and contract liabilities	—	—	—	—	—	—	4,790	4,790
Payable to investors of consolidated structured entities	25,804	40,962	15,144	1,309	47	—	—	83,265
Financing guarantee liabilities	—	—	—	—	—	—	4,186	4,186
Lease liabilities	74	169	109	33	2	—	—	387
Convertible promissory note payable	—	—	—	5,650	—	—	—	5,650
Total financial liabilities	**36,138**	**66,902**	**17,092**	**7,945**	**49**	**—**	**9,961**	**138,086**
Total interest rate sensitivity gap	**42,587**	**616**	**12,280**	**3,740**	**9,218**	**6,282**	**6,827**	**81,550**

We perform interest rate sensitivity analysis on our profit by measuring the impact of a change in interest rate of financial assets, liabilities and interest rate derivative instruments.

The table below illustrates the impact to profit before tax of the coming year as of each reporting date based on the structure of interest-bearing assets, liabilities and interest rate derivative instruments as of December 31, 2022 and 2023, caused by a parallel shift of 100 basis points in interest rates.

	As of December 31,	
	2022	2023
	(RMB millions)	
Change in interest rate		
–100 basis points	(498)	(375)
+100 basis points	498	375

In the sensitivity analysis, we adopt the following assumptions when determining business conditions and financial index:

- The fluctuation rates of different interest-bearing assets and liabilities are the same;
- All assets and liabilities are re-priced in the middle of relevant periods;
- Analysis is based on static gap on reporting date, regardless of subsequent changes;
- No consideration of impact on customers' behavior resulting from interest rate changes;

- No consideration of impact on market price resulting from interest rate changes;
- No consideration of actions taken by us.

Therefore, the actual changes of net profit may differ from the analysis above.

Credit Risk

Credit risks refer to the risk of losses incurred by the inabilities of debtors or counterparties to fulfill their contractual obligations or by the adverse changes in their credit conditions. We are exposed to credit risks primarily associated with our deposit arrangements with commercial banks, financial assets at fair value through profit or loss, accounts and other receivables, and loans to customers. We use a variety of controls to identify, measure, monitor and report credit risk.

Credit Risk Exposure

Without taking collateral and other credit enhancements into consideration, for on–balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the financial statements. We also assume credit risk due to financing guarantee contracts. The following table sets forth the credit exposure of financing guarantee contracts as of December 31, 2022 and 2023:

	As of December 31,	
	2022	2023
	(RMB millions)	
Financing guarantee contracts	68,503	54,903

As of December 31, 2021, 2022 and 2023, the credit risk on loans to customers amounting to RMB169.6 billion, RMB149.2 billion and RMB64.6 billion (US$9.1 billion), respectively, was borne by external partners. After subtracting these arrangements from the maximum credit risk exposures as listed in the tables above, the loans to customers with credit risk exposure for our company are the carrying amount of loans after provision for impairment losses and interest receivable of the loans is considered. The on–balance sheet credit risk exposure for our company as of December 31, 2021, 2022 and 2023, amounted to RMB45.1 billion, RMB66.9 billion and RMB70.7 billion (US$10.0 billion), respectively. Our credit risk exposure is defined as the net credit risk exposure that we will bear.

Expected Credit Loss

Credit risk measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. We measure credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring ECL under IFRS 9.

Measurement of Expected Credit Loss

IFRS 9 outlines a “three-stage” model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in “Stage 1” and has its credit risk continuously monitored by us.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit-impaired.

- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3."

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on ECL on a lifetime basis.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information.

Purchased or originated credit-impaired financial assets are those that are deemed credit-impaired upon initial recognition. Their ECL is always measured on a lifetime basis.

The following diagram summarizes the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets)

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month ECL	Lifetime ECL	Lifetime ECL

The key judgments and assumptions we have adopted in addressing the requirements of the standard are discussed below:

(a) Significant increase in credit risk

For loans to customers, we consider a loan to have experienced a significant increase in credit risk if the borrower is 30 days or more past due on its contractual payments. We do not consider any qualitative criteria since we monitor the risk of borrowers purely based on the overdue period. For other financial assets measured at amortized cost, we establish quantitative and qualitative criteria to assess significant increases in credit risk. These criteria include: overdue status for 30 days or more, consideration of forward-looking information, and evaluation of various reasonable supporting factors when determining the staging of expected credit losses for financial assets.

The criteria used to identify a significant increase in credit risk are monitored and reviewed periodically for appropriateness by the independent credit risk team.

(b) Definition of default and credit-impaired assets

For loans to customers, we define a financial instrument as in default, which is fully aligned with the definition of credit-impaired if the borrower is 90 days or more past due on its contractual payments. We do not consider any qualitative criteria since we monitor the risk of borrowers purely based on overdue period. For other financial assets measured at amortized cost, we establish both quantitative and qualitative criteria to define default, which includes overdue periods of 90 days or more past due and various reasonable supporting information.

The criteria above are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout our expected loss calculations.

Sensitivity Analysis

ECL is sensitive to the parameters used in the model, the macro-economic variables of the forward-looking forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgment. Changes in these input parameters, assumptions, models, and judgments will have an impact on the measurement of expected credit losses.

We have the highest weight of the base scenario. The loans to customers and financing guarantee contracts assumed that if the weight of the upside scenario increased by 10% and the weight of the base scenario decreased by 10%, our ECL impairment provision as of December 31, 2021, 2022 and 2023 would be reduced by RMB15 million, RMB62 million and RMB56 million (US$8 million), respectively, and if the weight of the downside scenario increased by 10% and the weight of the base scenarios decreased by 10%, our ECL impairment provision as of December 31, 2021, 2022 and 2023 would be increased by RMB32 million, RMB123 million and RMB39 million (US$5 million), respectively.

The following table shows the changes of ECL impairment provision on loans to customers and financing guarantee liabilities related to ECL assuming the financial assets in stage 2 were reclassified to stage 1 due to significant improvement in credit risk.

	As of December 31,	
	2022	2023
	(RMB millions, except percentages)	
Total ECL and financing guarantee liabilities under assumption of reclassification of financial assets from stage 2 to stage 1	10,479	9,651
Total ECL and financing guarantee liabilities related to ECL recognized in the consolidated balance sheet	12,826	11,459
Difference—amount	(2,347)	(1,808)
Difference—ratio	(18%)	(16%)

Liquidity Risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet our obligations as they become due.

We aim to maintain sufficient cash at bank and marketable securities. Due to the dynamic nature of the underlying businesses, we maintain flexibility in funding by maintaining adequate cash at bank.

The following table analyzes our financial liabilities by maturity grouping based on the remaining period at the end of each reporting period to the contractual or expected maturity date. The amounts disclosed in the table are undiscounted contractual cash flows, including interest payments computed using contractual rates, or, if floating, based on current rates, and interests with financial liabilities denominated in foreign currencies translated into RMB using the spot rate as of the balance sheet date:

	As of December 31, 2023					
	Repayable on demand or undated	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
	(RMB millions)					
Financial liabilities						
Payable to platform investors	986	—	—	—	—	986
Borrowings	—	36,834	1,926	959	—	39,720
Accounts and other payables and contract liabilities	4,790	—	—	—	—	4,790
Payable to investors of consolidated structured entities	—	68,831	15,550	1,327	53	85,761
Financing guarantee liabilities	54,903	—	—	—	—	54,903
Lease liabilities	—	259	113	34	2	408
Convertible promissory note payable	—	51	51	6,984	—	7,086
	60,679	**105,975**	**17,640**	**9,304**	**56**	**193,655**

Fair Value Estimation

Our main financial instruments carried at fair value are financial assets at fair value through profit or loss. We use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The primary quoted market price used for financial assets we hold is the current bid price. Financial instruments included in Level 1 comprise primarily equity investments, fund investments and bond investments traded on stock exchanges and open-ended mutual funds.

Level 2: Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly (such as price) or indirectly (such as calculated based on price). These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Level 3: Valuation techniques which use any inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs).

The level of fair value calculation is determined by the lowest level input with material significance in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

Valuation methods for Level 2 and Level 3 financial instruments:

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. One of significant inputs used in these valuation techniques is generally unobservable.

The following table sets forth the financial instruments recorded at fair value by level of the fair value hierarchy:

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
	(RMB millions)			
Financial assets at fair value through profit or loss				
Unlisted Securities				
Asset management plans	—	4,668	342	5,010
Mutual funds	7,125	—	—	7,125
Trust plans	—	3,269	622	3,891
Structured deposits	—	2,407	—	2,407
Bank wealth management products	—	7,563	—	7,563
Corporate bonds	—	—	46	46
Private fund and other equity investments	—	1,603	441	2,044
Others debt investments	—	—	1,003	1,003
Derivative instruments				
Interest rate swap	—	222	—	222
Foreign currency swap	—	225	—	225
Total	**7,125**	**19,957**	**2,454**	**29,537**

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
	(RMB millions)			
Financial assets at fair value through profit or loss				
Unlisted Securities				
Asset management plans	—	2,474	727	3,202
Mutual funds	4,980	—	—	4,980
Trust plans	—	830	12,040	12,870
Structured deposits	—	805	—	805
Bank wealth management products	—	4,990	—	4,990
Corporate bonds	—	—	43	43
Private fund and other equity investments	—	—	659	659
Others debt investments	—	—	1,344	1,344
Total	**4,980**	**9,100**	**14,813**	**28,893**

There were no changes in valuation techniques during the period.

The following table presents the changes in level 3 instruments for the years ended December 31, 2021, 2022 and 2023:

	For the Year ended December 31,		
	2021	2022	2023
	Financial assets at fair value through profit or loss (RMB millions)		
As of beginning of the year	**1,266**	**1,265**	**2,454**
Additions	132	1,548	9,315
Disposal	(30)	(300)	(1,473)
Transfer into level 3	1,036	—	4,363
Transfer out of level 3	(3)	—	—
Gains or losses recognized in profit or loss	(1,136)	(59)	155
As of end of the year	**1,265**	**2,454**	**14,813**

For the year ended December 31, 2023, the transfers of investments from Level 2 to Level 3 were mainly attributed to the inclusion of closed-period terms for existing trust plans. This change categorizes the net asset value as a Level 3 input, as it represents an indicative value with no commitment to transact at that price.

Fair value measurements using significant unobservable input:

The level of fair value measurement is determined by the lowest level input with material significance in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the estimation of fair value.

As of December 31, 2021, 2022 and 2023, Level 3 instruments were mainly trust plans and other debt investment at fair value through profit or loss. As the unlisted securities are not traded in an active market, their fair values have been determined using the discounted cash flow method whereby the discount rate adjustment technique is applied and the net asset value method whereby the net asset value provided by third-party. The discount rate used to determine the present value was a rate that reflects current market assessments of the time value of money and the risks specific to the assets as at each reporting date with critical estimates and judgements by the management. The net asset value provided by third party at the period end was an indicative value that our company willing to transact at that price without any adjustment, therefore the discount rate is the only significant unobservable input in the measurement of Level 3 instruments.

As of December 31, 2021, 2022 and 2023, the discount rates used to determine fair value of Level 3 instruments ranged from 5.4% to 9.5%. The table below illustrates the carrying amount of Level 3 instruments with the fair value determined using the discounted cash flow method as well as the impact to profit/(loss) before income tax for the years ended December 31, 2021, 2022 and 2023, if the risk-adjusted discount rate had increased/decreased by 100 basis points with all other variables held constant.

	As of December 31,		
	2021	2022	2023
	(RMB millions)		
Discounted cash flow method	1,265	2,454	3,074
Expected changes in profit/(loss) before income tax			
+100 basis points	(43)	(43)	(62)
-100 basis points	46	46	68

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS holders May Have to Pay

As an ADS holder, you will be required to pay the following fees under the terms of the deposit agreement:

Service	Fees
• Issuance of ADSs (e.g., an issuance of ADS upon a deposit of ordinary shares, upon a change in the ADS(s)-to-ordinary shares ratio, or for any other reason, excluding ADS issuances as a result of distributions of ordinary shares)	Up to US$0.05 per ADS issued
• Cancellation of ADSs (e.g., a cancellation of ADSs for delivery of deposited property, upon a change in the ADS(s)-to-ordinary shares ratio, or for any other reason)	Up to US$0.05 per ADS cancelled
• Distribution of cash dividends or other cash distributions (e.g., upon a sale of rights and other entitlements)	Up to US$0.05 per ADS held
• Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs	Up to US$0.05 per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs (e.g., upon a spin-off)	Up to US$0.05 per ADS held
• ADS Services	Up to US$0.05 per ADS held on the applicable record date(s) established by the depositary
• Registration of ADS transfers (e.g., upon a registration of the transfer of registered ownership of ADSs, upon a transfer of ADSs into DTC and vice versa, or for any other reason)	Up to US$0.05 per ADS (or fraction thereof) transferred
• Conversion of ADSs of one series for ADSs of another series (e.g., upon conversion of Partial Entitlement ADSs for Full Entitlement ADSs, or upon conversion of Restricted ADSs (each as defined in the Deposit Agreement) into freely transferable ADSs, and vice versa).	Up to US$0.05 per ADS (or fraction thereof) converted

As an ADS holder you will also be responsible to pay certain charges such as:

- taxes (including applicable interest and penalties) and other governmental charges;
- the registration fees as may from time to time be in effect for the registration of ordinary shares on the share register and applicable to transfers of ordinary shares to or from the name of the custodian, the depositary or any nominees upon the making of deposits and withdrawals, respectively;
- certain cable, telex and facsimile transmission and delivery expenses;
- the fees, expenses, spreads, taxes and other charges of the depositary and/or service providers (which may be a division, branch or affiliate of the depositary) in the conversion of foreign currency;
- the reasonable and customary out-of-pocket expenses incurred by the depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to ordinary shares, ADSs and ADRs; and
- the fees, charges, costs and expenses incurred by the depositary, the custodian, or any nominee in connection with the ADR program.

ADS fees and charges for (i) the issuance of ADSs, and (ii) the cancellation of ADSs are charged to the person for whom the ADSs are issued (in the case of ADS issuances) and to the person for whom ADSs are cancelled (in the case of ADS cancellations). In the case of ADSs issued by the depositary into DTC, the ADS issuance and cancellation fees and charges may be deducted from distributions made through DTC, and may be charged to the DTC participant(s) receiving the ADSs being issued or the DTC participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the beneficial owner(s) and will be charged by the DTC participant(s) to the account of the applicable beneficial owner(s) in accordance with the procedures and practices of the DTC participants as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are charged to the holders as of the applicable ADS record date. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, holders as of the ADS record date will be invoiced for the amount of the ADS fees and charges and such ADS fees and charges may be deducted from distributions made to holders of ADSs. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC participants in accordance with the procedures and practices prescribed by DTC and the DTC participants in turn charge the amount of such ADS fees and charges to the beneficial owners for whom they hold ADSs. In the case of (i) registration of ADS transfers, the ADS transfer fee will be payable by the ADS Holder whose ADSs are being transferred or by the person to whom the ADSs are transferred, and (ii) conversion of ADSs of one series for ADSs of another series, the ADS conversion fee will be payable by the Holder whose ADSs are converted or by the person to whom the converted ADSs are delivered.

In the event of refusal to pay the depositary fees, the depositary may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder. Certain depositary fees and charges (such as the ADS services fee) may become payable shortly after the closing of the ADS offering. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of such changes. The depositary may reimburse us for certain expenses incurred by us in respect of the ADR program, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary agree from time to time.

Fees and Other Payments Made by the Depositary to Us

The depositary may reimburse us for certain expenses incurred by us in respect of the ADR program, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary agree from time to time. Responsibility for payment of such fees, charges and reimbursements may from time to time be changed by agreement between us and the depositary. In the year ended December 31, 2023, we received US$8.8 million in reimbursements from the depositary for our expenses incurred in connection with the establishment and maintenance of the ADS program.

Taxes

You will be responsible for the taxes and other governmental charges payable on the ADSs and the securities represented by the ADSs. We, the depositary and the custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. You will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The depositary may refuse to issue ADSs, to deliver, transfer, split and combine ADRs or to release securities on deposit until all taxes and charges are paid by the applicable holder. The depositary and the custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the depositary and to the custodian proof of taxpayer status and residence and such other information as the depositary and the custodian may require to fulfill legal obligations. You are required to indemnify us, the depositary and the custodian for any claims with respect to taxes based on any tax benefit obtained for you.

Conversion Between Ordinary Shares and ADSs

We have established a branch register of members in Hong Kong which will be maintained by the Hong Kong share registrar, Tricor Investor Services Limited. We refer to this as the Hong Kong share register. Our principal register of members will continue to be maintained by our principal share registrar, Maples Fund Services (Cayman) Limited.

Following the listing of our ordinary shares on the Hong Kong Stock Exchange, holders of our ordinary shares registered on the Hong Kong share register will be able to convert these shares into ADSs, and *vice versa*, subject to certain exceptions and applicable rules and procedures.

Converting Shares Trading in Hong Kong into ADSs

A holder who holds ordinary shares registered in Hong Kong and wishes to convert them to ADSs to trade on the NYSE must deposit or cause his or her broker to deposit the ordinary shares with the depositary's custodian in Hong Kong, Citibank, N.A.—Hong Kong, in exchange for ADSs.

A deposit of ordinary shares trading in Hong Kong in exchange for ADSs involves the following procedures:

- If ordinary shares have been deposited with the Central Clearing and Settlement System, or CCASS, which is established and operated by Hong Kong Securities Clearing Company Limited, the holder must transfer the ordinary shares to the depositary's account with the custodian within CCASS by following the CCASS procedures for transfer and submit and deliver a duly completed and signed letter of transmittal to the custodian via his or her broker.

- If ordinary shares are held outside CCASS, the holder must arrange to deposit his or her ordinary shares into CCASS for delivery to the depositary's account with the custodian within CCASS, and submit and deliver a duly completed and signed letter of transmittal to the custodian via his or her broker.
- Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees and payment or net of the depositary's fees and expenses, if applicable, and subject in all cases to the terms of the deposit agreement, the depositary will issue the corresponding number of ADSs in the name(s) requested by the holder and will deliver our ADSs to the designated DTC account of the person(s) designated by the holder or his or her broker if such ADSs are to be held in book-entry form through DTC's "Direct Registration System."

For ordinary shares deposited in CCASS, under normal circumstances, the above steps generally require two business days. For ordinary shares held outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. Temporary delays may arise. For example, the transfer books of the depositary may from time to time be closed to ADS issuances. The holder will be unable to trade our ADSs until the procedures are completed.

Converting ADSs to Shares Trading in Hong Kong

A holder who holds ADSs directly and wishes to trade ordinary shares on the Hong Kong Stock Exchange must withdraw the ordinary shares from our ADS program and cause his or her broker or other financial institution to trade such ordinary shares on the Hong Kong Stock Exchange.

A holder that holds ADSs indirectly through a broker or other financial institution should follow the procedure of the broker or financial institution and instruct the broker to arrange for cancelation of our ADSs, and transfer of the underlying ordinary shares from the depositary's account with the custodian within the CCASS system to the holder's designated CCASS account.

For investors holding ADSs directly, the following steps must be taken:

- To withdraw ordinary shares from our ADS program, a holder who holds ADSs may turn in such ADRs evidencing such ADSs at the office of the depositary (and the applicable ADR(s) if our ADSs are held in certificated form), and send an instruction to cancel such ADSs to the depositary.
- Upon payment or net of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees and payment of CCASS' fees and expenses, if applicable, and subject in all cases to the terms of the deposit agreement, the depositary will instruct the custodian to deliver ordinary shares underlying the canceled ADSs to the CCASS account designated by an investor.
- If a holder prefers to receive ordinary shares outside CCASS, he or she must receive ordinary shares in CCASS first and then arrange for withdrawal from CCASS. Holders can then obtain a transfer form signed by HKSCC Nominees Limited (as the transferor) and register ordinary shares in their own names with the Hong Kong share registrar.

For ordinary shares to be received in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions. For ordinary shares to be received outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. The holder will be unable to trade the ordinary shares on the Hong Kong Stock Exchange until the procedures are completed. Temporary delays may arise. For example, the transfer books of the depositary may from time to time be closed to ADS cancelations. In addition, completion of the above steps and procedures for delivery for ordinary shares in a CCASS account is subject to there being a sufficient number of ordinary shares on the Hong Kong share register to facilitate a withdrawal from the ADS program directly into the CCASS system. We are not under any obligation to maintain or increase the number of ordinary shares on the Hong Kong share register to facilitate such withdrawals.

In the event that there are no sufficient number of ordinary shares on the Hong Kong share register in the account of the Depositary's custodian at CCASS to satisfy a cancelation of ADSs and withdrawal of ordinary shares in whole or in part, such withdrawal shall be in the form of ordinary shares on the Hong Kong share register to the extent available with the balance to be in the form of ordinary shares on our principal share register in the Cayman Islands. The depositary is not under any obligation, and has no ability, to maintain or increase the number of ordinary shares held by its custodian on the Hong Kong share register to facilitate such withdrawals.

Depositary Requirement

Before the depositary delivers ADSs or permits withdrawal of ordinary shares, the depositary may require:

- payment of all amounts required pursuant to the deposit agreement, including the issuance and cancelation fees therein, any stock transfer or other tax or other governmental charges and any stock transfer or registration fees in effect;
- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with procedures it may establish, from time to time, consistent with the deposit agreement, including completion and presentation of transfer documents.

The depositary may refuse to deliver, transfer, or register issuances, transfers and cancelations of ADSs generally when the transfer books of the depositary or the Hong Kong share registrar or our principal share registrar in the Cayman Islands are closed or at any time if the depositary or we determine it advisable to do so, subject to such refusal complying with U.S. federal securities laws.

All costs attributable to the conversion of ADSs to ordinary shares trading in Hong Kong and *vice versa* will be borne by the investor requesting the conversion and transfer. In particular, holders of ordinary shares and ADSs should note that the Hong Kong share registrar will charge between HK$2.50 to HK$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of ordinary shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong. In addition, holders of ordinary shares and ADSs must pay up to US$0.05 per ADS for each issuance of ADSs and each cancelation of ADSs, as the case may be, in connection with the deposit of ordinary shares into, or withdrawal of ordinary shares from, our ADS program.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Material Modifications to the Rights of Security Holders

None.

Use of Proceeds

The following "Use of Proceeds" information relates to the registration statement on Form F-1 for our initial public offering (File Number 333-249366), which was declared effective by the SEC on October 29, 2020. Our initial public offering closed in November 2020. Goldman Sachs (Asia) L.L.C., BofA Securities, Inc., UBS Securities LLC, HSBC Securities (USA) Inc. and China PA Securities (Hong Kong) Company Limited were the representatives of the underwriters for our initial public offering. We offered and sold an aggregate of 199,155,128 ADSs at an initial public offering price of US$13.50 per ADS, taking into account the ADSs sold upon the exercise of the option to purchase additional ADSs by our underwriters. We raised US$2,578.9 million in net proceeds from our initial public offering after deducting underwriting commissions and discounts and the offering expenses payable by us.

The total expenses incurred for our company's account in connection with our initial public offering was US$109.7 million, which included US$102.2 million in underwriting discounts and commissions for the initial public offering and US$7.5 million in other costs and expenses for our initial public offering. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds from the initial public offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates.

For the period from October 29, 2020, the date that the registration statement was declared effective by the SEC, to December 31, 2023, we had fully used our net proceeds from our initial public offering for general corporate purposes.

Item 15. Controls and Procedures

Disclosure Controls and Procedures

Our management with the participation of our chief executive officer and chief financial officer has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based on that evaluation, our management has concluded that, as of December 31, 2023, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file and furnish under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. As required by Rule 13a-15(c) of the Exchange Act, our management conducted an evaluation of our company's internal control over financial reporting as of December 31, 2023 based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2023.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Attestation Report of the Registered Public Accounting Firm

Our independent registered public accounting firm, PricewaterhouseCoopers Zhong Tian LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2023, as stated in its report, which appears on page F-2 of this annual report.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Rusheng Yang, an independent director (under the standards set forth in Section 303A of the Corporate Governance Rules of the NYSE and Rule 10A-3 under the Exchange Act) and member of our audit committee, is an audit committee financial expert.

Item 16B. Code of Ethics

Our board of directors adopted a code of business conduct and ethics that applies to our directors, officers and employees in September 2020. We have posted a copy of our code of business conduct and ethics on our website at *ir.lufaxholding.com*.

Item 16C. Principal Accountant Fees and Services

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers Zhong Tian LLP, our principal external auditors, for the periods indicated.

	2022	2023
	(RMB millions)	
Audit fees[1]	56.3	47.5
Audit-Related fees[2]	2.0	—
Tax fees[3]	0.8	0.9
All other fees[2]	0.7	0.8

(1) "Audit fees" means the aggregate fees billed or to be billed for each of the fiscal years listed for professional services rendered by our principal auditors for the interim review of quarterly financial statements and the audit of our annual financial statements and other statutory audits of our subsidiaries.

(2) "Audit-related fees" means the aggregate fees billed or to be billed for each of the fiscal years listed for agreed audit procedures service and special audit services by our principal auditors.

(3) "Tax fees" means the aggregate fees billed or to be billed for each of the fiscal years listed for professional services rendered by our principal auditors for tax compliance, tax advice, and tax planning.

(4) "All other fees" means the aggregate fees billed or to be billed for each of the fiscal years listed for professional services rendered by our principal auditors associated with certain permitted advisory services.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by PricewaterhouseCoopers Zhong Tian LLP, including audit services, audit-related services, tax services and other services as described above.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

As a Cayman Islands exempted company listed on the NYSE, we are subject to the NYSE corporate governance listing standards. However, NYSE rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NYSE corporate governance listing standards. In 2023, we chose to (i) rely on the home country exemption from Section 302.00 of the NYSE Listed Company Manual, which requires a listed company to hold an annual meeting during each fiscal year, for the year 2023, and (ii) rely on the home country exemption from Section 303A.01 of the NYSE Listed Company Manual, which requires a listed company to have a majority of independent directors. In these respects, and in other respects if we choose to follow home country practice in other respects in the future, our shareholders may be afforded less protection than they otherwise would under the NYSE corporate governance listing standards applicable to U.S. domestic issuers. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Shares and ADSs—We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to United States domestic public companies."

Item 16H. Mine Safety Disclosure

Not applicable.

Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

Item 16J. Insider Trading Policies

Not applicable.

Item 16K. Cybersecurity

Risk Management and Strategy

We have implemented comprehensive cybersecurity risk assessment procedures to ensure effectiveness in cybersecurity management, strategy and governance and reporting cybersecurity risks. We have also integrated cybersecurity risk management into our overall enterprise risk management system.

We have developed a comprehensive cybersecurity threat defense system to address both internal and external threats. We strive to manage cybersecurity risks and protect sensitive information through various means, such as technical safeguards, procedural requirements, an intensive program of monitoring on our corporate network, continuous testing of aspects of our security posture internally and with outside vendors, a robust incident response program and regular cybersecurity awareness training for employees. Our IT department regularly monitors the performance of our apps, platforms and infrastructure to enable us to respond quickly to potential problems, including potential cybersecurity threats.

As of the date of this annual report, we have not experienced any material cybersecurity incidents or identified any material cybersecurity threats that have affected or are reasonably likely to materially affect us, our business strategy, results of operations or financial condition.

Governance

Our executive directors are responsible for overseeing the cybersecurity risk management and be informed on risks from cybersecurity threats. The chief executive officer, the chief financial officer, and the principal officer in charge of the cybersecurity matters who has experience in dealing with confidentiality-related cybersecurity issues, are responsible for discussing material cybersecurity incidents or threats with specific constituencies before sign-off, ensuring thorough review of information and disclosures. This involves our disclosure committee (comprising of the chief executive officer, the principal accounting officer or the head of financial reporting, the principal investor relations officer, and appropriate business unit heads of our company), as a whole, and the executive directors of our company; and other members of senior management and external legal counsel, to the extent appropriate. The chief executive officer, the chief financial officer, and the principal officer in charge of the cybersecurity matters are also responsible for assessing, identifying and managing material risks from cybersecurity threats to our company and monitoring the prevention, detection, mitigation and remediation of material cybersecurity incident, maintaining oversight of the disclosure in Form 6-K for material cybersecurity incidents (if any) and meeting with the disclosure committee (i) in connection with each quarterly earnings release, update the status of any material cybersecurity incidents or material risks from cybersecurity threats to the Company, if any, and the relevant disclosure issues and (ii) in connection with each annual report, present the disclosure concerning cybersecurity matters in Form 20-F, along with a report highlighting particular disclosure issues, if any, and hold a Q&A session. The disclosure committee are responsible for maintaining oversight of the disclosure related to cybersecurity matters in the periodic reports of our company.

PART III

Item 17. Financial Statements

We have elected to provide financial statements pursuant to Item 18.

Item 18. Financial Statements

The consolidated financial statements of Lufax Holding Ltd, its subsidiaries and the consolidated affiliated entities are included at the end of this annual report.

Item 19. Exhibits

Exhibit Number	Description of Document
1.1*	Sixth Amended and Restated Memorandum of Association and Ninth Amended and Restated Articles of Association of the Registrant
2.1*	Registrant's Specimen American Depositary Receipt (included in Exhibit 2.4)
2.2	Registrant's Specimen Certificate for Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form S-8 filed with the Securities and Exchange Commission on July 30, 2021 (File No. 333-258286))
2.3	Deposit Agreement among the Registrant, the depositary and holders of the American Depositary Receipts dated November 3, 2020 (incorporated by reference to Exhibit 2.3 to the Registrant's annual report on Form 20-F for the fiscal year ended December 31, 2020 (File No. 001-39654) filed with the Securities and Exchange Commission on March 11, 2021)
2.4*	Amendment No. 1 to Deposit Agreement among the Registrant, the depositary and holders of the American Depositary Receipts dated December 15, 2023
2.5	Amended and Restated Shareholders Agreement relating to Lufax Holding Ltd between the Registrant and other parties thereto dated January 31, 2019 (incorporated herein by reference to Exhibit 4.4 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on October 7, 2020 (File No. 333-249366))
2.6	Securityholders Agreement relating to Lufax Holding Ltd between the Registrant and other parties thereto dated September 30, 2020 (incorporated herein by reference to Exhibit 4.9 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on October 7, 2020 (File No. 333-249366))
2.7*	Description of Securities
4.1	English translation of Amended and Restated Phase I Share Incentive Plan (incorporated by reference to Exhibit 99.3 to the Registrant's current report on Form 6-K (File No. 001-39654) filed with the Securities and Exchange Commission on April 12, 2023)
4.2	English translation of Amended and Restated 2019 Performance Share Unit Plan (incorporated by reference to Exhibit 99.4 to the Registrant's current report on Form 6-K (File No. 001-39654) filed with the Securities and Exchange Commission on April 12, 2023)
4.3	Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on October 7, 2020 (File No. 333-249366))

Exhibit Number	Description of Document
4.4	Form of Employment Agreement between the Registrant and its executive officer (incorporated herein by reference to Exhibit 10.5 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on October 7, 2020 (File No. 333-249366))
4.5	Exclusive Asset Option Agreement, by and among Weikun (Shanghai) Technology Service Co., Ltd (formerly known as Shanghai Huiyuan Management Consulting Company Limited), Xinjiang Tongjun Equity Investment Limited Partnership, Linzhi Jinsheng Investment Management Limited Partnership, Shanghai Lanbang Investment Limited Liability Company, Shenzhen Ping An Financial Technology Consulting Co., Ltd, Shanghai Xiongguo Corporation Management Co., Ltd. and other parties thereto, dated February 1, 2023 (incorporated by reference to Exhibit 4.6 to the Registrant's annual report on Form 20-F for the fiscal year ended December 31, 2022 filed on April 7, 2023)
4.6	Exclusive Equity Interest Option Agreement, by and among Weikun (Shanghai) Technology Service Co., Ltd (formerly known as Shanghai Huiyuan Management Consulting Company Limited), Xinjiang Tongjun Equity Investment Limited Partnership, Linzhi Jinsheng Investment Management Limited Partnership, Shanghai Lanbang Investment Limited Liability Company, Shenzhen Ping An Financial Technology Consulting Co., Ltd, Shanghai Xiongguo Corporation Management Co., Ltd. and other parties thereto, dated February 1, 2023 (incorporated by reference to Exhibit 4.7 to the Registrant's annual report on Form 20-F for the fiscal year ended December 31, 2022 filed on April 7, 2023)
4.7	Exclusive Business Cooperation Agreement, by and between Weikun (Shanghai) Technology Service Co., Ltd (formerly known as Shanghai Huiyuan Management Consulting Company Limited) and Shanghai Xiongguo Corporation Management Co., Ltd., dated February 1, 2023 (incorporated by reference to Exhibit 4.8 to the Registrant's annual report on Form 20-F for the fiscal year ended December 31, 2022 filed on April 7, 2023)
4.8	Share Pledge Agreement, by and among Weikun (Shanghai) Technology Service Co., Ltd (formerly known as Shanghai Huiyuan Management Consulting Company Limited), Xinjiang Tongjun Equity Investment Limited Partnership, Linzhi Jinsheng Investment Management Limited Partnership, Shanghai Lanbang Investment Limited Liability Company, Shenzhen Ping An Financial Technology Consulting Co., Ltd, Shanghai Xiongguo Corporation Management Co., Ltd. and other parties thereto, dated February 1, 2023 (incorporated by reference to Exhibit 4.9 to the Registrant's annual report on Form 20-F for the fiscal year ended December 31, 2022 filed on April 7, 2023)
4.9	Voting Proxy Agreement, by and among Weikun (Shanghai) Technology Service Co., Ltd (formerly known as Shanghai Huiyuan Management Consulting Company Limited), Xinjiang Tongjun Equity Investment Limited Partnership, Linzhi Jinsheng Investment Management Limited Partnership, Shanghai Lanbang Investment Limited Liability Company, Shenzhen Ping An Financial Technology Consulting Co., Ltd, Shanghai Xiongguo Corporation Management Co., Ltd. and other parties thereto, dated February 1, 2023 (incorporated by reference to Exhibit 4.10 to the Registrant's annual report on Form 20-F for the fiscal year ended December 31, 2022 filed on April 7, 2023)
4.10	Exclusive Asset Option Agreement, by and among Weikun (Shanghai) Technology Service Co., Ltd (formerly known as Shanghai Huiyuan Management Consulting Company Limited), Shanghai Xiongguo Corporation Management Co., Ltd., Shanghai Huikang Information Technology Co., Ltd., Shanghai Lufax Information Technology Co., Ltd. (formerly known as Shanghai Lujiazui International Financial Asset Exchange Co., Ltd.), Xinjiang Tongjun Equity Investment Limited Partnership, Linzhi Jinsheng Investment Management Limited Partnership, Shanghai Lanbang Investment Limited Liability Company, Shenzhen Ping An Financial Technology Consulting Co., Ltd and other parties thereto, dated February 1, 2023 (incorporated by reference to Exhibit 4.11 to the Registrant's annual report on Form 20-F for the fiscal year ended December 31, 2022 filed on April 7, 2023)

Exhibit Number	Description of Document
4.11	Exclusive Equity Interest Option Agreement, by and among Weikun (Shanghai) Technology Service Co., Ltd (formerly known as Shanghai Huiyuan Management Consulting Company Limited), Shanghai Xiongguo Corporation Management Co., Ltd., Shanghai Huikang Information Technology Co., Ltd., Shanghai Lufax Information Technology Co., Ltd. (formerly known as Shanghai Lujiazui International Financial Asset Exchange Co., Ltd.), Xinjiang Tongjun Equity Investment Limited Partnership, Linzhi Jinsheng Investment Management Limited Partnership, Shanghai Lanbang Investment Limited Liability Company, Shenzhen Ping An Financial Technology Consulting Co., Ltd and other parties thereto, dated February 1, 2023 (incorporated by reference to Exhibit 4.12 to the Registrant's annual report on Form 20-F for the fiscal year ended December 31, 2022 filed on April 7, 2023)
4.12	Exclusive Business Cooperation Agreement, by and between Weikun (Shanghai) Technology Service Co., Ltd (formerly known as Shanghai Huiyuan Management Consulting Company Limited) and Shanghai Lufax Information Technology Co., Ltd. (formerly known as Shanghai Lujiazui International Financial Asset Exchange Co., Ltd.), dated February 1, 2023 (incorporated by reference to Exhibit 4.13 to the Registrant's annual report on Form 20-F for the fiscal year ended December 31, 2022 filed on April 7, 2023)
4.13	Share Pledge Agreement, by and among Weikun (Shanghai) Technology Service Co., Ltd (formerly known as Shanghai Huiyuan Management Consulting Company Limited), Shanghai Xiongguo Corporation Management Co., Ltd., Shanghai Huikang Information Technology Co., Ltd., Shanghai Lufax Information Technology Co., Ltd. (formerly known as Shanghai Lujiazui International Financial Asset Exchange Co., Ltd.), Xinjiang Tongjun Equity Investment Limited Partnership, Linzhi Jinsheng Investment Management Limited Partnership, Shanghai Lanbang Investment Limited Liability Company, Shenzhen Ping An Financial Technology Consulting Co., Ltd and other parties thereto, dated February 1, 2023 (incorporated by reference to Exhibit 4.14 to the Registrant's annual report on Form 20-F for the fiscal year ended December 31, 2022 filed on April 7, 2023)
4.14	Voting Proxy Agreement, by and among Weikun (Shanghai) Technology Service Co., Ltd (formerly known as Shanghai Huiyuan Management Consulting Company Limited), Shanghai Xiongguo Corporation Management Co., Ltd., Shanghai Huikang Information Technology Co., Ltd., Shanghai Lufax Information Technology Co., Ltd. (formerly known as Shanghai Lujiazui International Financial Asset Exchange Co., Ltd.), Xinjiang Tongjun Equity Investment Limited Partnership, Linzhi Jinsheng Investment Management Limited Partnership, Shanghai Lanbang Investment Limited Liability Company, Shenzhen Ping An Financial Technology Consulting Co., Ltd and other parties thereto, dated February 1, 2023 (incorporated by reference to Exhibit 4.15 to the Registrant's annual report on Form 20-F for the fiscal year ended December 31, 2022 filed on April 7, 2023)
4.15	Exclusive Asset Option Agreement, by and among Lufax Holding (Shenzhen) Technology Service Co., Ltd., Shenzhen Ping An Financial Technology Consultation Company, Shanghai Lanbang Investment Company, Xinjiang Tongjun Equity Investment Limited Partnership, Linzhi Jinsheng Investment Management Limited Partnership, Shenzhen Lufax Holding Enterprise Management Co., Ltd. and other parties thereto, dated November 21, 2018 (incorporated herein by reference to Exhibit 10.21 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on October 7, 2020 (File No. 333-249366))
4.16	Exclusive Equity Interest Option Agreement, by and among Lufax Holding (Shenzhen) Technology Service Co., Ltd., Shenzhen Ping An Financial Technology Consultation Company, Shanghai Lanbang Investment Company, Xinjiang Tongjun Equity Investment Limited Partnership, Linzhi Jinsheng Investment Management Limited Partnership, Shenzhen Lufax Holding Enterprise Management Co., Ltd. and other parties thereto, dated November 21, 2018 (incorporated herein by reference to Exhibit 10.22 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on October 7, 2020 (File No. 333-249366))

Exhibit Number	Description of Document
4.17	Exclusive Business Cooperation Agreement, by and between Lufax Holding (Shenzhen) Technology Service Co., Ltd. and Shenzhen Lufax Holding Enterprise Management Co., Ltd., dated November 21, 2018 (incorporated herein by reference to Exhibit 10.23 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on October 7, 2020 (File No. 333-249366))
4.18	Share Pledge Agreement, by and among Lufax Holding (Shenzhen) Technology Service Co., Ltd., Shenzhen Ping An Financial Technology Consultation Company, Shanghai Lanbang Investment Company, Xinjiang Tongjun Equity Investment Limited Partnership, Linzhi Jinsheng Investment Management Limited Partnership, Shenzhen Lufax Holding Enterprise Management Co., Ltd. and other parties thereto, dated November 21, 2018 (incorporated herein by reference to Exhibit 10.24 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on October 7, 2020 (File No. 333-249366))
4.19	Voting Proxy Agreement, by and among Lufax Holding (Shenzhen) Technology Service Co., Ltd., Shenzhen Ping An Financial Technology Consultation Company, Shanghai Lanbang Investment Company, Xinjiang Tongjun Equity Investment Limited Partnership, Linzhi Jinsheng Investment Management Limited Partnership, Shenzhen Lufax Holding Enterprise Management Co., Ltd. and other parties thereto, dated November 21, 2018 (incorporated herein by reference to Exhibit 10.25 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on October 7, 2020 (File No. 333-249366))
4.20	English translation of form of letter of undertakings, from each individual shareholder of direct shareholders of Shenzhen Lufax Holding Enterprise Management Co., Ltd. (incorporated herein by reference to Exhibit 10.26 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on October 7, 2020 (File No. 333-249366))
4.21	English translation of form of spousal consent letter, from the spouse of each individual shareholder of direct shareholders of Shenzhen Lufax Holding Enterprise Management Co., Ltd. (incorporated herein by reference to Exhibit 10.27 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on October 7, 2020 (File No. 333-249366))
4.22	Convertible Promissory Note of the Registrant issued to China Ping An Insurance Overseas (Holdings) Limited dated October 8, 2015 (incorporated herein by reference to Exhibit 4.5 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on October 7, 2020 (File No. 333-249366))
4.23	Convertible Promissory Note of the Registrant issued to An Ke Technology Company Limited dated October 8, 2015 (incorporated herein by reference to Exhibit 4.6 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on October 7, 2020 (File No. 333-249366))
4.24	Amendment and Supplemental Agreement to the Share Purchase Agreement and the Convertible Promissory Notes, among the Registrant, China Ping An Insurance Overseas (Holdings) Limited and An Ke Technology Company Limited dated August 31, 2020 (incorporated herein by reference to Exhibit 4.7 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on October 7, 2020 (File No. 333-249366))
4.25	Amendment and Supplemental Agreement to the Share Purchase Agreement and the Convertible Promissory Notes, among the Registrant, China Ping An Insurance Overseas (Holdings) Limited and An Ke Technology Company Limited dated August 20, 2021 (incorporated herein by reference to Exhibit 4.1 to the report on Form 6-K furnished to the Securities and Exchange Commission on August 20, 2021 (File No. 001-39654))

Exhibit Number	Description of Document
4.26	Amendment and Supplemental Agreement to the Share Purchase Agreement and the Convertible Promissory Notes, among the Registrant, China Ping An Insurance Overseas (Holdings) Limited and An Ke Technology Company Limited, dated December 6, 2022 (incorporated herein by reference to Exhibit 4.1 to the report on Form 6-K furnished to the Securities and Exchange Commission on December 6, 2022 (File No. 001-39654))
4.27	Certificate of Convertible Promissory Note (Certificate No.: 004) issued by the Registrant to China Ping An Insurance Overseas (Holdings) Limited, dated December 6, 2022 (incorporated herein by reference to Exhibit 4.2 to the report on Form 6-K furnished to the Securities and Exchange Commission on December 6, 2022 (File No. 001-39654))
4.28	Certificate of Convertible Promissory Note (Certificate No.: 005) issued by the Registrant to An Ke Technology Company Limited, dated December 6, 2022 (incorporated herein by reference to Exhibit 4.3 to the report on Form 6-K furnished to the Securities and Exchange Commission on December 6, 2022 (File No. 001-39654))
4.29*	Share Purchase Agreement by and among the Registrant, OneConnect Financial Technology Co., Ltd. and Ping An OneConnect Bank (Hong Kong) Limited dated November 13, 2023
8.1*	List of principal subsidiaries and consolidated affiliated entity of the Registrant
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on October 7, 2020 (File No. 333-249366))
12.1*	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of PricewaterhouseCoopers Zhong Tian LLP, an independent registered public accounting firm
15.2*	Consent of Haiwen & Partners
15.3*	Consent of Maples and Calder (Hong Kong) LLP
97.1*	Clawback Policy of the Registrant
101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Ex tension Label Linkbase Document

Exhibit Number	Description of Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File. (Embedded within the Inline XBRL document)

* Filed with this Annual Report on Form 20-F.
** Furnished with this Annual Report on Form 20-F.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Lufax Holding Ltd

By: /s/ Yong Suk Cho
Name: Yong Suk Cho
Title: Chairman of the Board and Chief Executive Officer

Date: April 23, 2024

Lufax Holding Ltd

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Lufax Holding Ltd

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial position of Lufax Holding Ltd and its subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue recognition on loan enablement service fees and post-origination service fees

As described in Notes 3.23, 5.2 and 6 to the consolidated financial statements, the loan enablement service fees and post-origination service fees recognized for the year ended December 31, 2023 were RMB979 million and RMB13,729 million, respectively. The loan enablement services include credit assessment of the borrower, enabling loans from the funding partner to the borrower and providing technical assistance to the borrower and the funding partner. The post origination services include repayment reminders, payment processing, and collection services. The Company charged one combined service fee covering both loan enablement and post-origination services, each of which are considered distinct performance obligations. Management estimated the total consideration to be received over the life of the underlying loan by modeling early termination scenarios. The estimated total consideration was then allocated to the two performance obligations using their relative standalone selling prices. Management did not have an observable standalone selling price for the loan enablement and post-origination services because (i) the Company did not provide such services on a standalone basis in similar circumstances to similar customers and (ii) there was no direct observable standalone selling price that is reasonably available for similar services in the market. As a result, management used an expected cost-plus margin approach to estimate the standalone selling prices of the services as the basis of revenue recognition. When estimating total consideration, management made certain assumptions, including the applicability of historical early termination scenarios to the current loan portfolio. When estimating the standalone selling prices, management made certain assumptions, including estimates of the relative cost of providing the services.

The principal considerations for our determination that performing procedures relating to revenue recognition on loan enablement service fees and post-origination service fees is a critical audit matter are the significant judgment by management in estimating the total consideration and the relative standalone selling prices, which in turn led to a high degree of auditor judgment, subjectivity, and audit effort in performing procedures and evaluating audit evidence relating to estimates of total consideration and standalone selling prices.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's revenue recognition process, including controls relating to estimation of the total consideration and the standalone selling prices for loan enablement and post-origination services. These procedures also included, among others, testing management's process for estimating the total consideration, including (i) assessing the appropriateness and testing the mathematical accuracy of the total consideration calculation; (ii) testing the completeness and accuracy of the historical early termination data used in the calculation; and (iii) evaluating the reasonableness of adjustments made to the historical early termination data to determine the early termination assumption. These procedures also included testing service agreements between the Company and its customers to assess the appropriateness of the performance obligations identified by management, and testing management's process for estimating the standalone selling prices, including (i) assessing the appropriateness of the expected cost-plus margin method used and testing the mathematical accuracy of calculation; (ii) testing the relative allocation of costs between the performance obligations, considering the nature of services provided by each business department and their roles and responsibilities in providing relevant services; and (iii) testing the cost data used in the cost-plus margin model, including evaluating the reasonableness of cost data input in cost-plus margin model and performing the retrospective test by using subsequent actual cost information to compare with the cost data input in the model.

Provision for impairment losses for loans to customers and financing guarantee contracts

As described in Notes 3.8, 4.1.2, 5.6, 20 and 32 to the consolidated financial statements, as of December 31, 2023, the provision for impairment losses for loans to customers was RMB7,274 million (on a total loan balance of RMB136,968 million) and financing guarantee liabilities was RMB4,186 million (on a total credit risk exposure of financing guarantee contracts of RMB54,903 million). Loans to customers primarily consisted of lending originated by consolidated trust plans and consumer finance subsidiaries of the Company. Financing guarantee contracts were the Company's obligation to repay in the event of default related to off-balance sheet loans funded on the Company's platform. The provision for impairment losses for loans to customers and financing guarantee contracts represents management's estimate of expected credit losses on such loans to customers and financing guarantee contracts, calculated on a forward-looking basis. In measuring the expected credit losses, management determined the appropriate models and assumptions, including exposure at default, probability of default, and loss given default, as well as establishing forward-looking scenarios and their relative weightings. Management further disaggregated the underlying loans to customers and financing guarantee contracts into 3 different stages based on whether a significant increase in credit risk since initial recognition had occurred or whether loans to customers or financing guarantee contracts were considered to be credit impaired. Loans to customers and financing guarantee contracts without a significant increase in credit risk were classified in stage 1. The provision for impairment losses for loans to customers and financing guarantee contracts in stage 1 was measured at an amount equal to the 12-month expected credit losses. Loans to customers and financing guarantee contracts with a significant increase in credit risk since initial recognition (but not yet credit-impaired) were classified in stage 2. Loans to customers and financing guarantee contracts that are credit-impaired were classified in stage 3. The provision for impairment losses for loans to customers and financing guarantee contracts in stage 2 and stage 3 was measured based on expected credit losses on a lifetime basis.

The principal considerations for our determination that performing procedures relating to the provision for impairment losses for loans to customers and financing guarantee contracts is a critical audit matter are (i) the significant judgment by management in estimating the provision for impairment losses, which in turn led to a high degree of auditor judgment, subjectivity, and audit effort in performing procedures and evaluating audit evidence relating to the modeling techniques, significant assumptions and forward looking adjustments used by management; and (ii) the audit effort involved professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's estimation of the provision for impairment losses for loans to customers and financing guarantee contracts. These procedures also included, among others, testing management's process for estimating the provision for impairment losses by (i) evaluating the appropriateness of the models used to estimate the provision; (ii) testing the completeness and accuracy of data used, including the appropriateness of the stage classification; (iii) evaluating the reasonableness of the exposure at default, probabilities at default and loss given default; and (iv) evaluating the reasonableness of management's forward-looking adjustments, including the reasonableness of forward-looking scenarios and their relative weightings. The procedures also included the use of professionals with specialized skill and knowledge to assist in evaluating the appropriateness of the models and certain significant assumptions.

Goodwill Impairment Assessment of Puhui

As described in Notes 3.13, 5.1 and 25 to the consolidated financial statements, the Company's consolidated goodwill balance of Puhui was RMB8,911 million as of December 31, 2023. Management conducts impairment tests for goodwill annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As a result of the impairment test performed by management at the end of 2023, it was determined that the recoverable amount of the group of cash-generating units ("CGU group"), to which the goodwill of Puhui was allocated, exceeded its carrying value and therefore no impairment was recorded. The recoverable amount of CGU group was determined based on value-in-use estimated by management using a discounted cash flow model. The significant assumptions used for value-in-use calculations include revenue growth rates, loan loss rates, pre-tax discount rate and long-term growth rate.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment is a critical audit matter are (i) the significant judgments made by management when developing the recoverable amount of the CGU group; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's significant assumptions related to revenue growth rates, loan loss rates, pre-tax discount rate and long-term growth rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the management's goodwill impairment assessments. These procedures also included, among others: (i) testing management's process for developing the value in use estimate; (ii) testing the completeness, accuracy, and relevance of underlying data used in the discounted cash flow model; (iii) evaluating the reasonableness of the significant assumptions used by management; and (iv) evaluating the sufficiency of the disclosures in the consolidated financial statements. Evaluating management's significant assumptions involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the CGU group; (ii) the consistency with external market and industry data; (iii) the sensitivity analysis performed by management; and (iv) whether the assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating the appropriateness of the discounted cash flow model, and the reasonableness of the pre-tax discount rate and the long-term growth rate.

/s/PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China
April 23, 2024

We have served as the Company's auditor since 2013.

LUFAX HOLDING LTD
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2021 RMB'000	2022 RMB'000	2023 RMB'000
Technology platform-based income	6	38,294,317	29,218,432	15,325,826
Net interest income	7	14,174,231	18,981,376	12,348,357
Guarantee income		4,370,342	7,372,509	4,392,376
Other income	8	3,875,407	1,238,004	1,143,770
Investment income	9	1,151,753	1,305,625	1,050,453
Share of net profit/(loss) of investments accounted for using the equity method		(31,143)	(218)	(5,416)
Total income		**61,834,907**	**58,115,728**	**34,255,366**
Sales and marketing expenses	10	(17,993,072)	(15,756,916)	(9,867,488)
General and administrative expenses	10	(3,559,323)	(2,830,119)	(2,304,835)
Operation and servicing expenses	10	(6,557,595)	(6,429,862)	(6,118,635)
Technology and analytics expenses	10	(2,083,994)	(1,872,454)	(1,387,055)
Credit impairment losses	11	(6,643,727)	(16,550,465)	(12,697,308)
Asset impairment losses	23,25	(1,100,882)	(427,108)	(31,246)
Finance costs	12	(995,515)	(1,238,992)	(414,023)
Other gains/(losses)—net	13	499,379	3,459	210,336
Total expenses		**(38,434,729)**	**(45,102,457)**	**(32,610,254)**
Profit before income tax expenses		23,400,178	13,013,271	1,645,112
Less: Income tax expenses	14	(6,691,118)	(4,238,232)	(610,626)
Net profit for the year		**16,709,060**	**8,775,039**	**1,034,486**
Net profit attributable to:				
Owners of the Company		16,804,380	8,699,369	886,865
Non-controlling interests		(95,320)	75,670	147,621
		16,709,060	**8,775,039**	**1,034,486**

The accompanying notes are an integral part of the consolidated financial statements.

LUFAX HOLDING LTD
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Year ended December 31, 2021 RMB'000	2022 RMB'000	2023 RMB'000
Other comprehensive income/(loss), net of tax:				
Items that may be reclassified to profit or loss				
-Exchange differences on translation of foreign operations		66,501	(289,599)	(54,409)
Items that will not be reclassified to profit or loss				
-Exchange differences on translation of foreign operations to the presentation currency		(38,219)	(1,291,250)	(410,572)
Total comprehensive income for the year		**16,737,342**	**7,194,190**	**569,505**
Total comprehensive income attributable to:				
Owners of the Company		16,832,782	7,118,117	421,275
Non-controlling interests		(95,440)	76,073	148,230
		16,737,342	**7,194,190**	**569,505**
Earnings per share (expressed in RMB per share)				
-Basic earnings per share	15	14.22	7.60	0.77
-Diluted earnings per share	15	13.38	7.58	0.77
-Basic earnings per ADS	15	28.44	15.20	1.54
-Diluted earnings per ADS	15	26.76	15.16	1.54

The accompanying notes are an integral part of the consolidated financial statements.

LUFAX HOLDING LTD
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As of December 31, 2022 RMB'000	As of December 31, 2023 RMB'000
ASSETS			
Cash at bank	16	43,882,127	39,598,785
Restricted cash	16	26,508,631	11,145,838
Financial assets at fair value through profit or loss	17	29,089,447	28,892,604
Financial assets at amortized cost	18	4,716,448	3,011,570
Accounts and other receivables and contract assets	19	15,758,135	7,293,671
Loans to customers	20	211,446,645	129,693,954
Deferred tax assets	21	4,990,352	5,572,042
Property and equipment	22	322,499	180,310
Investments accounted for using the equity method		39,271	2,609
Intangible assets	23	885,056	874,919
Right-of-use assets	24	754,010	400,900
Goodwill	25	8,911,445	8,911,445
Other assets	26	1,958,741	1,444,362
Total assets		**349,262,807**	**237,023,009**
LIABILITIES			
Payable to platform investors	27	1,569,367	985,761
Borrowings	28	36,915,513	38,823,284
Bonds payable	29	2,143,348	—
Current income tax liabilities		1,987,443	782,096
Accounts and other payables and contract liabilities	30	12,198,654	6,977,118
Payable to investors of consolidated structured entities	31	177,147,726	83,264,738
Financing guarantee liabilities	32	5,763,369	4,185,532
Deferred tax liabilities	21	694,090	524,064
Lease liabilities	24	748,807	386,694
Convertible promissory notes payable	33	5,164,139	5,650,268
Optionally convertible promissory notes	34	8,142,908	—
Other liabilities	35	2,000,768	1,759,672
Total liabilities		**254,476,132**	**143,339,227**

The accompanying notes are an integral part of the consolidated financial statements.

LUFAX HOLDING LTD
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	As of December 31, 2022 RMB'000	As of December 31, 2023 RMB'000
EQUITY			
Share capital	36	75	75
Share premium	36	32,073,874	32,142,233
Treasury shares	37	(5,642,769)	(5,642,768)
Other reserves	38	2,158,432	155,849
Retained earnings	39	64,600,234	65,487,099
Total equity attributable to owners' of the Company		**93,189,846**	**92,142,488**
Non-controlling interests		1,596,829	1,541,294
Total equity		**94,786,675**	**93,683,782**
Total liabilities and equity		**349,262,807**	**237,023,009**

The accompanying notes are an integral part of the consolidated financial statements.

LUFAX HOLDING LTD
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company							
		Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total Equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2021		**77**	**33,213,426**	**(2)**	**7,418,710**	**40,927,597**	**81,559,808**	**1,591,513**	**83,151,321**
Net profit for the year		—	—	—	—	16,804,380	16,804,380	(95,320)	16,709,060
Other comprehensive income		—	—	—	28,402	—	28,402	(120)	28,282
Total comprehensive income for the year		**—**	**—**	**—**	**28,402**	**16,804,380**	**16,832,782**	**(95,440)**	**16,737,342**
Transactions with owners									
Repurchase of ordinary shares	37	—	—	(5,560,104)	—	—	(5,560,104)	—	(5,560,104)
Retirement of ordinary shares	36,37	(2)	—	2	—	—	—	—	—
Issuance of ordinary shares for share-based payment	36,37	—	—	—	—	—	—	—	—
Exercise of share-based payment	36,38	—	152,360	—	(72,709)	—	79,651	—	79,651
Contributions from non-controlling interests		—	—	—	—	—	—	22,333	22,333
Acquisition of non-controlling interests of a subsidiary		—	—	—	9,487	—	9,487	(14,222)	(4,735)
Appropriations to general reserve		—	—	—	1,789,034	(1,789,034)	—	—	—
Share-based payment	42	—	—	—	132,071	—	132,071	1,324	133,395
As of December 31, 2021		**75**	**33,365,786**	**(5,560,104)**	**9,304,995**	**55,942,943**	**93,053,695**	**1,505,508**	**94,559,203**

The accompanying notes are an integral part of the consolidated financial statements.

LUFAX HOLDING LTD
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	Attributable to owners of the Company						Non-controlling interests	Total Equity
		Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2022		**75**	**33,365,786**	**(5,560,104)**	**9,304,995**	**55,942,943**	**93,053,695**	**1,505,508**	**94,559,203**
Net profit for the year		—	—	—	—	8,699,369	8,699,369	75,670	8,775,039
Other comprehensive income		—	—	—	(1,581,252)	—	(1,581,252)	403	(1,580,849)
Total comprehensive income for the year		**—**	**—**	**—**	**(1,581,252)**	**8,699,369**	**7,118,117**	**76,073**	**7,194,190**
Transactions with owners									
Repurchase of ordinary shares	37	—	—	(82,665)	—	—	(82,665)	—	(82,665)
Capital reduction from non-controlling interests		—	—	—	—	—	—	(1,118)	(1,118)
Exercise of share-based payment	36,38	—	127,063	—	(68,110)	—	58,953	—	58,953
Redemption and extension of convertible promissory notes	33	—	6,209,598	—	(5,584,770)	—	624,828	—	624,828
Contributions from non-controlling interests		—	—	—	—	—	—	15,938	15,938
Dividend declared	36	—	(7,628,573)	—	—	—	(7,628,573)	—	(7,628,573)
Appropriations to general reserve		—	—	—	42,078	(42,078)	—	—	—
Share-based payment	42	—	—	—	45,491	—	45,491	428	45,919
As of December 31, 2022		**75**	**32,073,874**	**(5,642,769)**	**2,158,432**	**64,600,234**	**93,189,846**	**1,596,829**	**94,786,675**

The accompanying notes are an integral part of the consolidated financial statements.

LUFAX HOLDING LTD
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	Attributable to owners of the Company							
		Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total Equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2023		**75**	**32,073,874**	**(5,642,769)**	**2,158,432**	**64,600,234**	**93,189,846**	**1,596,829**	**94,786,675**
Net profit for the year		—	—	—	—	886,865	886,865	147,621	1,034,486
Other comprehensive income		—	—	—	(465,590)	—	(465,590)	609	(464,981)
Total comprehensive income for the year		**—**	**—**	**—**	**(465,590)**	**886,865**	**421,275**	**148,230**	**569,505**
Transactions with owners									
Exercise of share-based payment	36,38	—	17,403	1	(15,667)	—	1,737	—	1,737
Acquisition of non-controlling interests of a subsidiary	2	—	—	—	4,511	—	4,511	(203,711)	(199,200)
Repayment of optionally convertible promissory notes	34	—	1,489,748	—	(1,489,748)	—	—	—	—
Dividend declared	36	—	(1,438,792)	—	—	—	(1,438,792)	—	(1,438,792)
Share-based payment	42	—	—	—	(36,089)	—	(36,089)	(54)	(36,143)
As of December 31, 2023		**75**	**32,142,233**	**(5,642,768)**	**155,849**	**65,487,099**	**92,142,488**	**1,541,294**	**93,683,782**

The accompanying notes are an integral part of the consolidated financial statements.

LUFAX HOLDING LTD
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31, 2021 RMB'000	2022 RMB'000	2023 RMB'000
Cash flows from operating activities				
Cash generated from operating activities	41(a)	12,995,271	14,730,306	17,752,410
Income tax paid		(8,007,799)	(10,275,005)	(2,722,124)
Net cash generated from operating activities		**4,987,472**	**4,455,301**	**15,030,286**
Cash flows from investing activities				
Proceeds from sale of investment assets		132,430,620	99,031,093	67,031,534
Proceeds from sale of property and equipment		5	19,655	8,220
Interest received on investment assets		1,455,115	1,725,499	970,133
Payment for acquisition of investment assets		(128,591,697)	(97,732,903)	(73,924,054)
Securities purchases under agreements to resell, net		(4,827,170)	5,527,177	—
Payment for property and equipment and other long-term assets		(153,051)	(122,843)	(48,340)
Net cash received from disposal of subsidiary		—	—	25,075
Net cash generated from/(used in) investing activities		**313,822**	**8,447,678**	**(5,937,432)**
Cash flows from financing activities				
Proceeds from issuance of shares and other equity securities		22,333	15,938	—
Including: Proceeds from capital contribution from the non-controlling shareholder of subsidiaries		22,333	15,938	—
Proceeds from exercise of share-based payment		43,456	95,911	252
Proceeds from borrowings		7,262,435	9,046,338	14,618,467
Repayment of borrowings		(1,802,187)	(5,794,772)	(18,259,533)
Payment for early redemption and extension of convertible promissory notes payable		—	(3,747,386)	(3,642,931)
Repayment of optionally convertible promissory notes		—	—	(8,342,096)
Repayment of bonds payable		—	—	(2,163,195)
Payment for lease liabilities		(663,160)	(604,172)	(474,546)
Payment for interest expenses		(867,715)	(1,213,186)	(1,511,327)
Payment for dividend declared		—	(7,717,474)	(1,435,461)
Payment for acquisition of non-controlling interests of subsidiary		(4,735)	—	(199,200)
Refund of cash reserved for repurchase of ordinary shares		—	—	854,624
Payment for repurchase of ordinary shares		(6,438,455)	—	—
Net cash used in financing activities		**(2,448,028)**	**(9,918,803)**	**(20,554,946)**
Effect of exchange rate changes on cash and cash equivalents		**(142,607)**	**57,025**	**404,677**
Net increase/(decrease) in cash and cash equivalents		**2,710,659**	**3,041,201**	**(11,057,415)**
Add: Cash and cash equivalents at the beginning of the year		23,785,651	26,496,310	29,537,511
Cash and cash equivalents at the end of the year	41(c)	**26,496,310**	**29,537,511**	**18,480,096**

The accompanying notes are an integral part of the consolidated financial statements.

1 General information

Lufax Holding Ltd (the "Company") was incorporated in the Cayman Islands on December 2, 2014 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The address of its registered office is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and with its consolidated subsidiaries and consolidated structured entities that are controlled through contractual arrangements ("Consolidated Affiliated Entities", or "OPCO") (collectively referred to as the "Group") are principally engaged in core retail credit and enablement business to both borrowers and institutions in the People's Republic of China (the "PRC").

The consolidated financial statements were approved and authorized for issue by the board of directors on April 23, 2024.

2 History and organization of the Group

On September 30, 2020, the Company issued automatically convertible promissory notes and optionally convertible promissory notes (collectively, "Convertible Notes") to certain holders of the Class C ordinary shares, in exchange for Class C ordinary shares held by them (collectively, the "C-round restructuring"). The automatically convertible promissory notes were converted into ordinary shares automatically upon the closing of the Company's IPO. The optionally convertible promissory notes could have been converted into an aggregate of 38,493,660 ordinary shares, without giving effect to any anti-dilutive adjustments, during the period between the completion of the IPO and September 29, 2023. The Company paid 6% annual interest to the holders of Convertible Notes until the notes were fully repaid or converted.

On October 30, 2020, the Company's American depositary shares ("ADSs") commenced trading on the New York Stock Exchange under the ticker symbol "LU". As of December 31, 2020, the Company has 1,231,150,560 ordinary shares issued and outstanding (including 35,644,803 ordinary shares issued to Tun Kung Company Limited reserved for use under the Company's share incentive plans. For the year ended December 31, 2021, treasury shares of 35,644,803 were retired resulting from repurchase of shares from Tun Kung Company Limited (refer to Note 36(a)).

2 History and organization of the Group (Continued)

During 2021, the board of directors of the Company authorized share repurchase programs under which the Company could repurchase up to an aggregate of USD1 billion of its ADSs during a specific period of time. Following the completion of the share repurchase program, the Company had repurchased a total of approximately 110 million ADSs (or 55 million ordinary shares) for approximately USD877 million under share repurchase programs.

On April 6, 2023, the Group paid RMB199 million to Shanghai OneConnect Financial Technology Co., Ltd. and completed the purchase of 40% equity interest in Ping An Puhui Lixin Asset Management Co., Ltd. ("Puhui Lixin"), which was an indirect non-wholly-owned subsidiary of the Group. After the acquisition of non-controlling interests, Puhui Lixin becomes a wholly-owned subsidiary of the Group.

On April 14, 2023, the Company's ordinary shares commenced trading on the Hong Kong Stock Exchange in board lots of 100 shares by way of introduction.

On November 13, 2023, the Group entered into a share and purchase agreement with OneConnect Financial Technology Co., Ltd. (as the seller) ("OCFT") and Ping An OneConnect Bank (Hong Kong) Limited (the "Virtual Bank"), pursuant to which OCFT conditionally agreed to sell, and the Group conditionally agreed to acquire the Virtual Bank through the sale and purchase of the entire issued share capital of the indirect holding company of the Virtual Bank, Jin Yi Tong Limited, at a consideration of HK$933 million in cash. As of December 31, 2023, the acquisition had not been completed. Please refer to Note 48 for the subsequent events.

On November 20, 2023, the Company announced its plans to change the ratio of its American Depositary Share ("ADS") to its ordinary shares (the "ADS Ratio") from the current ADS Ratio of two ADSs to one ordinary share to a new ADS ratio of one ADS to two ordinary shares. The change in the ADS ratio became effective on December 15, 2023. For all the periods presented, basic and diluted earnings per ADS have been revised assuming the change of ADS ratio from a ratio of two ADSs to one ordinary share to a new ratio of one ADS to two ordinary shares occurred at the beginning of the earliest period presented.

2 History and organization of the Group (Continued)

(a) As of December 31, 2022 and 2023, the Company had direct or indirect interests in the principal subsidiaries and the principal consolidated affiliated entities as below.

Company Name	Kind of legal entity and place of incorporation	Principal activities and place of operations	Issued and paid-in capital/Registered capital	Attributable equity interest/economic interest to the Group	
				2022	2023
Controlled through direct equity holding:					
Gem Blazing Limited	Corporation, Cayman Islands	Intermediate holding, Cayman Islands	USD742,000,000	100%	100%
Wincon Hong Kong Investment Company Limited	Corporation, Hong Kong	Intermediate holding, Hong Kong	USD742,000,000	100%	100%
Weikun (Shanghai) Technology Service Co., Ltd. ("Weikun Technology")	Corporation, the PRC	Technology advisory service, the PRC	USD1,191,000,000/ RMB7,923,258,050	100%	100%
Jinjiong (Shenzhen) Technology Service Company Ltd. ("Jinjiong Technology") (i)	Corporation, the PRC	Intermediate holding, the PRC	RMB800,000,000	100%	100%
Lufax Holding (Shenzhen) Technology Service Co., Ltd.	Corporation, the PRC	Internet platform service, the PRC	RMB298,549,200/ RMB300,000,000	100%	100%
Gem Alliance Limited	Corporation, Cayman Islands	Intermediate holding, Cayman Islands	USD1,828,535,620	100%	100%
Harmonious Splendor Limited	Corporation, Hong Kong	Intermediate holding, Hong Kong	USD2,165,088,878	100%	100%
Ping An Puhui Financing Guarantee Co., Ltd.	Corporation, the PRC	Financing guarantee services, the PRC	RMB19,965,950,892	100%	100%
Ping An Puhui Enterprises Management Co., Ltd.	Corporation, the PRC	Enterprise management service, the PRC	RMB8,494,800,000	100%	100%
Chongqing Jinan Microloan Co., Ltd.	Corporation, the PRC	Microloan business, the PRC	RMB3,200,000,000	100%	100%
Ping An Puhui Investment & Consulting Co., Ltd.	Corporation, the PRC	Investment and financial consulting service, the PRC	RMB1,251,363,637	100%	100%
Ping An Puhui Information Services Co., Ltd.	Corporation, the PRC	Information technology services, the PRC	RMB1,000,000,000	100%	100%
Ping An Consumer Finance Co., Ltd.	Corporation, the PRC	Consumer finance business, the PRC	RMB5,000,000,000	70%	70%
Controlled through Contractual Agreements:					
Shanghai Xiongguo Enterprise Management Co., Ltd. ("Xiongguo")	Corporation, the PRC	Intermediate holding, the PRC	RMB1,000,000,000	100%	100%
Shanghai Lufax Information Technology Co., Ltd.	Corporation, the PRC	Online wealth management information platform service, the PRC	RMB836,670,000	100%	100%
Shenzhen Lufax Holding Enterprise Management Co., Ltd.	Corporation, the PRC	Intermediate holding, the PRC	RMB 0/ RMB 5,000,000	100%	100%

The English names of certain subsidiaries of the Group represent the best effort by the Company's management to translate their Chinese names, as these subsidiaries do not have official English names.

(i) In 2023, the board of directors of Jinjiong Technology approved a RMB500 million capital injection from Weikun Technology, the parent company of Jinjiong Technology. As of December 31, 2023, the capital injection has been completed.

2 History and organization of the Group (Continued)

(b) The following table sets forth the major consolidated structured entities other than Consolidated Affiliated Entities of the Group as of December 31, 2023.

Name	Amount of investment by the Group	Remaining paid-in capital of structured entities (i)
	RMB'000	RMB'000
Trust A	2,920,000	2,920,000
Trust B	2,060,000	2,060,000
Trust C	1,301,000	1,301,000
Trust D	1,257,000	1,257,000
Trust E	1,200,000	1,200,000
Trust F	1,000,000	1,000,000
Trust G	900,000	900,000
Trust H	11,400	620,578
Trust I	13,000	620,318
Trust J	8,000	600,000

Ping An Group also made investments in these structured entities. Meanwhile, Ping An Group also provides certain services to certain consolidated structure entities.

(i) The remaining paid-in capital is the amount not yet paid to the investors.

(c) PRC laws and regulations prohibit or restrict foreign ownership of companies that conduct certain internet-based business, which include activities and services provided by the Group. The Group operates part of its business in the PRC through a series of contractual arrangements (collectively, "Contractual Arrangements") entered into among wholly-owned subsidiaries of the Company ("WFOE"), Consolidated Affiliated Entities and the shareholders of Consolidated Affiliated Entities ("Onshore Shareholders") that are authorized by the Group. The Contractual Arrangements include Exclusive Equity Interest Option Agreements, Exclusive Business Cooperation Arrangements, Exclusive Asset Option Agreements, Share Pledge Agreements and Voting Trust Agreements.

Under the Contractual Arrangements, the Company has the power to control the management, financial and operating policies of the Consolidated Affiliated Entities, has exposure or rights to variable returns from its involvement with the Consolidated Affiliated Entities, and has ability to use its power over the Consolidated Affiliated Entities to affect the amount of the returns. As a result, all of these Consolidated Affiliated Entities are accounted for as consolidated structured entities of the Company and their financial statements have also been consolidated by the Company. The table below sets forth the principal Consolidated Affiliated Entities of the Group as of December 31, 2022 and 2023:

Contract Date	WFOE	OPCO
March 23, 2015	Weikun Technology	Xiongguo
March 23, 2015	Weikun Technology	Shanghai Lufax Information Technology Co., Ltd
November 21, 2018	Lufax (Shenzhen) Technology Service Co., Ltd	Shenzhen Lufax Holding Enterprise Management Co., Ltd

2 History and organization of the Group (Continued)

The principal terms of the Contractual Arrangements are further described below:

- Exclusive Equity Interest Option Agreement

  Each Onshore Shareholder (which, collectively, legally own 100% of the shares of OPCO) have irrevocably and unconditionally granted WFOE an irrevocable and exclusive right to purchase, or designate one or more persons (each, a "Designee") to purchase the equity interests in OPCO. WFOE shall be entitled to absolute discretion over the time, manner and times to exercise the option. Except for WFOE and the Designee(s), no other person shall be entitled to the Equity Interest Purchase Option or other rights with respect to the equity interests of OPCO held by any Onshore Shareholder. OPCO agreed to the grant by each Onshore Shareholder of the Equity Interest Purchase Option to WFOE.

- Exclusive Business Cooperation Agreement

  OPCO appointed WFOE as OPCO's exclusive services provider to provide OPCO with complete business support and technical and consulting services during the term of the Agreement. OPCO agreed to accept all the consultations and services provided by WFOE exclusively unless with written consent of the WFOE and to accept the consultations and services by a third party appointed by WFOE. WFOE shall provide financial support for OPCO to maintain an ordinary business.

- Exclusive Asset Option Agreement

  OPCO irrevocably and unconditionally granted WFOE an irrevocable and exclusive right to purchase, or designate one or more persons (each, a "Designee") to purchase the assets then held by OPCO once or at multiple times at any time in part or in whole at WFOE's sole and absolute discretion. WFOE is entitled to absolute discretion over the time, manner and times to exercise the Option. Except for WFOE and the Designee(s), no other person shall be entitled to the Assets Purchase Option or other rights with respect to the assets of OPCO. Each Onshore Shareholder agreed to the grant by OPCO of the Assets Option to WFOE.

- Share Pledge Agreement

  As collateral security for the prompt and complete performance of any and all obligations of each Onshore Shareholder (legally owns 100% of the shares of OPCO) under the Cooperation Agreements (collectively, the "Secured Obligations"), Onshore Shareholder pledged to WFOE a first security interest in its share of the equity interest of OPCO.

- Voting trust Agreement

  Each Onshore Shareholder exclusively entrusted and authorized WFOE to exercise voting, management, and other shareholder rights of OPCO on its behalf. The powers and rights of WFOE granted under the said exclusive entrustment include but not limited to the following: propose, convene and attend shareholders' meetings of OPCO; exercise all the shareholder's rights and shareholder's voting rights that each Onshore Shareholder is entitled to under the laws of the PRC and OPCO's Articles of Association, including but not limited to the sale or transfer or pledge or disposition of shares in part or in whole, and participate in dividend distributions or any other type of distribution of OPCO.

2 History and organization of the Group (Continued)

(d) Risks in relation to the Consolidated Affiliated Entities

In the opinion of the Company's management, the Contractual Arrangements discussed above have resulted in the Company and WFOE having the power to direct activities that most significantly impact the Consolidated Affiliated Entities, including appointing key management, setting up operating policies, exerting financial controls and transferring profit or assets out of the Consolidated Affiliated Entities at its discretion. The Company has the power to direct activities of the Consolidated Affiliated Entities and can have assets transferred out of the Consolidated Affiliated Entities under its control. Currently there is no contractual arrangement that could require the Company to provide additional financial support to the Consolidated Affiliated Entities. As the Company is conducting its Internet-related activities mainly through the Consolidated Affiliated Entities, the Company may provide such support on a discretionary basis in the future, which could expose the Company to a loss. As the Consolidated Affiliated Entities organized in the PRC were established as limited liability companies under PRC law, their creditors do not have recourse to the general credit of WFOE for the liabilities of the Consolidated Affiliated Entities, and WFOE does not have the obligation to assume the liabilities of these Consolidated Affiliated Entities.

The Company determined that the Contractual Arrangements are in compliance with PRC law and are legally enforceable. However, uncertainties in the interpretation and enforcement of the PRC laws, regulations and policies in the future could limit the Group's ability to enforce the Contractual Arrangements.

The Foreign Investment Law stipulates certain forms of foreign investment. However, the Foreign Investment Law does not explicitly stipulate contractual arrangements such as those the Company relies on as a form of foreign investment. Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors investing through any other methods under laws, administrative regulations or provisions prescribed by the State Council." Future laws, administrative regulations or provisions prescribed by the State Council may possibly regard Contractual Arrangements as a form of foreign investment. If this happens, it is uncertain whether the Contractual Arrangements with the Consolidated Affiliated Entities, its subsidiaries and its shareholders would be recognized as foreign investment, or whether the Contractual Arrangements would be deemed to be in violation of the foreign investment access requirements. As well as the uncertainty on how the Contractual Arrangements will be handled, there is substantial uncertainty regarding the interpretation and the implementation of the Foreign Investment Law. The relevant government authorities have broad discretion in interpreting the law. Therefore, there is no guarantee that the Contractual Arrangements, the business of the Consolidated Affiliated Entities and financial conditions of the Company will not be materially and adversely affected in the future.

2 History and organization of the Group (Continued)

(d) Risks in relation to the Consolidated Affiliated Entities (Continued)

The Company's ability to control Consolidated Affiliated Entities also depends on rights provided to WFOEs under the Voting trust Agreement, to vote on all matters requiring shareholder approval. As noted above, the Company believes the Voting trust Agreement is legally enforceable, but they may not be as effective as direct equity ownership. In addition, if the corporate structure of the Group or the contractual arrangements among WFOEs, the Consolidated Affiliated Entities and their respective shareholders were found to be in violation of any existing PRC laws and regulations, the relevant PRC regulatory authorities could:

- revoke Consolidated Affiliated Entities' business and operating licenses;
- require Consolidated Affiliated Entities to discontinue or restrict its operations;
- restrict Consolidated Affiliated Entities' right to collect revenues;
- block Consolidated Affiliated Entities' websites;
- require the Group to restructure the operations, re-apply for the necessary licenses or relocate its business, staff and assets;
- impose additional conditions or requirements with the Group may not be able to comply; or
- take other regulatory or enforcement actions against the Group that could be harmful to the Group's business.

(e) The following are major financial statements amounts and balances of the Group's Consolidated Affiliated Entities and their consolidated subsidiaries as of December 31, 2022 and 2023 and for the three years ended December 31, 2023.

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Assets arising from inter-company transactions	10,328	9,200
Amounts due from Group companies	2,412,424	2,313,929
Total assets	14,147,082	8,647,296
Amount due to Group companies	14,625,366	10,515,906
Total liabilities	16,951,253	11,574,782

2 History and organization of the Group (Continued)

(e) The following are major financial statements amounts and balances of the Group's Consolidated Affiliated Entities and their consolidated subsidiaries as of December 31, 2022 and 2023 and for the three years ended December 31, 2023. (Continued)

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Inter-company revenues	5,249	156,029	90,153
Total income	1,566,847	966,196	164,468
Inter-company expenses	(1,422,021)	(540,809)	(311,248)
Total expense	(2,213,789)	(1,359,876)	(287,373)
Net loss	(646,942)	(393,680)	(122,905)

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Inter-company cash flow	1,369,172	(625,594)	592,730
Reclassification (i)	327,497	1,487,448	(538,060)
Other operating activities	(653,230)	(916,309)	614,996
Net cash generated from/(used in) operating activities	1,043,439	(54,455)	669,666
Inter-company cash flow	(735,327)	564,266	311,736
Reclassification (i)	(327,497)	(1,487,448)	538,060
Payment for advances to consolidated entities	(500,000)	—	(700,000)
Receipts of repayment of the advances from consolidated entities	1,064,669	158	—
Proceeds from sale of investment assets	20,633,784	9,229,963	2,539,903
Payment for acquisition of investment assets	(9,440,542)	(5,675,189)	(859,230)
Other investing activities	(4,826,844)	5,543,944	(181)
Net cash generated from investing activities	5,868,243	8,175,694	1,830,288
Repayment for advances to consolidated entities	(17,114,012)	(10,755,583)	(4,679,877)
Receipts of advances from consolidated entities	9,774,001	4,617,000	37,850
Proceeds from borrowings	572,000	—	—
Repayment of interest expenses and borrowings	(664,880)	(436,274)	—
Other financing activities	(474)	(1,000)	—
Net cash used in financing activities	(7,433,365)	(6,575,857)	(4,642,027)
Effect of exchange rate changes on cash and cash equivalents	(15)	21	9
Net increase/(decrease) in cash	(521,698)	1,545,403	(2,142,064)
Cash at the beginning of the year	1,426,058	904,360	2,449,763
Cash at the end of the year	904,360	2,449,763	307,699

2 History and organization of the Group (Continued)

(e) The following are major financial statements amounts and balances of the Group's Consolidated Affiliated Entities and their consolidated subsidiaries as of December 31, 2022 and 2023 and for the three years ended December 31, 2023. (Continued)

(i) This represents the reclassification of certain cash flows that were considered as investing activities in the financial statements of consolidated entities and consolidated affiliated entities' subsidiaries and as operating activities in the consolidated financial statements of the Group.

As of December 31, 2022 and 2023, the total assets of Group's Consolidated Affiliated Entities were mainly consisting of cash at bank, restricted cash, financial assets at fair value through profit or loss, financial assets at amortized cost, accounts and other receivables and other assets. The total liabilities were mainly consisting of payable to platform investors, accounts and other payables and contract liabilities, payables to investors of consolidated structured entities and other liabilities.

3 Material accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

3.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards ("IFRS") require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5 below.

New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for its consolidated financial statements period commencing January 1, 2023:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates – amendments to IAS 8
- International Tax Reform – Pillar Two Model Rules – amendments to IAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The adoption of standards and amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

3 Material accounting policies (Continued)

3.1 Basis of preparation (Continued)

New and amended standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended December 31, 2023 reporting periods and have not been early adopted by the Group.

		Effective for the annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current, Non-current liabilities with covenants	January 1, 2024
Amendment to IFRS 16	Leases on sale and leaseback	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group does not expect the adoption of these standards and interpretations will have a material impact on the Group's financial statements.

3.2 Principles of consolidation and equity accounting

Subsidiaries

Subsidiaries are all entities (including consolidated structured entities as stated in Note 2 above) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Investments in subsidiaries are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 3.4).

Intra-group transactions, balances and unreleased gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3 Material accounting policies (Continued)

3.2 Principles of consolidation and equity accounting (Continued)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet, respectively.

3 Material accounting policies (Continued)

3.3 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directly by means of contractual or related arrangements.

The Group determines whether it is an agent or principal in relation to those structured entities in which the Group acts as an asset manager based on management's judgment. If an asset manager is an agent, it acts primarily on behalf of others and so does not control the structured entity. It may be the principal if it acts primarily for itself, and therefore controls the structured entity.

With respect to the Consolidated Affiliated Entities, the Group acts as a principal and the determination of the consolidation of the Consolidated Affiliated Entities is set out in Note 2. The unconsolidated structured entities to which the Group has exposure is set out in Note 4.3.

3.4 Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquirer's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of comprehensive income.

3 Material accounting policies (Continued)

3.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocation of resources and assessing performance of the operating segments and make strategic decisions. The Group's chief operating decision makers have been identified as the executive directors of the Company, who review the consolidated results of operations when making decisions about allocating resources and assessing performance of the Group as a whole.

For the purpose of internal reporting and management's operation review, management personnel operate a core retail credit and enablement business, consumer finance loan business and third-party loan referral business. Based on the assessment of reportable segments under IFRS 8, the Group has determined that only one operating segment needs to be reported as none of the operating segments, other than the core lending related business, meets the quantitative thresholds in terms of revenue, profit or loss, and assets. In addition, the Group does not distinguish between markets or segments for the purpose of internal reporting. As the Group's assets and liabilities are substantially all located in the PRC, substantially all revenues are earned in the PRC, and accordingly, no geographical segments are presented.

3.6 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is the United States dollar ("USD"). The RMB is the functional currency of the subsidiaries in the PRC. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statement in RMB (unless otherwise stated).

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognized in consolidated statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income on a net basis within other gains/ (losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

3 Material accounting policies (Continued)

3.6 Foreign currency translation (Continued)

(iii) *Group companies*

The results and financial position of all foreign operations (none of which has the currency of a hyper- inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income.

3.7 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.8 Financial assets

(i) Recognition

The Group recognizes a financial asset or a financial liability in its statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(ii) Classification and Measurement

The Group classifies its financial assets in the following measurement categories, which depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows:

- those to be measured at amortized cost ("AC");
- those to be measured at fair value through profit or loss ("FVPL").

3 Material accounting policies (Continued)

3.8 Financial assets (Continued)

(ii) Classification and Measurement (Continued)

The Group determines the classification of debt investments according to its business model and the contractual cash flow characteristics of the financial assets. The investments are classified as FVPL if the cash flows cannot pass solely payments of principal and interest on the principal amount testing. Otherwise, the classification depends on the business model. For investments in equity instruments, investments are classified as FVPL in general.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL are measured at amortized cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising from derecognition or impairment is recognized directly in profit or loss. Such assets held by the Group mainly include cash at bank, accounts and other receivables, financial assets at amortized cost, financial assets purchased under reverse repurchase agreements, and loans to customers. Purchased or originated credit-impaired financial assets ("POCI") are those financial assets that are credit-impaired on initial recognition whose interest income is calculated by applying the effective interest rate to the net carrying amount of the financial asset.
- FVPL: Assets that do not meet the criteria for amortized cost are measured at FVPL. The gains or losses arising from fair value changes on the debt investments measured at FVPL are recognized in profit or loss.

3 Material accounting policies (Continued)

3.8 Financial assets (Continued)

(ii) Classification and Measurement (Continued)

Equity instruments

The Group subsequently measures all equity instruments at fair value. Dividends representing a return on such equity instruments are recognized in profit or loss when the Group's right to receive payments is established.

Financing guarantee contracts

After initial recognition, an issuer of such a contract shall subsequently measure it at the higher of:

- the amount of the loss allowance determined in accordance with Note 3.8(iii) and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

(iii) Impairment

Expected credit loss ("ECL") refers to the weighted average amount of credit loss of financial instruments based on the probability of default. Credit loss refers to the difference between all contractual cash flows receivable and all cash flows that the entity expects to receive, discounted at the original effective interest rate.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost, with the exposure arising from loan commitments and financing guarantee contracts that are not in the scope of "Insurance Contracts". A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Choosing appropriate models and assumptions for the measurement of ECL including exposure at default ("EAD"), probability of default ("PD"), loss given default ("LGD"), etc.
- Determining criteria for significant increase in credit risk;
- Establishing the number and relative weightings of forward-looking scenarios for the associated ECL.

3 Material accounting policies (Continued)

3.8 Financial assets (Continued)

(iii) Impairment (Continued)

For the financial instruments subject to ECL measurement, the Group assesses the significant increase in credit risk since initial recognition or whether an asset is considered to be credit impaired, "Three-stage" expected credit loss models are established and staging definition are set for each of these financial assets class. Incorporating forward-looking information, expected credit losses for financial assets are recognized in different stages.

Stage 1: A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group. The impairment provision is measured at an amount equal to the 12-month expected credit losses for the financial assets which are not considered to have significantly increased in credit risk since initial recognition.

Stage 2: If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. The impairment provision is measured based on expected credit losses on a lifetime basis.

Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3". The impairment provision is measured based on expected credit losses on a lifetime basis.

For the financial instruments in Stage 1 and Stage 2, the Group calculates the interest income based on its gross carrying amount (i.e. amortized cost) before adjusting for impairment provision using the effective interest method. For the financial instruments in Stage 3, the interest income is calculated based on the carrying amount of the asset, net of the impairment provision, using the effective interest method. Financial assets that are originated or purchased credit impaired are financial assets that are impaired at the time of initial recognition, and the impairment provision for these assets is the expected credit loss for the entire lifetime.

The Group recognizes or reverses the loss allowance through profit or loss.

For account receivables, the Group refers to historical experience of credit loss, combined with current situation and forward-looking information, to formulate the lifetime expected credit loss of the financial assets.

3 Material accounting policies (Continued)

3.8 Financial assets (Continued)

(iv) Derecognition

Financial assets are derecognized if one of the following criteria are met:

- the contractual rights to receive the cash flows from the financial assets have expired;
- they have been transferred and the Group transfers substantially all the risks and rewards of ownership;
- they have been transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans to customers and receivables arising from default guarantee payments are secured, the write-off is generally after receipt of any proceeds from the realization of collateral. In circumstances where there is no credit enhancement, loans to customers, accounts receivables related to retail credit and enablement business and the related allowance are written off when they are delinquent for 180 days or more.

3 Material accounting policies (Continued)

3.9 Financial liabilities

At initial recognition, the Group classifies a financial liability as fair value through profit or loss or other financial liabilities. The Group measures a financial liability at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial liability. Transaction costs of financial liabilities carried at FVPL are expensed in profit or loss.

When all or part of the current obligations of a financial liability have been discharged, the Group derecognizes the portion of the financial liability or obligation that has been discharged. The difference between the carrying amount of the derecognized liability and the consideration is recognized in profit or loss.

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is more than 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

3 Material accounting policies (Continued)

3.9 Financial liabilities (Continued)

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Financial liabilities held for trading are the financial liabilities that:

- are incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- are derivatives (except for a derivative that is a designated and effective hedging instrument or a financing guarantee contract).

Such financial liabilities held for trading are subsequently measured at fair value. All the related realized and unrealized gains/(losses) are recognized in profit/(loss) in the current year.

The Group may, at initial recognition, designate a financial liability as measured at fair value through profit or loss when one of the following criteria is met:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel; or
- a contract contains one or more embedded derivatives, with the host being not an asset within the scope of IFRS 9, and the embedded derivative(s) do(es) significantly modify the cash flows.

Once designated as fair value through profit or loss at initial recognition, the financial liabilities may not be reclassified to other financial liabilities in subsequent periods. Financial liabilities designated at FVPL are subsequently measured at fair value.

As of December 31, 2022 and 2023, the Group did not hold any financial liabilities measured at FVPL other than payable for other debt investments (refer to Note 35).

3 Material accounting policies (Continued)

3.10 Determination of fair value

The fair value of a financial instrument that is traded in an active market is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business at the end of the reporting period. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques should be appropriate in the circumstances for which sufficient data is available, and the inputs should be consistent with the objective of estimating the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions, and maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Such techniques include using recent prices in arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar instruments. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

Determining whether to classify financial instruments into level 3 of the fair value hierarchy is generally based on the significance of the unobservable factors involved in valuation methodologies.

3.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is an unconditional and legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3 Material accounting policies (Continued)

3.12 Intangible assets

(i) *Trademarks and licenses*

The cost of trademarks and licenses acquired in a business combination is the fair value as of the date of acquisition. The useful lives of trademarks and licenses are assessed to be either finite or indefinite. Trademarks and licenses with finite lives are subsequently amortized on the straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the trademark or license may be impaired. The amortization period and the amortization method for a trademark or license with a finite useful life are reviewed at least at each financial year end.

Trademarks and licenses with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such trademarks and licenses are not amortized. The useful life of a trademark or license with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(ii) *Computer software*

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Research expenditure and development expenditure that do not meet the criteria above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

3 Material accounting policies (Continued)

3.12 Intangible assets (Continued)

(iii) *Amortization methods and periods*

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods. When determining the useful life, the Group has taken into the account (i) the estimated period that can bring economic benefits to the Group; and (ii) the period required by the relevant laws and regulations. The Group estimates the useful life of the computer software based on usage of the software, expected technical obsolescence and innovations and industry experience of such intangible assets.

	Expected useful life
• Computer software	3-10 years

3.13 Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as of year ended. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit ("CGU") (or group of cash-generating units ("CGU group")) to which the goodwill relates. Where the recoverable amount of the CGU (or CGU group) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a CGU (or CGU group) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the CGU (or CGU group) retained.

3 Material accounting policies (Continued)

3.14 Property and equipment

The Group's property and equipment mainly comprise buildings, leasehold improvements, office furniture and equipment, computer and electronic equipment and motor vehicles.

The assets purchased or constructed are initially measured at acquisition cost.

Subsequent expenditures incurred for the property and equipment are included in the cost of the property and equipment if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each financial reporting date.

Land and buildings comprise primarily office premises. The estimated useful lives, depreciation rate and estimated residual value rate of buildings, leasehold improvements, office furniture and equipment, computer and electronic equipment and motor vehicles are as follows:

Category	Expected useful life	Estimated residual value rate	Annual depreciation rate
Buildings	30 years	5%	3%
Office furniture and equipment	3-5 years	0%-5%	19%-33%
Computer and electronic equipment	2-5 years	0%-5%	19%-50%
Motor vehicles	3-5 years	5%-10%	18%-32%
Leasehold improvements	shorter of expected useful life or the lease term	0%	20%-33%

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3 Material accounting policies (Continued)

3.15 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset other than deferred tax assets may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, the Group makes an estimate of the asset's recoverable amount. A non-financial asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where the carrying amount of a non-financial asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to disposal, an appropriate valuation model is used. These calculations are corroborated by quoted share prices or other available fair value indicators.

For non-financial assets other than goodwill (refer to Note 3.13), an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statement of comprehensive income.

Intangible assets with indefinite useful lives are tested for impairment at least annually at each year end if triggering events are not identified, either individually or at the cash-generating unit level, as appropriate.

3.16 Current and deferred income tax

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated income statement or in other comprehensive income if it relates to items that are recognized directly in other comprehensive income.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3 Material accounting policies (Continued)

3.16 Current and deferred income tax (Continued)

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

(a) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Conversely, previously unrecognized deferred tax assets are reassessed by the end of each reporting period and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3 Material accounting policies (Continued)

3.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

3.18 Share capital, share premium and treasury shares

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Ordinary shares have a par value of USD0.00001. Initial capital injection over par value per share are accounted for as share premium.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners' of the Company as treasury shares until the shares are canceled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners' of the Company.

The Group accounts for treasury shares using the cost method. Under this method, the cost incurred to purchase the shares is recorded in the treasury shares account in the consolidated balance sheets. At retirement, the ordinary shares account is charged only for the aggregate par value of the shares retired. The excess of the acquisition cost of treasury shares over the aggregate par value is recorded as deduction of share premium.

3.19 Accounts and other payables

Accounts and other payables mainly include payable to investors of consolidated structured entities, payable to platform investors, employment benefits payables, payable to external suppliers, tax and other statutory liabilities, and deposit payables, among other things.

Accounts and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3 Material accounting policies (Continued)

3.20 Compound financial instruments

Compound financial instruments contain both a liability and an equity component. The compound financial instruments issued by the Group include convertible promissory notes (refer to Note 33) and optionally convertible promissory notes (refer to Note 34).

The liability component, representing the obligation to make fixed payments of compound financial instruments may be converted to ordinary shares at the option of the holders, and the number of shares to be issued is based on an initial fixed conversion price subject to anti-dilutive adjustments. Principal and interest are classified as liability and initially recognized at the fair value, calculated using the market interest rate of a similar liability that does not have an equity conversion option, and are subsequently measured at amortized cost using the effective interest method. The equity component, representing an embedded option to convert the liability into ordinary shares, is initially recognized in other reserves as the difference between the proceeds received from the compound financial instruments as a whole and the amount of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds.

On conversion of the compound financial instruments into shares, the amount transferred to share capital is calculated as the par value of the shares multiplied by the number of shares converted. The difference between the carrying value of the related component of the converted notes and the amount transferred to share capital is recognized in share premium.

3.21 Employee benefits

(a) *Pension obligations*

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred.

(b) *Housing benefits*

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) *Medical benefits*

The Group makes monthly contributions for medical benefits to the local authorities in accordance with the relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

3 Material accounting policies (Continued)

3.22 Share-based payment

The Group operates certain equity-settled, share incentive plans including share options and performance share units (PSUs), under which the Group receives services from employees as consideration for equity instruments.

The total amount to be expensed is determined by reference to the fair value of the shares underlying the grants, which includes the impact of market performance conditions (for example, an entity's share price) but excludes the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period) and includes the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

Total expense based on fair value of the shares underlying the grants and number of shares expected to vest is recognized over the vesting period.

At the end of each reporting period, the Group revises its estimates of the number of shares underlying grants that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in statements of comprehensive income, with a corresponding adjustment to equity.

3.23 Revenue recognition

Revenue represents the amount of consideration the Group is entitled to upon the transfer of promised goods or services in the ordinary course of the Group's activities and is recorded net of value-added tax ("VAT"). Revenues are recognized when or as control of the asset or service is transferred to the customer. Depending on the terms of the contract, control of the goods and services may be transferred over time or at a point in time. Services is provided over time if the Group's performance:

- provides all of the benefit received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; and
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

3 Material accounting policies (Continued)

3.23 Revenue recognition (Continued)

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer. If the value related to the services rendered by the Group exceed the payment, a contract asset is recognized. Judgment is required in determining whether a right to consideration is unconditional and thus qualifies as a receivable.

A receivable is recorded when the Group has an unconditional right to consideration on the date the payment is due even if it has not yet performed under the contract.

A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer, which is recognized as revenue upon transfer of control to the customers.

The specific accounting policies for the Group's main types of revenue are as below:

3.23.1 Technology platform-based income and guarantee income

The Group engages primarily in operating a platform for facilitating borrowers and institutional funding partners. For the loans originated by banks for which the Group determines that it is not the legal lender in the loan origination and repayment process or trust plans that the Group does not need to consolidate, the Group does not record loans to customers and payables arising from such transactions.

The Group determines that both borrower and institutional funding partners are its customers. In accordance with a series of contracts entered into among the borrowers, institutional funding partners and the Group, the Group provides loan enablement and post origination services to its customers and its obligation to repay in the event of default. Loan enablement services include credit assessment of the borrower, enabling loans from the funding partner to the borrower and providing technical assistance to the borrower and the funding partner. Post-origination services include repayment reminders, payment processing, and collection services. The Group determines loan enablement and post origination as two performance obligations. The Group also takes partial credit risk of off-balance sheet loans to borrowers through the relevant guarantee arrangements and the revenue recognised from this guarantee service has been accounted for as "guarantee income" in the statement of comprehensive income. Account management service provided to credit enhancement providers is considered a separate service outside of the above performance obligations.

The Group generally collects guarantee fees and one combined service fees covering both loan enablement and post origination services from the borrowers on a monthly installment basis. The total consideration including service fees and guarantee fees are first allocated to the guarantee liability at its fair value upon inception of the loan contracts and the residual consideration is then allocated to loan enablement and post origination services based on their estimated standalone selling price. When estimating total consideration, the Group considers early termination scenarios, as the Group does not receive the full contractual service fees amount under early termination, given that the service fees is collected on a monthly basis prior to loan termination.

The Group does not have an observable standalone selling price for the loan enablement services or post origination services because it does not provide loan enablement services or post origination services on a standalone basis in similar circumstances to similar customers. There is no direct observable standalone selling price for similar services in the market that is reasonably available to the Group.

3 Material accounting policies (Continued)

3.23 Revenue recognition (Continued)

3.23.1 Technology platform-based income and guarantee income (Continued)

As a result, the estimation of standalone selling price involves significant judgment. The Group uses an expected cost plus margin approach to estimate the standalone selling prices of loan enablement services and post origination services as the basis of revenue allocation. When estimating the selling prices, the Group considers the cost related to such services and profit margin.

The transaction price allocated to loan enablement is recognized as revenue upon execution of loan agreements between funding partners and borrowers; the consideration allocated to post-origination services is recognized over the period of the loan on a systematic basis, which approximates the pattern of when the post origination services are performed.

As the loans facilitated by the Group are generally over 12 months, any incremental costs (i.e. fees paid to direct sales, channel partners and others) of obtaining such contracts are capitalized and amortized on a systematic basis consistent with the pattern of the transfer of the services provided to its customers during the term of underlying loans. The Group assesses the recoverability of the capitalized incremental costs of obtaining a contract in accordance with IFRS 15 at each balance sheet date. Any costs that are not expected to be recoverable are expensed as incurred.

Besides, the Group also receives service fees recognized as “referral income from platform service” in statement of comprehensive income based on the principal of personal lending referred by the Group to the financial institutions which provide funding directly to borrowers and the Group does not take any credit risk in relation to this referral arrangement. Such fee is recognized upon successful facilitation, which is the only performance obligation agreed in the contract.

The Group offers a full suite of wealth management products available from third-party institutional investment product providers to the investors on its technology platform. Such products include asset management plans, bank products, mutual funds, private investment funds, trust plans and others. Other technology platform–based income consist primarily of fee collected from product providers for facilitation of investment products offered on its technology platform which is the only performance obligation agreed in the contract.

3.23.2 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3.23.3 Other income

Other income mainly comprises income for account management service fees. The Group provides reminder services to the credit enhancement providers for loans facilitated by the Group that are covered by their credit enhancement services. Account management service fees are recognized over time based on the number of accounts managed and the performance of the underlying loans.

3 Material accounting policies (Continued)

3.24 Leases

Leases refer to a contract in which the lessor transfers the right to use the assets to the lessee for a certain period of time to obtain the consideration. Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

Group as a lessee

The Group mainly leases buildings as right-of-use assets. The Group applies the lease recognition exemption to short-term leases and leases of low-value assets, and does not recognize the right-of-use assets and lease liabilities. Lease payments on short-term leases and leases of low-value assets are recognized as costs of asset or expenses on a straight-line basis over the lease term. Except for lease applying lease recognition exemption, leases are recognized as a right-of-use asset at the date at which the lease begins, lease liabilities are initial measured at the present value of the lease payments that have not been paid. Lease payments include fixed payments, variable lease payment based on an index or a rate, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and payments of penalties for terminating the lease, etc.

Right-of-use assets are initial measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and deduct any lease incentives receivable. The right-of-use asset is depreciated over the asset's useful life on a straight-line basis if the Group can reasonably determine the ownership of the assets at the end of the lease term; The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term if the ownership of the assets is uncertain at the end of the lease term. When the recoverable amount is lower than the carrying amount of the right-of-use asset, the Group reduces its carrying amount to the recoverable amount.

3 Material accounting policies (Continued)

3.25 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of most likely consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3.26 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

3.27 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

4 Financial instruments and risks

The Group's activities expose it to a variety of market risks (comprising foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

4.1 Financial risk factors

4.1.1 Market risk

Market risk is the risk of changes in fair value of financial instruments and future cash flows from fluctuation of market prices, which includes two types of risks from volatility of foreign exchange rates (foreign currency risk), and market interest rates (interest rate risk).

(a) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk assumed by the Group mainly comes from movements in the USD/RMB exchange rates.

The Company and major overseas intermediate holding companies' functional currency is USD. They are mainly exposed to foreign exchange risk arising from their cash and cash equivalents and loans to subsidiaries denominated in RMB. The Group entered into spot-forward US$/RMB currency swaps to manage our exposure to foreign currency risk arising from loans to subsidiaries denominated in RMB until the foregoing swaps expired in May 2023. Since then, the Group has entered into forward RMB-FX trading to manage the exposure to foreign currency risk arising from loans to subsidiaries denominated in RMB.

The subsidiaries of the Group are mainly operating in mainland China with most of the transactions denominated in RMB. The Group considers that business in mainland China is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of these subsidiaries denominated in the currencies other than RMB.

The table below illustrates the impact of an appreciation or depreciation of RMB spot and forward rates against USD by 5% on the Group's profit before income tax expenses.

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
5% appreciation of RMB	699,049	(124,798)	(188,086)
5% depreciation of RMB	(699,049)	124,798	188,086

4 Financial instruments and risks (Continued)

4.1 Financial risk factors (Continued)

4.1.1 Market risk (Continued)

(b) Interest rate risk

Interest rate risk is the risk that the fair value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest on floating rate instruments is repriced at intervals of one year or less. Interest on fixed interest rate instruments is priced at inception of the financial instruments and is fixed until maturity. Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk. The Group's interest rate risk mainly arises from fixed rate instruments including cash at bank, accounts and other receivables and contract assets, loans to customers, accounts and other payables and contract liabilities, etc. The Group's interest rate risk policy requires it to manage interest rate risk by managing the maturities of interest-bearing financial assets and interest-bearing financial liabilities.

The following table sets out the Group's financial assets and financial liabilities exposed to interest rate risk by repricing date, contractual maturity date or expected maturity date (whichever is the earlier):

	As of December 31, 2022							
	Less than 3 months	3 months to 1 year	1-2 years	2-3 years	More than 3 years	Overdue	No interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS								
Cash at bank	33,218,805	42,142	1,602,690	3,490,181	5,528,309	—	—	43,882,127
Restricted cash	24,333,782	1,544,978	482,037	147,478	356	—	—	26,508,631
Financial assets at fair value through profit or loss	7,128,410	1,131,041	313,221	—	—	2,454,227	18,062,548	29,089,447
Financial assets at amortized cost	2,502,673	647,026	112,128	856,808	—	597,813	—	4,716,448
Accounts and other receivables and contract assets	—	—	—	—	—	—	15,758,135	15,758,135
Loans to customers	51,150,197	95,812,445	49,552,823	9,616,373	158,248	5,156,559	—	211,446,645
Total financial assets	**118,333,867**	**99,177,632**	**52,062,899**	**14,110,840**	**5,686,913**	**8,208,599**	**33,820,683**	**331,401,433**

4 Financial instruments and risks (Continued)

4.1 Financial risk factors (Continued)

4.1.1 Market risk (Continued)

(b) Interest rate risk (Continued)

The following table sets out the Group's financial assets and financial liabilities exposed to interest rate risk by repricing date, contractual maturity date or expected maturity date (whichever is the earlier): (Continued)

	As of December 31, 2022							
	Less than 3 months	3 months to 1 year	1-2 years	2-3 years	More than 3 years	Overdue	No interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES								
Payable to platform investors	—	—	—	—	—	—	1,569,367	1,569,367
Borrowings	9,086,732	27,828,781	—	—	—	—	—	36,915,513
Bonds payable	—	2,143,348	—	—	—	—	—	2,143,348
Accounts and other payables and contract liabilities	3,745,929	—	—	—	—	—	5,385,010	9,130,939
Payable to investors of consolidated structured entities	42,664,737	86,300,977	44,005,269	4,111,964	64,779	—	—	177,147,726
Financing guarantee liabilities	—	—	—	—	—	—	5,763,369	5,763,369
Lease liabilities	126,034	294,856	253,475	67,629	6,813	—	—	748,807
Convertible promissory notes payable	—	—	—	—	5,164,139	—	—	5,164,139
Optionally convertible promissory notes	—	8,142,908	—	—	—	—	—	8,142,908
Total financial liabilities	**55,623,432**	**124,710,870**	**44,258,744**	**4,179,593**	**5,235,731**	**—**	**12,717,746**	**246,726,116**
Nominal amount of interest rate swap	(8,984,334)	8,984,334	—	—	—	—	—	—
Total interest rate sensitivity gap	**71,694,769**	**(34,517,572)**	**7,804,155**	**9,931,247**	**451,182**	**8,208,599**	**21,102,937**	**84,675,317**

4 Financial instruments and risks (Continued)

4.1 Financial risk factors (Continued)

4.1.1 Market risk (Continued)

(b) Interest rate risk (Continued)

The following table sets out the Group's financial assets and financial liabilities exposed to interest rate risk by repricing date, contractual maturity date or expected maturity date (whichever is the earlier): (Continued)

	As of December 31, 2023							
	Less than 3 months	3 months to 1 year	1-2 years	2-3 years	More than 3 years	Overdue	No interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS								
Cash at bank	21,574,670	3,517,100	3,546,122	5,287,142	5,673,751	—	—	39,598,785
Restricted cash	9,976,852	439,993	210,648	511,345	7,000	—	—	11,145,838
Financial assets at fair value through profit or loss	10,011,589	2,564,158	44,028	484,629	3,523,561	2,769,962	9,494,677	28,892,604
Financial assets at amortized cost	1,509,479	138,064	979,418	—	—	384,609	—	3,011,570
Accounts and other receivables and contract assets	—	—	—	—	—	—	7,293,671	7,293,671
Loans to customers	35,652,598	60,858,277	24,591,854	5,401,200	63,017	3,127,008	—	129,693,954
Total financial assets	**78,725,188**	**67,517,592**	**29,372,070**	**11,684,316**	**9,267,329**	**6,281,579**	**16,788,348**	**219,636,422**

4 Financial instruments and risks (Continued)

4.1 Financial risk factors (Continued)

4.1.1 Market risk (Continued)

(b) Interest rate risk (Continued)

The following table sets out the Group's financial assets and financial liabilities exposed to interest rate risk by repricing date, contractual maturity date or expected maturity date (whichever is the earlier): (Continued)

	As of December 31, 2023							
	Less than 3 months	3 months to 1 year	1-2 years	2-3 years	More than 3 years	Overdue	No interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES								
Payable to platform investors	—	—	—	—	—	—	985,761	985,761
Borrowings	10,260,251	25,771,136	1,838,920	952,977	—	—	—	38,823,284
Accounts and other payables and contract liabilities	—	—	—	—	—	—	4,790,038	4,790,038
Payable to investors of consolidated structured entities	25,803,640	40,961,798	15,144,178	1,308,562	46,560	—	—	83,264,738
Financing guarantee liabilities	—	—	—	—	—	—	4,185,532	4,185,532
Lease liabilities	73,821	168,650	108,915	32,979	2,329	—	—	386,694
Convertible promissory notes payable	—	—	—	5,650,268	—	—	—	5,650,268
Total financial liabilities	**36,137,712**	**66,901,584**	**17,092,013**	**7,944,786**	**48,889**	**—**	**9,961,331**	**138,086,315**
Total interest rate sensitivity gap	**42,587,476**	**616,008**	**12,280,057**	**3,739,530**	**9,218,440**	**6,281,579**	**6,827,017**	**81,550,107**

The Group performs interest rate sensitivity analysis on profit for the Group by measuring the impact of a change in interest rate of financial assets, liabilities and interest rate derivative instruments.

4 Financial instruments and risks (Continued)

4.1 Financial risk factors (Continued)

4.1.1 Market risk (Continued)

(b) Interest rate risk (Continued)

The table below illustrates the impact to profit before tax of the coming year as of each reporting date based on the structure of interest-bearing assets, liabilities and interest rate derivative instruments as of December 31, 2022 and 2023, caused by a parallel shift of 100 basis points in interest rates.

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Change in interest rate		
-100 basis points	(497,888)	(374,950)
+100 basis points	497,888	374,950

In the sensitivity analysis, the Group adopts the following assumptions when determining business conditions and financial index:

- The fluctuation rates of different interest-bearing assets and liabilities are the same;
- All assets and liabilities are re-priced in the middle of relevant periods;
- Analysis is based on static gap on reporting date, regardless of subsequent changes;
- No consideration of impact on customers' behavior resulting from interest rate changes;
- No consideration of impact on market price resulting from interest rate changes;
- No consideration of actions taken by the Group.

Therefore, the actual changes of net profit may differ from the analysis above.

4.1.2 Credit risk

Credit risks refer to the risk of losses incurred by the inabilities of debtors or counterparties to fulfill their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, financial assets at fair value through profit or loss, accounts and other receivables, loans to customers, etc. The Group uses a variety of controls to identify, measure, monitor and report credit risk.

Credit risk management

The Group's financial assets at fair value through profit or loss mainly include trust products, wealth management products, asset management plans and other equity investments. The Group executes due diligence, assesses counterparties' qualification and manages credit risks of existing investments.

4 Financial instruments and risks (Continued)

4.1 Financial risk factors (Continued)

4.1.2 Credit risk (Continued)

Credit risk management (Continued)

The Group has formulated a complete set of credit management processes and internal control mechanisms, so as to carry out whole process management of credit business. Credit management procedures for its retail loans comprise the processes of credit origination, credit review, credit approval, disbursement, post-disbursement monitoring and collection. Risks arising from financing guarantee contracts and loan commitments are similar to those associated with loans. Transactions of financing guarantee contracts and loan commitments are, therefore, subject to the same portfolio management and the same requirements for application and collateral as loans to customers.

To those accounts and other receivables and contract assets, there are policies to control the credit risk exposures. The Group evaluates the possibility of guarantee from third parties, credit record and other factors such as current market condition. The Group monitors customer credit records at regular intervals, and takes action such as official notifications, shortening credit periods or canceling credit periods etc. to ensure the Group's credit risk remains under control when the customers with bad credit records are identified.

Credit exposure

Without taking collateral and other credit enhancements into consideration, for on-balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the financial statements. The Group also assumes credit risk due to financing guarantee contracts. Please refer to Note 40 for the details.

4 Financial instruments and risks (Continued)

4.1 Financial risk factors (Continued)

4.1.2 Credit risk (Continued)

Credit exposure (Continued)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the types of collateral and the valuation parameters. The collateral obtained are typically residential properties.

Management monitors the market value of the collateral, adjusts credit limits when needed and performs an impairment valuation when applicable.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding balance. In general, the Group does not occupy repossessed properties for business use.

Expected credit loss

Credit risk measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using PD, EAD and LGD. This is similar to the approach used for the purposes of measuring ECL under IFRS 9.

4 Financial instruments and risks (Continued)

4.1 Financial risk factors (Continued)

4.1.2 Credit risk (Continued)

Expected credit loss (Continued)

Measurement of ECL

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on ECL on a lifetime basis.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information.

POCI are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

The following diagram summarizes the impairment requirements under IFRS 9 (other than POCI).

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month ECL	Lifetime ECL	Lifetime ECL

The key judgments and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

(a) Significant increase in credit risk (SICR)

For loans to customers, the Group considers a loan to have experienced a significant increase in credit risk if the borrower is 30 or more days past due on its contractual payments. No qualitative criteria is considered by the Group since the Group monitors the risk of borrowers purely based on the overdue period. For other financial assets measured at amortized cost, the Group sets quantitative and qualitative criteria to judge if there is significant increase in credit risk, and the criteria include: 30 or more days past due, the forward-looking information and various reasonable supporting information, when determining the ECL staging for financial assets.

4 Financial instruments and risks (Continued)

4.1 Financial risk factors (Continued)

4.1.2 Credit risk (Continued)

Expected credit loss (Continued)

Measurement of ECL (Continued)

(a) Significant increase in credit risk (SICR) (Continued)

The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the credit risk team.

(b) Definition of default and credit-impaired assets

For loans to customers, the Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired if the borrower is 90 or more days past due on its contractual payments. No qualitative criteria is considered by the Group since the Group monitors the risk of borrowers purely based on the overdue period. For other financial assets measured at amortized cost, the Group sets quantitative and qualitative criteria to define as in default, and the criteria include: 90 or more days past due and various reasonable supporting information.

The criteria above are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Group's expected loss calculations.

(c) Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month ("12M") or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Key impacts used to determine ECL include PD, EAD and LGD, which are defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation (as mentioned in "Definition of default and credit-impaired assets" above), either over the next 12 months ("12M PD"), or over the remaining lifetime ("Lifetime PD") of the obligation.
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months ("12M EAD") or over the remaining lifetime ("Lifetime EAD"). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).

4 Financial instruments and risks (Continued)

4.1 Financial risk factors (Continued)

4.1.2 Credit risk (Continued)

Expected credit loss (Continued)

Measurement of ECL (Continued)

(c) Measuring ECL – Explanation of inputs, assumptions and estimation techniques (Continued)

The 12-month and lifetime PDs are determined based on the defaults developed with reference to historical observed data. The duration of historical observed data gathered which is most relevant to reflect the current risk profile of outstanding loan portfolio is determined by management by applying judgement, considering the latest changes in economy, trend in recent default rates under different portfolio and the latest strategy in customer selections.

The 12-month and lifetime EADs are determined based on the expected payment profile. For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. Early repayment assumptions are also incorporated into the calculation.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

Forward-looking economic information is included in determining the 12-month and lifetime PD. These assumptions vary by product type.

There have been no significant changes in estimation techniques during the years ended December 31, 2021, 2022 and 2023.

(d) Forward-looking information incorporated in the ECL models

The Group has developed macro-economic forward-looking adjustment model by establishing a pool of macro-economic indicators, preparing data, filtering model factors and adjusting forward-looking elements, and the indicators include gross domestic product (GDP), customer price index (CPI), broad measure of money supply (M1) and other macro-economic variables. Through regression analysis, the relationship among these economic indicators in history with PD is determined, and PD then determined through forecasting economic indicators.

In 2023, the Group analyzed that the relationship between CPI and PD is non-monotonic. Therefore, CPI was excluded from the economic indicators used to determine PD.

4 Financial instruments and risks (Continued)

4.1 Financial risk factors (Continued)

4.1.2 Credit risk (Continued)

Expected credit loss (Continued)

Measurement of ECL (Continued)

(d) Forward-looking information incorporated in the ECL models (Continued)

The impact of these economic indicators on PD varies to different businesses. The Group comprehensively considers internal and external data, future forecasts and statistical analysis to determine the relationship between these economic indicators with PD. The Group evaluates and forecasts these economic indicators at least annually at balance sheet date, and regularly evaluates the results based on changes in macroeconomics.

The Group considered different macroeconomic scenarios. As of December 31, 2022 and 2023, the key macroeconomic assumptions used to estimate expected credit losses are listed below.

	As of December 31,	
	2022	2023
GDP – year on year percentage change	3.8%-5.5%	4.6%-5.5%
CPI – year on year percentage change	2.0%-2.4%	NA
Broad measure of money supply (M1) – year on year percentage change	7.3%-8.6%	4.5%-6.4%

Similar to other economic forecasts, the forecasts of economic indicators have high inherent uncertainties and therefore actual results maybe significantly different from the forecasts. The Group considered above forecasts as its best estimate as of December 31, 2022 and 2023.

Sensitivity analysis

Expected credit losses are sensitive to the parameters used in the model, the macro-economic variables of the forward-looking forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgment. Changes in these input parameters, assumptions, models, and judgments will have an impact on the measurement of expected credit losses.

The Group has the highest weight of the base scenario. The loans to customers and financing guarantee contracts assumed that if the weight of the upside scenario increased by 10% and the weight of the base scenario reduced by 10%, the Group's ECL impairment provision as of December 31, 2021, 2022 and 2023 would be reduced by RMB15 million and RMB62 million and RMB56 million, respectively; if the weight of the downside scenario increased by 10% and the weight of the base scenarios reduced by 10%, the Group's ECL impairment provision as of December 31, 2021, 2022 and 2023 would be increased by RMB32 million and RMB123 million and RMB39 million, respectively.

4 Financial instruments and risks (Continued)

4.1 Financial risk factors (Continued)

4.1.2 Credit risk (Continued)

Expected credit loss (Continued)

Measurement of ECL (Continued)

(d) Forward-looking information incorporated in the ECL models (Continued)

Sensitivity analysis (Continued)

The following table shows the changes of ECL impairment provision on loans to customers and financing guarantee liabilities related to ECL assuming the financial assets in stage 2 reclassified to stage 1 due to significant improvement in credit risk.

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Total ECL and financing guarantee liabilities under assumption of reclassification of financial instruments from stage 2 to stage 1	10,479,472	9,651,158
Total ECL and financing guarantee liabilities related to ECL recognized in the consolidated balance sheet	12,826,347	11,459,365
Difference-amount	(2,346,875)	(1,808,207)
Difference-ratio	-18%	-16%

4 Financial instruments and risks (Continued)

4.1 Financial risk factors (Continued)

4.1.2 Credit risk (Continued)

Expected credit loss (Continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

The following presents the credit risk exposure of the financial instruments under the scope of expected credit loss mentioned in measurement of ECL without considering guarantee or any other credit enhancement measures:

	As of December 31, 2022				
(in RMB'000) Book value	Stage I	Stage II	Stage III	POCI	Maximum Credit Risk Exposure
On-balance sheet					
Financial assets at amortized cost	4,118,635	—	281,531	316,282	4,716,448
Loans to customers	208,609,176	2,763,586	73,883	—	211,446,645
Total	**212,727,811**	**2,763,586**	**355,414**	**316,282**	**216,163,093**
Off-balance sheet					
Financing guarantee contracts	67,011,692	1,491,246	—	—	68,502,938

	As of December 31, 2023				
(in RMB'000) Book value	Stage I	Stage II	Stage III	POCI	Maximum Credit Risk Exposure
On-balance sheet					
Financial assets at amortized cost	2,603,594	—	264,066	143,910	3,011,570
Loans to customers	127,933,160	1,661,728	99,066	—	129,693,954
Total	**130,536,754**	**1,661,728**	**363,132**	**143,910**	**132,705,524**
Off-balance sheet					
Financing guarantee contracts	53,889,614	1,013,873	—	—	54,903,487

For other on-balance sheet financial assets, the maximum credit risk exposure is their net carrying amount.

4 Financial instruments and risks (Continued)

4.1 Financial risk factors (Continued)

4.1.3 Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group aims to maintain sufficient cash at bank and marketable securities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate cash at bank.

The following table analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual or expected maturity date. The amounts disclosed in the table are undiscounted contractual or expected cash flows including interest payments computed using contractual rates, or, if floating, based on current rates, and interests with financial liabilities denominated in foreign currencies translated into RMB using the spot rate as of balance sheet date:

	As of December 31, 2022					
	Repayable on demand or undated	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities -						
Payable to platform investors	1,569,367	—	—	—	—	1,569,367
Borrowings	—	37,506,884	—	—	—	37,506,884
Bonds payable	—	2,209,274	—	—	—	2,209,274
Accounts and other payables and contract liabilities	5,385,010	3,745,929	—	—	—	9,130,939
Payable to investors of consolidated structured entities	47,351	133,933,056	45,293,609	4,182,362	65,607	183,521,985
Financing guarantee liabilities	68,502,938	—	—	—	—	68,502,938
Lease liabilities	—	462,785	247,494	67,737	6,819	784,835
Convertible promissory notes payable	—	50,177	50,177	50,177	6,867,555	7,018,086
Optionally convertible promissory notes	—	8,546,138	—	—	—	8,546,138
	75,504,666	**186,454,243**	**45,591,280**	**4,300,276**	**6,939,981**	**318,790,446**

4 Financial instruments and risks (Continued)

4.1 Financial risk factors (Continued)

4.1.3 Liquidity risk (Continued)

	As of December 31, 2023					
	Repayable on demand or undated	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities -						
Payable to platform investors	985,761	—	—	—	—	985,761
Borrowings	—	36,834,417	1,926,278	959,173	—	39,719,868
Accounts and other payables and contract liabilities	4,790,038	—	—	—	—	4,790,038
Payable to investors of consolidated structured entities	—	68,831,360	15,549,614	1,327,057	53,369	85,761,400
Financing guarantee liabilities	54,903,487	—	—	—	—	54,903,487
Lease liabilities	—	258,654	113,471	33,667	2,385	408,177
Convertible promissory notes payable	—	51,028	51,028	6,984,009	—	7,086,065
	60,679,286	**105,975,459**	**17,640,391**	**9,303,906**	**55,754**	**193,654,796**

4.2 Capital management

The Group's capital requirements are primarily dependent on the scale and the type of business that it undertakes, as well as the industry and geographic location in which it operates. The primary objectives of the Group's capital management are:

- To comply with the capital requirements set by the regulators of the markets where the Group operates.
- To safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and to maximize shareholders' value.
- To maintain a strong capital base to support the development of its business.

The Group adopts administrative measures issued by the regulators of subsidiaries with financial licenses. To meet these requirements, the Group monitor its capital adequacy ratio and the usage of regulatory capital on a quarterly basis and operate and manage assets at all levels in accordance with the provisions of these measures.

Except those subsidiaries with financial licenses, the Group monitors capital by regularly reviewing the total equity attributable to owners' of the Company. Adjustments to current capital structure are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to ordinary shareholders or issue capital securities.

4 Financial instruments and risks (Continued)

4.3 Group's maximum exposure to structured entities

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for customers, to provide finance to public and private sector infrastructure projects, and to generate fees from servicing loans made on behalf of third-party investors. These structured entities are financed through the issue of notes or units to investors. Refer to Note 2 and Note 5.7 for the Group's consolidation consideration related to structured entities.

The following table shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure of the Group in these unconsolidated structure entities is contingent in nature and approximates the sum of accounts receivables from unconsolidated structure entities and direct investments made by the Group.

	As of December 31, 2022			
(In RMB'000)	Size	Carrying amount of investment in structured entities	Group's maximum exposure	Interest held by Group
Unconsolidated structured products managed by third parties (a)	NA	17,312,195	17,312,195	Investment income
Unconsolidated structured products managed by affiliated entities (a)	NA	8,321,066	8,321,066	Investment income
Unconsolidated structured products serviced by the Group	2,581,999	—	1,849,897	Service fee

	As of December 31, 2023			
(In RMB'000)	Size	Carrying amount of investment in structured entities	Group's maximum exposure	Interest held by Group
Unconsolidated structured products managed by third parties (a)	NA	24,138,970	24,138,970	Investment income
Unconsolidated structured products managed by affiliated entities (a)	NA	2,605,227	2,605,227	Investment income
Unconsolidated structured products serviced by the Group	90,946	—	90,946	Service fee

These unconsolidated structured products mainly include asset management plans, trust plans, mutual funds, private fund and bank wealth management products which are all classified as financial assets at amortized cost or financial assets at fair value through profit or loss.

(a) The information in relation to the size of these unconsolidated structured products is not available from open market.

4 Financial instruments and risks (Continued)

4.4 Fair value estimation

The Group's main financial instruments carried at fair value are financial assets at fair value through profit or loss.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The primary quoted market price used for financial assets held by the Group is net asset value at daily basis. Financial instruments included in Level 1 comprise primarily equity investments, fund investments and bond investments traded on stock exchanges and open-ended mutual funds.

Level 2: Valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly (such as price) or indirectly (such as calculated based on price). These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Level 3: Other valuation techniques which use any inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs).

The level of fair value calculation is determined by the lowest level input with material significance in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

Valuation methods for Level 2 and Level 3 financial instruments:

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities.

For Level 3 financial instruments, fair value is determined using valuation methodologies such as discounted cash flow models and other similar techniques. One of significant inputs used in these valuation techniques is generally unobservable.

4 Financial instruments and risks (Continued)

4.4 Fair value estimation (Continued)

The following table sets forth the financial instruments recorded at fair value by level of the fair value hierarchy:

As of December 31, 2022	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Unlisted Securities				
Asset management plans	—	4,667,559	342,154	5,009,713
Trust plans	—	3,268,709	621,840	3,890,549
Private fund and other equity investments	—	1,603,219	440,832	2,044,051
Mutual funds	7,125,498	—	—	7,125,498
Corporate bonds	—	—	46,435	46,435
Bank wealth management products	—	7,563,450	—	7,563,450
Structured deposits	—	2,406,785	—	2,406,785
Others debt investments	—	—	1,002,966	1,002,966
Derivative instruments				
Interest rate swap	—	222,086	—	222,086
Foreign currency swap	—	225,357	—	225,357
Total	**7,125,498**	**19,957,165**	**2,454,227**	**29,536,890**

As of December 31, 2023	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Unlisted Securities				
Asset management plans	—	2,474,417	727,294	3,201,711
Trust plans	—	829,973	12,040,082	12,870,055
Private fund and other equity investments	—	—	659,406	659,406
Mutual funds	4,979,600	—	—	4,979,600
Corporate bonds	—	—	43,083	43,083
Bank wealth management products	—	4,990,342	—	4,990,342
Structured deposits	—	804,897	—	804,897
Others debt investments	—	—	1,343,510	1,343,510
Total	**4,979,600**	**9,099,629**	**14,813,375**	**28,892,604**

There were no changes in valuation techniques during the period.

4 Financial instruments and risks (Continued)

4.4 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the years ended December 31, 2021, 2022 and 2023:

	Year ended December 31,		
	2021	2022	2023
	Financial assets at fair value through profit or loss		
	RMB'000	RMB'000	RMB'000
As of beginning of the year	1,266,495	1,265,233	2,454,227
Additions	131,829	1,548,065	9,314,775
Disposal	(29,664)	(300,136)	(1,472,927)
Transfer into level 3	1,035,642	—	4,362,591
Transfer out of level 3	(3,047)	—	—
Gains or losses recognized in profit or loss	(1,136,022)	(58,935)	154,709
As of end of the year	**1,265,233**	**2,454,227**	**14,813,375**

For the year ended December 31, 2023, the transfer of investments from Level 2 to Level 3 are mainly due to the addition of closed period terms for existing trust plans which makes the net asset value a level 3 input as it is an indicative value with no commitment to actually transact at that price.

All of the unrealised gains or losses of level 3 instruments for the period are recognized in investment income (refer to Note 9).

Fair value measurements using significant unobservable input:

The level of fair value measurement is determined by the lowest level input with material significance in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the estimation of fair value.

As of December 31, 2021, 2022 and 2023, the level 3 instruments were mainly trust plans and other debt investment at fair value through profit or loss. As the trust plans and other debt investment are not traded in an active market, their fair values have been determined using the discounted cash flow method whereby the discount rate adjustment technique is applied and the net asset value method whereby the net asset value provided by third-party. The discount rate used to determine the present value was a rate that reflects current market assessments of the time value of money and the risks specific to the assets as at each reporting date with critical estimates and judgements by the management. The net asset value provided by third party at the period end was an indicative value that the Group willing to transact at that price without any adjustment, therefore the discount rate is the only significant unobservable input in the measurement of the level 3 instruments. As of December 31, 2021, 2022 and 2023, the discount rates used to determine fair value of level 3 instruments ranged from 5.4% to 9.5%.

The table below illustrates the carrying amount of the level 3 instruments with the fair value determined using the discounted cash flow method as well as the impact to profit/(loss) before income tax for the years ended December 31, 2021, 2022 and 2023, if the risk-adjusted discount rate had increased/decreased by 100 basis points with all other variables held constant.

	As of December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Discounted cash flow method	1,265,233	2,454,227	3,074,421
Expected changes in profit/(loss) before income tax			
+100 basis points	(42,509)	(42,824)	(61,750)
-100 basis points	45,553	45,826	67,634

5 Critical accounting estimates and judgments

The Group makes estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities in these financial statements. Estimates and judgments are continually assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management has made the following judgments and accounting estimation, which have the significant effect on the amounts recognized in the financial statements.

5.1 Goodwill impairment assessment

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of the CGU (or CGU group) is the higher of value-in-use ("VIU") and fair value less costs of sale. These calculations require the use of judgments and estimates. Estimates include forecasts used for determining cash flows for the CGU (or CGU group), appropriate long-term growth rate and discount rate. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement and is subject to potential change over time. Changing the assumptions selected by management applied in VIU calculations, including revenue growth rate, loan loss rates, pre-tax discount rate and long-term growth rate, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

5.2 Recognition of loan enablement service fees and post-origination service fees

The Group recognizes loan enablement and post origination service fees by allocating total consideration to be received during the performance of borrowing period to different performance obligations. The Group estimates total consideration to be received by considering early termination scenarios. From time to time, the Group reviews actual early termination data observed and adjusts the early termination assumptions used in revenue recognition to reflect management's best estimate. The Group considers the upfront loan enablement services and post loan enablement services as distinct performance obligations. However, the Group does not provide these services separately, and the third-party evidence of selling price does not exist either, as public information is not available regarding the amount of fees competitors charge for these services. As a result, the Group uses the expected-cost-plus-a-margin approach to determine its best estimate of selling prices of the different performance obligations as the basis for allocation. When estimating the selling prices, the Group considers the cost related to such services and profit margin.

5.3 Income taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Significant judgment is required in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation charges in the period in which such estimate is changed.

5 Critical accounting estimates and judgments (Continued)

5.4 Classification of financial instruments

The judgments in determining the classification of financial assets include the analysis of business models and the characteristics of contractual cash flows.

An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. It is typically observable through the activities that the entity undertakes to achieve the objective of the business model. An entity will need to use judgment when it assesses its business model for managing financial assets and that assessment is not determined by a single factor or activity. Instead, the entity must consider all relevant evidence that is available at the date of the assessment.

The contractual cash flow characteristics of financial assets refer to the cash flow attributes agreed on in the financial asset contract and reflect the economic characteristics of the relevant financial assets, that is, the contractual cash flows generated by the relevant financial assets on a specified date solely represents the payments of principal and interest. The principal amount refers to the fair value of the financial asset at initial recognition, which may change during the duration of the financial asset due to reasons such as early repayment. Interest includes the time value of money, credit risk related to the amount of outstanding principal in a particular period, and consideration of other basic borrowing risks, costs and profits.

5.5 Fair value of financial instruments determined using valuation techniques

Fair value, in the absence of an active market, is estimated by using valuation techniques, applying currently applicable and sufficiently available data, and the valuation techniques supported by other information, which mainly include market approach and income approach, reference to the recent arm's length transactions, current market value of another instrument which is substantially the same, and by using the discounted cash flow analysis and option pricing models.

When using valuation techniques to determine the fair value of financial instruments, the Group would choose inputs consistent with market participants, considering transactions of related assets and liabilities. All related observable market parameters are considered in priority, including interest rate, foreign exchange rate, commodity prices, and share prices or index. When related observable parameters are unavailable or inaccessible, the Group uses unobservable parameters and makes estimates for credit risk, market volatility, and liquidity adjustments.

Using different valuation techniques and parameter assumptions may lead to significant differences of fair value estimations.

5 Critical accounting estimates and judgments (Continued)

5.6 Measurement of the expected credit losses

The measurement of the expected credit losses for financial assets measured at amortized cost and financing guarantee contracts is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 4.1.2.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

5.7 Determination of control over the structured entities

To determine whether the Group controls the structured entities of which the Group acts as the asset manager or retail credit and enablement service provider, management applies judgment based on all relevant facts and circumstances to determine whether the Group is acting as the principal or agent for the structured entities. If the Group is acting as the principal, it has control over the structured entities. In assessing whether the Group is acting as the principal, the Group considers factors such as the scope of the decision-making authority, rights held by other parties, remuneration to which it is entitled to, and exposure to variable returns resulting from its additional involvement with structured entities. The Group will perform reassessment once the facts and circumstances change leading to changes in the above factors.

Please refer to Note 4.3 for disclosure of the maximum risk exposure of unconsolidated structured entities of the Group.

6 Technology platform-based income

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Technology platform–based income			
Retail credit and enablement service fees	36,793,020	28,621,121	15,134,217
Other technology platform–based income	1,501,297	597,311	191,609
	38,294,317	29,218,432	15,325,826

		Year ended December 31,		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
Retail credit and enablement service fees				
Loan enablement service fees	At a point in time	5,675,612	3,446,163	978,958
Post-origination service fees	Over time	30,411,362	24,028,033	13,729,327
Referral income from platform service	At a point in time	706,046	1,146,925	425,932
		36,793,020	28,621,121	15,134,217

(a) The table below sets forth the remaining performance obligations of long-term contracts:

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied at the end of the year		
Expected to be recognized within one year	11,330,057	5,614,253
Expected to be recognized in one to two years	5,643,999	1,923,795
Expected to be recognized over two years	1,937,183	1,092,647
	18,911,239	8,630,695

7 Net interest income

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Loans originated by consolidated trust plans			
Interest income	21,229,806	25,869,521	14,767,163
Interest expense	(8,400,992)	(10,216,770)	(6,722,267)
Net interest income from loans originated by consolidated trust plans	12,828,814	15,652,751	8,044,896
Loans originated by consumer finance company and microloan lending companies			
Interest income	1,535,023	4,023,755	5,007,555
Interest expense	(189,606)	(695,130)	(704,094)
Net interest income from loans originated by microloan lending companies and consumer finance company	1,345,417	3,328,625	4,303,461
Total net interest income	14,174,231	18,981,376	12,348,357

8 Other income

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Account management service fees	3,507,999	1,094,030	1,131,607
Others	367,408	143,974	12,163
	3,875,407	1,238,004	1,143,770

9 Investment income

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Interest income			
Financial assets at amortized cost	479,043	341,617	234,431
Financial assets purchased under reverse repurchase agreements	83,763	76,737	—
	562,806	418,354	234,431
Realized gains			
Financial assets at fair value through profit or loss	991,437	1,099,568	1,013,049
Financial assets at amortized cost	80,866	—	—
	1,072,303	1,099,568	1,013,049
Net change in unrealized gains/(losses)			
Financial assets at fair value through profit or loss	(483,356)	(212,297)	(197,027)
	1,151,753	1,305,625	1,050,453

10 Expense by nature

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Employee benefit expenses (Note 10.1)	16,402,993	15,080,319	12,528,795
Loan origination and servicing expenses	5,712,598	3,667,962	2,021,636
Outsourcing service expenses	1,355,273	1,391,292	1,058,915
Trust management fee	1,078,380	1,251,761	939,004
Payment processing expenses	1,197,869	1,134,905	750,504
Promotion and advertising expenses	1,685,847	1,525,797	585,240
Depreciation of right-of-use assets (Note 24)	608,889	578,014	413,957
Taxes and surcharges	534,647	568,826	319,512
Business entertainment expenses	619,328	389,369	206,135
Depreciation of property and equipment (Note 22)	193,511	177,799	181,171
Audit fees	42,376	39,271	47,449
Amortization of intangible assets (Note 23)	22,234	15,325	11,022
Others	740,039	1,068,711	614,673
Total sales and marketing expenses, general and administrative expenses, operation and servicing expenses, technology and analytics expenses	30,193,984	26,889,351	19,678,013

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Sales and marketing expense			
Borrower acquisition expenses	10,119,525	7,865,407	5,030,841
General sales and marketing expenses	6,637,150	6,653,847	4,377,490
Investor acquisition and retention expenses	676,984	301,092	24,035
Referral expenses from platform service	559,413	936,570	435,122
	17,993,072	15,756,916	9,867,488

10 Expense by nature (Continued)

10.1 Employee benefit expenses

(a) Employee benefit expenses are as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	11,681,753	10,163,216	9,090,885
Other social security costs, housing benefits and other employee benefits	3,157,771	3,293,366	2,347,734
Pension costs – defined contribution plans	1,430,074	1,577,818	1,126,319
Share-based payment (Note 42)	133,395	45,919	(36,143)
	16,402,993	15,080,319	12,528,795

(b) Five highest paid individuals

The five individuals whose emoluments excluding share-based payment were the highest in the Group for the years ended December 31, 2021, 2022 and 2023 include three, two and two directors, whose emoluments are reflected in the analysis shown in Note 46. The emoluments payable to the remaining two, three and three individuals during the years ended December 31, 2021, 2022 and 2023 are as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	12,294	10,044	9,114
Other social security costs, housing benefits and other employee benefits	2,132	2,819	2,717
Pension costs – defined contribution plans	57	149	157
	14,483	13,012	11,988

The emoluments fell within the following bands:

	Year ended December 31,		
	2021	2022	2023
Emolument bands (in RMB'000)			
1,000 – 5,000	—	2	3
5,001 – 10,000	2	1	—
	2	3	3

11 Credit impairment losses

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Loans to customers	2,441,111	7,175,389	6,573,590
Financing guarantee contracts	2,933,903	7,660,622	5,520,883
Accounts and other receivables and contract assets	991,903	1,140,937	629,124
Financial assets at amortized cost	272,909	575,161	(27,765)
Others	3,901	(1,644)	1,476
	6,643,727	16,550,465	12,697,308

12 Finance costs

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Interest expenses on borrowings	380,447	701,637	842,421
Interest expenses on convertible promissory notes	893,001	1,045,611	448,017
Interest expenses on Convertible Notes	495,079	521,747	407,255
Interest expenses on unpaid consideration of convertible promissory notes (Note 33(a))	—	16,162	58,381
Interest expenses on lease liabilities	38,709	41,402	27,123
Interest expenses on consolidated wealth management products	9,122	6,473	868
One-time expenses related to early redemption and extension of convertible promissory notes (Note 33(a))	—	173,775	—
Bank interest income	(820,843)	(1,267,815)	(1,370,042)
	995,515	1,238,992	414,023

13 Other gains/(losses) – net

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Government grants	251,309	408,164	212,257
Foreign exchange gains/(losses) (a)	206,753	(877,232)	75,714
ADS transferring income	109,843	236,827	72,702
Input VAT super-deduction	46,127	92,230	29,454
Others (b)	(114,653)	143,470	(179,791)
	499,379	**3,459**	**210,336**

(a) The foreign exchange losses in 2022, amounting to RMB877 million, was mainly due to the depreciation of RMB against USD.

(b) Other losses of RMB180 million in 2023 compared to other gains of RMB143 million in 2022, was mainly due to the increase of losses associated with certain risk assets and the high base of the same period last year due to one time recovery of losses associated with legacy business via law suit.

14 Income tax expenses

The following table sets forth the income tax expense of the Group for the years ended December 31, 2021, 2022 and 2023:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Current income tax	13,105,863	4,494,818	1,362,342
Deferred income tax	(6,414,745)	(256,586)	(751,716)
	6,691,118	**4,238,232**	**610,626**

14 Income tax expenses (Continued)

The following table sets forth the reconciliation from income tax calculated based on the applicable tax rates and profit before income tax expenses presented in the consolidated financial statements to the income tax expenses:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Profit before income tax expenses	23,400,178	13,013,271	1,645,112
Income tax calculated at the PRC statutory tax rate of 25%	5,850,045	3,253,318	411,278
Tax effect of:			
Differential income tax rates applicable to subsidiaries (a)(b)(c)	263,707	534,154	254,445
Expenses and losses not deductible for tax purposes (g)	245,097	265,674	131,186
Reversal of deferred tax assets recognized in prior years	381,456	62,925	87,926
Deductible temporary differences and tax losses for which no deferred tax asset was recognized (f)	210,748	233,457	45,696
Research and development tax credit	(39,038)	(40,121)	(39,317)
Utilisation of previously unrecognized deferred tax assets	(24,649)	(100,351)	(49,240)
Effect of tax rate changes on deferred income taxes	(42,929)	(9,565)	(131,151)
Others	(153,319)	38,741	(100,197)
Income tax expense	6,691,118	4,238,232	610,626

(a) Cayman Islands and BVI Income Tax

The Company is incorporated under the laws of the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax. The Group entities established under the BVI Business Companies Acts are exempted from BVI income taxes.

(b) Hong Kong Income Tax

Under the current Hong Kong Inland Revenue Ordinance, the Company's subsidiaries incorporated in Hong Kong are subject to 16.5% income tax on their taxable income generated from operations in Hong Kong. Additionally, according to the latest regulation, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

14 Income tax expenses (Continued)

(c) Indonesia Income Tax

The Indonesia income tax rate is 22%. No Indonesia profits tax was provided for as there was no estimated assessable profit that was subject to Indonesia profits tax for the years ended December 31, 2021, 2022 and 2023.

(d) PRC Corporate Income Tax ("CIT")

The income tax provision of the Group in respect of its operations in the PRC was generally calculated at the tax rate of 25% on the assessable profits for the years ended December 31, 2021, 2022 and 2023, based on the existing legislation, interpretations and practices in respect thereof.

According to certain preferential regulations and policies issued by relevant tax authorities, certain subsidiaries and branches of the Group were qualified for a preferential tax rate of 15% for the years ended December 31, 2021, 2022 and 2023.

(e) PRC Withholding Tax

According to the New Corporate Income Tax Law, distribution of profits earned by the PRC companies since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

As of December 31, 2022 and 2023, the Group did not have any plan to require its PRC subsidiaries to distribute their existing retained earnings and intends to retain them to operate and expand business in the PRC. Accordingly, no deferred tax liability on withholding tax was accrued at the end of each year presented.

(f) Due to the change in business strategy, deferred tax assets in relation to certain subsidiaries of the Group have not been recognized as it is not probable that future taxable profits of these subsidiaries will be available in order to utilize the tax benefits from the deductible temporary differences.

(g) Expenses and losses not deductible for tax purposes mainly related to business entertainment expenses and advertising expenses exceeding certain threshold, as well as share-based compensation expenses, which are not tax deductible according to the relevant tax regualtions.

15 Earnings per share

(a) Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Group. One ADS represents two ordinary shares of the Company.

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Profit attributable to owners of the Company	16,804,380	8,699,369	886,865
Weighted average number of ordinary shares in issue (in '000)	1,181,850	1,145,050	1,146,175
Basic earnings per share (in RMB)	14.22	7.60	0.77
Basic earnings per ADS (in RMB)	28.44	15.20	1.54

(b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended December 31, 2021, 2022 and 2023 the Group has four categories of potential dilutive ordinary shares: convertible promissory notes (refer to Note 33), optionally convertible promissory notes (refer to Note 34), share options and PSUs (refer to Note 42).

For the year ended December 31, 2021, all four categories of potential dilutive ordinary shares are included in the calculation of diluted earnings per share.

For the year ended December 31, 2022 and 2023, two categories of potential dilutive ordinary shares are included in the calculation of diluted earnings per share: share options and PSUs. Potential ordinary shares issuable upon conversion of optionally convertible promissory notes and convertible promissory notes were not included in the calculation of diluted earnings per share, as the effect would have been anti-dilutive.

15 Earnings per share (Continued)

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Earnings			
Profit attributable to owners of the Company	16,804,380	8,699,369	886,865
Interest expense on convertible instruments, net of tax	1,388,080	—	—
Net profit used to determine diluted earnings per share	18,192,460	8,699,369	886,865
Weighted average number of ordinary shares			
Weighted average number of ordinary shares in issue (in '000)	1,181,850	1,145,050	1,146,175
Adjustments for:			
Assumed conversion of convertible instruments (in '000)	169,737	—	—
Assumed exercise of share options and vesting of PSUs (in '000)	8,165	2,318	987
Weighted average number of ordinary shares for diluted earnings per share (in '000)	1,359,752	1,147,368	1,147,162
Diluted earnings per share (in RMB)	13.38	7.58	0.77
Diluted earnings per ADS (in RMB)	26.76	15.16	1.54

16 Cash at bank and restricted cash

Cash at bank	As of December 31, 2022 RMB'000	As of December 31, 2023 RMB'000
Demand deposits		
RMB	24,509,888	16,439,164
USD	1,985,271	347,388
HKD	13,586	23,809
IDR	15,450	11,115
	26,524,195	16,821,476
Time deposits		
RMB	17,248,631	22,672,430
IDR	111,416	108,672
	17,360,047	22,781,102
Less: Provision for impairment losses	(2,115)	(3,793)
	43,882,127	39,598,785

	As of December 31, 2022 RMB'000	As of December 31, 2023 RMB'000
Restricted cash		
Cash from consolidated structured entities (a)	22,990,022	8,802,106
Deposits for borrowings (b)	1,478,504	507,613
Deposits held on behalf of platform investors (c)	702,018	616,000
Others	1,338,087	1,220,119
	26,508,631	11,145,838

(a) Cash from consolidated structured entities is the cash held by the Group's consolidated structured entities either received from investors for upcoming investment in retail credit business or investors' funds whose withdrawal is in processing due to settlement time.

(b) Deposits for borrowings are pledges for secured borrowings (refer to Note 28(a)).

(c) As of December 31, 2022 and 2023, deposits held on behalf of platform investors represents funds received from platform investors whose withdraw is in processing due to settlement time.

17 Financial assets at fair value through profit or loss

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Unlisted securities		
Trust plans (a)	3,890,549	12,870,055
Bank wealth management products	7,563,450	4,990,342
Mutual funds	7,125,498	4,979,600
Asset management plans (a)	5,009,713	3,201,711
Structured deposits	2,406,785	804,897
Private fund and other equity investments (a)	2,044,051	659,406
Corporate bonds (a)	46,435	43,083
Other debt investments	1,002,966	1,343,510
	29,089,447	28,892,604

(a) As of December 31, 2022 and 2023, the principal amount of financial assets at fair value through profit or loss amounting to RMB3,742 million and RMB3,913 million were past due. A fair value loss of RMB100 million and RMB323 million was recognized for the years ended December 31, 2022 and 2023 for these overdue financial assets based on the discounted future cash flow estimated at the balance sheet date.

18 Financial assets at amortized cost

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Unlisted securities		
Debt investments	6,471,987	4,662,382
Interest receivable	122,799	196,819
	6,594,786	4,859,201
Less: Provision for impairment losses	(1,878,338)	(1,847,631)
	4,716,448	3,011,570
Expected credit loss rate	28.48%	38.02%

(a) As of December 31, 2022 and 2023, the principal amount of financial assets at amortized cost amounting to RMB2,000 million and RMB1,947 million were past due. An impairment loss of RMB565 million and RMB17 million was recognized for the years ended December 31, 2022 and 2023 based on the discounted future recoverable amount estimated at the balance sheet date.

(b) The following table sets forth the movement of gross carrying amount of financial assets at amortized cost for the year ended December 31, 2021:

	Year ended December 31, 2021				
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 POCI	RMB'000 Total
As of January 1, 2021	5,512,867	—	2,115,235	107,732	7,735,834
New financial assets originated or purchased	7,437,143	—	—	604,418	8,041,561
Write-offs	—	—	(17,651)	(8,694)	(26,345)
Disposal in the current period	—	—	(226,843)	—	(226,843)
Financial assets de-recognized and other adjustments in the current period (including repayments of financial assets)	(10,240,254)	—	(5,500)	(154,864)	(10,400,618)
As of December 31, 2021	2,709,756	—	1,865,241	548,592	5,123,589

18 Financial assets at amortized cost (Continued)

(c) The following table sets forth the movement of ECL allowance for the year ended December 31, 2021:

	Year ended December 31, 2021				
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 POCI	RMB'000 Total
As of January 1, 2021	5,160	—	1,140,348	26,357	1,171,865
New financial assets originated or purchased	10,808	—	—	—	10,808
Write-offs	—	—	(17,651)	(8,694)	(26,345)
Disposal in the current period	—	—	(144,320)	—	(144,320)
Financial assets de-recognized and other adjustments in the current period (including repayments of financial assets)	(4,531)	—	(10,366)	48,184	33,287
Change in parameters of expected credit loss model	467	—	312,491	(19,277)	293,681
As of December 31, 2021	11,904	—	1,280,502	46,570	1,338,976

(d) The following table sets forth the movement of gross carrying amount of financial assets at amortized cost for the year ended December 31, 2022:

	Year ended December 31, 2022				
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 POCI	RMB'000 Total
As of January 1, 2022	2,709,756	—	1,865,241	548,592	5,123,589
New financial assets originated or purchased	5,635,886	—	—	79,456	5,715,342
Transfer	(363,927)	—	363,927	—	—
— From stage 1 to stage 2	(363,927)	363,927	—	—	—
— From stage 2 to stage 3	—	(363,927)	363,927	—	—
Write-offs	—	—	(38,858)	(11,854)	(50,712)
Financial assets de-recognized and other adjustments in the current period (including repayments of financial assets)	(3,822,562)	—	(102,087)	(268,784)	(4,193,433)
As of December 31, 2022	4,159,153	—	2,088,223	347,410	6,594,786

18 Financial assets at amortized cost (Continued)

(e) The following table sets forth the movement of ECL allowance for the year ended December 31, 2022:

	Year ended December 31, 2022				
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 POCI	RMB'000 Total
As of January 1, 2022	11,904	—	1,280,502	46,570	1,338,976
New financial assets originated or purchased	19,733	—	—	—	19,733
Transfer	(3,622)	—	236,007	—	232,385
— From stage 1 to stage 2	(3,622)	3,622	—	—	—
— From stage 2 to stage 3	—	(63,386)	63,386	—	—
Net impact on expected credit loss by stage transfer	—	59,764	172,621	—	232,385
Write-offs	—	—	(38,858)	(11,854)	(50,712)
Financial assets de-recognized and other adjustments in the current period (including repayments of financial assets)	(5,395)	—	(74,124)	3,238	(76,281)
Change in parameters of expected credit loss model	17,898	—	403,165	(6,826)	414,237
As of December 31, 2022	40,518	—	1,806,692	31,128	1,878,338

(f) The following table sets forth the movement of gross carrying amount of financial assets at amortized cost for the year ended December 31, 2023:

	Year ended December 31, 2023				
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 POCI	RMB'000 Total
As of January 1, 2023	4,159,153	—	2,088,223	347,410	6,594,786
New financial assets originated or purchased	59,230	—	—	—	59,230
Write-offs	—	—	—	(16,588)	(16,588)
Financial assets de-recognized and other adjustments in the current period (including repayments of financial assets)	(1,592,805)	—	(35,179)	(150,243)	(1,778,227)
As of December 31, 2023	2,625,578	—	2,053,044	180,579	4,859,201

18 Financial assets at amortized cost (Continued)

(g) The following table sets forth the movement of ECL allowance for the year ended December 31, 2023:

	Year ended December 31, 2023				
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 POCI	RMB'000 Total
As of January 1, 2023	40,518	—	1,806,692	31,128	1,878,338
New financial assets originated or purchased	1,967	—	—	—	1,967
Write-offs	—	—	—	(16,588)	(16,588)
Financial assets de-recognized and other adjustments in the current period (including repayments of financial assets)	(27,179)	—	(53,097)	(15,324)	(95,600)
Change in parameters of expected credit loss model	6,678	—	35,383	37,453	79,514
As of December 31, 2023	21,984	—	1,788,978	36,669	1,847,631

19 Accounts and other receivables and contract assets

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Contract acquisition cost (f)	6,236,822	2,812,305
Receivables from core retail credit and enablement service	3,736,176	1,564,189
Receivables from external payment services providers (a)	1,826,203	1,059,093
Trust statutory deposits (b)	1,058,355	627,674
Other deposits	505,764	390,173
Receivables from guarantee arrangements	430,908	273,838
Receivables from other technology platform-based service	508,202	181,602
Receivables from ADS income	95,246	107,079
Receivables from referral arrangements	586,461	51,724
Receivables from exercise of share options	197	1,670
Receivables for shares repurchase program (Note 37(a))	859,772	—
Others	553,530	498,336
Less: Provision for impairment losses (c)	(639,501)	(274,012)
	15,758,135	7,293,671

The following table sets forth the aging analysis of receivables generated from activities in relation to core retail credit and enablement service, other technology platform-based service, referral and guarantee arrangements as of December 31, 2022 and 2023. The aging is presented from the date the corresponding revenue is recognized.

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Up to 1 year	5,107,630	1,931,422
1 to 2 years	117,620	62,799
2 to 3 years	30,548	69,075
Above 3 years	5,949	8,057
	5,261,747	2,071,353

(a) The Group maintains accounts with external online payment service providers to transfer deposits of platform investors, collect principal and interest from borrowers and dispatch loan proceeds to borrowers. The Group recorded the related amounts as receivables from external payment service providers.

(b) The balances represent cash deposited in China Trust Protection Fund Co., Ltd. as required by trust regulations.

19 Accounts and other receivables and contract assets (Continued)

(c) The following table sets forth the movements in the provision for impairment losses:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
At the beginning of the year	688,378	630,848	639,501
Impairment loss recognized in the consolidated statement of comprehensive income	991,903	1,140,937	629,124
Written off during the year	(1,083,618)	(1,172,660)	(1,090,364)
Recovery of receivables written off previously	34,185	40,376	95,751
At the end of the year	630,848	639,501	274,012

(d) The loss allowance as of December 31, 2022 was determined against receivables from core retail credit and enablement service, other technology platform-based service and referral and guarantee arrangements, as follows:

	As of December 31, 2022			
	Current	1-90 days past due	91-180 days past due	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Expected loss rate	3.11%	92.34%	93.11%	12.15%
Receivables from core retail credit and enablement service	3,315,385	176,470	244,321	3,736,176
Receivables from other technology platform-based service	508,202	—	—	508,202
Receivables from referral arrangements	586,461	—	—	586,461
Receivables from guarantee arrangements	321,228	52,191	57,489	430,908
Loss allowance	(147,337)	(211,145)	(281,019)	(639,501)

19 Accounts and other receivables and contract assets (Continued)

(e) The loss allowance as of December 31, 2023 was determined against receivables from core retail credit and enablement service, other technology platform-based service and referral and guarantee arrangements, as follows:

	As of December 31, 2023			
	Current	1-90 days past due	91-180 days past due	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Expected loss rate	1.20%	78.28%	98.13%	13.23%
Receivables from core retail credit and enablement service	1,363,507	83,450	117,232	1,564,189
Receivables from other technology platform-based service	181,602	—	—	181,602
Receivables from referral arrangements	51,724	—	—	51,724
Receivables from guarantee arrangements	192,888	36,807	44,143	273,838
Loss allowance	(21,505)	(94,142)	(158,365)	(274,012)

(f) As of December 31, 2022 and 2023, the remaining amount of consideration the Group expected to receive is higher than the carrying amount of contract acquisition cost. As such, no loss allowance was recorded against contract acquisition cost.

20 Loans to customers

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Loans originated by consolidated trust plans	186,396,992	98,194,028
Loans originated by microloan lending companies and consumer finance company	30,109,705	37,616,889
Interest receivable	2,002,926	1,156,870
Less: Provision for impairment losses		
Stage 1	(4,481,912)	(4,433,965)
Stage 2	(1,197,126)	(1,152,069)
Stage 3	(1,383,940)	(1,687,799)
	(7,062,978)	(7,273,833)
	211,446,645	129,693,954
Expected credit loss rate	3.23%	5.31%

(a) As of December 31, 2022 and 2023, loans amounting to RMB142,966 million and RMB62,417 million, respectively, were covered by credit enhancement provided by credit enhancement providers. Of these amounts, the majority of the balance in each period was covered by credit insurance provided by Ping An Property and Casualty Insurance Company ("Ping An P&C"), a subsidiary of Ping An Group. Credit enhancement providers independently underwrite the borrowers and entered into the credit enhancement agreements either in the form of credit insurance or financing guarantees directly with the borrowers. The beneficiaries of such credit enhancement are the institutional funding partners who provide funding to the borrowers.

(b) For the years ended December 31, 2021, 2022 and 2023, the amounts of concession provided to customers were not material.

20 Loans to customers (Continued)

(c) The following table sets forth the movement of gross carrying amount of loans to customers for the year ended December 31, 2021:

	Year ended December 31, 2021			
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 Total
As of January 1, 2021	119,568,582	839,817	406,620	120,815,019
New loans originated	234,198,681	—	—	234,198,681
Transfers	(5,530,212)	4,439,585	1,090,627	—
— From stage 1 to stage 2	(5,579,855)	5,579,855	—	—
— From stage 2 to stage 1	49,643	(49,643)	—	—
— From stage 2 to stage 3	—	(1,091,109)	1,091,109	—
— From stage 3 to stage 2	—	482	(482)	—
Loans de-recognized and other adjustments in the current period (including repayments of loans)	(132,711,645)	(3,703,157)	(25,534)	(136,440,336)
Write-offs	—	—	(847,383)	(847,383)
As of December 31, 2021	215,525,406	1,576,245	624,330	217,725,981

(d) The following table sets forth the movement of ECL allowance for the year ended December 31, 2021:

	Year ended December 31, 2021			
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 Total
As of January 1, 2021	480,854	195,339	313,012	989,205
New loans originated	1,346,940	—	—	1,346,940
Transfers	(1,104,156)	454,235	1,045,357	395,436
— From stage 1 to stage 2	(1,109,405)	1,109,405	—	—
— From stage 2 to stage 1	16,509	(16,509)	—	—
— From stage 2 to stage 3	—	(1,000,215)	1,000,215	—
— From stage 3 to stage 2	—	458	(458)	—
Net impact on expected credit loss by stage transfers	(11,260)	361,096	45,600	395,436
Loans de-recognized and other adjustments in the current period (including repayments of loans)	(622,468)	(470,524)	(124,794)	(1,217,786)
Change in parameters of expected credit loss model	1,759,075	133,230	24,216	1,916,521
Write-offs	—	—	(847,383)	(847,383)
Recovery of loans written off previously	—	—	170,938	170,938
As of December 31, 2021	1,860,245	312,280	581,346	2,753,871

20 Loans to customers (Continued)

(e) The following table sets forth the movement of gross carrying amount of loans to customers for the year ended December 31, 2022:

	Year ended December 31, 2022			
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 Total
As of January 1, 2022	215,525,406	1,576,245	624,330	217,725,981
New loans originated	215,834,125	—	—	215,834,125
Transfers	(17,245,234)	13,239,242	4,005,992	—
— From stage 1 to stage 2	(17,540,156)	17,540,156	—	—
— From stage 2 to stage 1	294,922	(294,922)	—	—
— From stage 2 to stage 3	—	(4,015,845)	4,015,845	—
— From stage 3 to stage 2	—	9,853	(9,853)	—
Loans de-recognized and other adjustments in the current period (including repayments of loans)	(201,023,209)	(10,854,775)	(159,277)	(212,037,261)
Write-offs	—	—	(3,013,222)	(3,013,222)
As of December 31, 2022	213,091,088	3,960,712	1,457,823	218,509,623

(f) The following table sets forth the movement of ECL allowance for the year ended December 31, 2022:

	Year ended December 31, 2022			
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 Total
As of January 1, 2022	1,860,245	312,280	581,346	2,753,871
New loans originated	1,609,220	—	—	1,609,220
Transfers	(3,550,516)	1,088,799	3,840,446	1,378,729
— From stage 1 to stage 2	(3,573,960)	3,573,960	—	—
— From stage 2 to stage 1	54,161	(54,161)	—	—
— From stage 2 to stage 3	—	(3,575,710)	3,575,710	—
— From stage 3 to stage 2	—	9,329	(9,329)	—
Net impact on expected credit loss by stage transfers	(30,717)	1,135,381	274,065	1,378,729
Loans de-recognized and other adjustments in the current period (including repayments of loans)	(1,707,206)	(403,559)	(214,194)	(2,324,959)
Change in parameters of expected credit loss model	6,270,169	199,606	42,624	6,512,399
Write-offs	—	—	(3,013,222)	(3,013,222)
Recovery of loans written off previously	—	—	146,940	146,940
As of December 31, 2022	4,481,912	1,197,126	1,383,940	7,062,978

20 Loans to customers (Continued)

(g) The following table sets forth the movement of gross carrying amount of loans to customers for the year ended December 31, 2023:

	Year ended December 31, 2023			
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 Total
As of January 1, 2023	213,091,088	3,960,712	1,457,823	218,509,623
New loans originated	126,598,504	—	—	126,598,504
Transfers	(20,444,970)	13,487,868	6,957,102	—
— From stage 1 to stage 2	(21,187,343)	21,187,343	—	—
— From stage 2 to stage 1	742,373	(742,373)	—	—
— From stage 2 to stage 3	—	(6,964,688)	6,964,688	—
— From stage 3 to stage 2	—	7,586	(7,586)	—
Loans de-recognized and other adjustments in the current period (including repayments of loans)	(186,877,497)	(14,634,783)	(56,194)	(201,568,474)
Write-offs	—	—	(6,571,866)	(6,571,866)
As of December 31, 2023	132,367,125	2,813,797	1,786,865	136,967,787

(h) The following table sets forth the movement of ECL allowance for the year ended December 31, 2023:

	Year ended December 31, 2023			
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 Total
As of January 1, 2023	4,481,912	1,197,126	1,383,940	7,062,978
New loans originated	1,929,629	—	—	1,929,629
Transfers	(5,930,855)	356,101	6,757,208	1,182,454
— From stage 1 to stage 2	(6,016,218)	6,016,218	—	—
— From stage 2 to stage 1	166,232	(166,232)	—	—
— From stage 2 to stage 3	—	(6,209,153)	6,209,153	—
— From stage 3 to stage 2	—	7,070	(7,070)	—
Net impact on expected credit loss by stage transfers	(80,869)	708,198	555,125	1,182,454
Loans de-recognized and other adjustments in the current period (including repayments of loans)	(2,277,971)	(400,954)	(184,192)	(2,863,117)
Change in parameters of expected credit loss model	6,231,250	(204)	93,578	6,324,624
Write-offs	—	—	(6,571,866)	(6,571,866)
Recovery of loans written off previously	—	—	209,131	209,131
As of December 31, 2023	4,433,965	1,152,069	1,687,799	7,273,833

As of December 31, 2023, loans to customers amounting to RMB6,572 million were written off in 2023 and were still subject to enforcement activity. The enforcement activity includes the amounts written off in previous years.

21 Deferred tax assets and deferred tax liabilities

Deferred income assets and liabilities of the Group are set out as follows:

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Deferred tax assets	4,990,352	5,572,042
Deferred tax liabilities	(694,090)	(524,064)
Net amount	4,296,262	5,047,978

Deferred assets and liabilities not taking into consideration the offsetting of balances are set out as follows:

(a) The following table sets forth the details of deferred tax assets:

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Provision for asset impairments	1,303,345	2,438,417
Deductible tax losses	217,501	1,876,671
Guarantee liabilities	1,440,842	1,046,383
Revenue recognition—differences between accounting and tax book	1,252,255	818,420
Employee benefit payables	483,747	567,697
Accrued expenses	357,300	261,614
Changes in fair value	170,471	218,892
Lease liabilities (h)	187,202	96,674
Others	25,360	8,607
	5,438,023	**7,333,375**

(b) Deductible temporary differences and deductible losses that are not recognized as deferred tax assets are analyzed as follows:

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Deductible temporary differences	3,792,705	4,535,800
Deductible losses	2,135,395	2,655,644
	5,928,100	**7,191,444**

21 Deferred tax assets and deferred tax liabilities (Continued)

(c) Deductible losses that are not recognized as deferred tax assets will expire as follows:

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
2022	6,149	—
2023	120,824	—
2024	310,412	292,876
2025	158,783	111,899
2026	33,382	31,353
2027	263,800	261,405
2028	—	392,811
2032	—	217,776
2033	—	92,609
No due date	1,242,045	1,254,915
	2,135,395	**2,655,644**

(d) The following table sets forth the movements of the deferred tax asset:

Movements	Deductible tax losses	Provision for asset impairments	Employee benefit payables	Accrued expenses	Guarantee liabilities	Revenue recognition - differences between accounting and tax book	Others (Including changes in fair value)	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2021	**581,325**	**1,368,693**	**626,048**	**528,660**	**187,169**	**—**	**267,562**	**244,855**	**3,804,312**
Credited/(charged) - to profit or loss	(386,698)	(381,750)	125,878	(36,504)	487,108	1,635,551	(63,844)	(46,219)	1,333,522
As of December 31, 2021	**194,627**	**986,943**	**751,926**	**492,156**	**674,277**	**1,635,551**	**203,718**	**198,636**	**5,137,834**
Credited/(charged) - to profit or loss	22,874	316,402	(268,179)	(134,856)	766,565	(383,296)	(7,887)	(11,434)	300,189
As of December 31, 2022	**217,501**	**1,303,345**	**483,747**	**357,300**	**1,440,842**	**1,252,255**	**195,831**	**187,202**	**5,438,023**
Credited/(charged) to profit or loss	1,659,170	1,135,072	83,950	(95,686)	(394,459)	(433,835)	31,668	(90,528)	1,895,352
As of December 31, 2023	**1,876,671**	**2,438,417**	**567,697**	**261,614**	**1,046,383**	**818,420**	**227,499**	**96,674**	**7,333,375**

21 Deferred tax assets and deferred tax liabilities (Continued)

(e) The following table sets forth for the details of deferred tax liabilities:

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Unrealized consolidated earnings	672,661	1,799,822
Intangible assets arisen from business combination	211,565	211,565
Changes in fair value	57,471	157,620
Lease assets (h)	188,503	100,225
Others	11,561	16,165
	1,141,761	2,285,397

(f) The following table sets forth the movements of the deferred tax liabilities:

Movements	Revenue recognition differences between accounting and tax book	Intangible assets arisen from business combination	Unrealized consolidated earnings	Effective interest adjustment	Changes in fair value	Others	Lease assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2021	**4,157,984**	**452,258**	**434,850**	**862,035**	**20,469**	**8,398**	**243,387**	**6,179,381**
Charged/(credited) - to profit or loss	(4,157,984)	(240,693)	141,622	(843,990)	56,802	5,159	(42,139)	(5,081,223)
As of December 31, 2021	**—**	**211,565**	**576,472**	**18,045**	**77,271**	**13,557**	**201,248**	**1,098,158**
Charged/(credited) - to profit or loss	—	—	96,189	(18,045)	(19,800)	(1,996)	(12,745)	43,603
As of December 31, 2022	**—**	**211,565**	**672,661**	**—**	**57,471**	**11,561**	**188,503**	**1,141,761**
Charged/(credited) - to profit or loss	—	—	1,127,161	—	100,149	4,604	(88,278)	1,143,636
As of December 31, 2023	**—**	**211,565**	**1,799,822**	**—**	**157,620**	**16,165**	**100,225**	**2,285,397**

(g) The following table sets forth the net balances of deferred tax assets and liabilities after offsetting:

	As of December 31,			
	2022		2023	
	Offset amount	Balance after offsetting	Offset amount	Balance after offsetting
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	(447,671)	4,990,352	(1,761,333)	5,572,042
Deferred tax liabilities	447,671	(694,090)	1,761,333	(524,064)

(h) Starting from 2023, the Group report deferred income tax associated with right-of-use assets and lease liabilities separately and revised the comparative period presentation to conform to current period classification.

22 Property and equipment

	Buildings, office and electrical equipment, motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
As of January 1, 2021			
Cost	601,764	804,164	1,405,928
Accumulated depreciation	(354,656)	(627,229)	(981,885)
Net book amount	247,108	176,935	424,043
Year ended December 31, 2021			
Opening net book amount	247,108	176,935	424,043
Additions	65,971	90,645	156,616
Disposals	(6,676)	(391)	(7,067)
Depreciation charge	(92,464)	(101,047)	(193,511)
Closing net book amount	213,939	166,142	380,081
As of December 31, 2021			
Cost	626,583	849,946	1,476,529
Accumulated depreciation	(412,644)	(683,804)	(1,096,448)
Net book amount	213,939	166,142	380,081

	Buildings, office and electrical equipment, motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
As of January 1, 2022			
Cost	626,583	849,946	1,476,529
Accumulated depreciation	(412,644)	(683,804)	(1,096,448)
Net book amount	213,939	166,142	380,081
Year ended December 31, 2022			
Opening net book amount	213,939	166,142	380,081
Additions	44,915	81,100	126,015
Disposals	(4,601)	(1,197)	(5,798)
Depreciation charge	(74,057)	(103,742)	(177,799)
Closing net book amount	180,196	142,303	322,499
As of December 31, 2022			
Cost	602,743	916,081	1,518,824
Accumulated depreciation	(422,547)	(773,778)	(1,196,325)
Net book amount	180,196	142,303	322,499

22 Property and equipment (Continued)

	Buildings, office and electrical equipment, motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
As of January 1, 2023			
Cost	602,743	916,081	1,518,824
Accumulated depreciation	(422,547)	(773,778)	(1,196,325)
Net book amount	180,196	142,303	322,499
Year ended December 31, 2023			
Opening net book amount	180,196	142,303	322,499
Additions	5,036	47,245	52,281
Disposals	(13,286)	(13)	(13,299)
Depreciation charge	(57,127)	(124,044)	(181,171)
Closing net book amount	114,819	65,491	180,310
As of December 31, 2023			
Cost	494,731	953,395	1,448,126
Accumulated depreciation	(379,912)	(887,904)	(1,267,816)
Net book amount	114,819	65,491	180,310

23 Intangible assets

	Trademarks and licenses RMB'000	Computer software and others RMB'000	Total RMB'000
As of January 1, 2021			
Cost	1,815,576	255,063	2,070,639
Accumulated amortization	(5,000)	(118,968)	(123,968)
Impairment	—	(64,209)	(64,209)
Net book amount	1,810,576	71,886	1,882,462
Year ended December 31, 2021			
Opening net book amount	1,810,576	71,886	1,882,462
Additions	—	3,126	3,126
Impairment	(963,948)	—	(963,948)
Amortization charge	—	(22,234)	(22,234)
Closing net book amount	846,628	52,778	899,406
As of December 31, 2021			
Cost	1,815,576	258,189	2,073,765
Accumulated amortization	(5,000)	(141,202)	(146,202)
Impairment	(963,948)	(64,209)	(1,028,157)
Net book amount	846,628	52,778	899,406

23 Intangible assets (Continued)

	Trademarks and licenses RMB'000	Computer software and others RMB'000	Total RMB'000
As of January 1, 2022			
Cost	1,815,576	258,189	2,073,765
Accumulated amortization	(5,000)	(141,202)	(146,202)
Impairment	(963,948)	(64,209)	(1,028,157)
Net book amount	846,628	52,778	899,406
Year ended December 31, 2022			
Opening net book amount	846,628	52,778	899,406
Additions	—	2,134	2,134
Disposals	—	(756)	(756)
Impairment	—	(403)	(403)
Amortization charge	—	(15,325)	(15,325)
Closing net book amount	846,628	38,428	885,056
As of December 31, 2022			
Cost	1,389,576	253,145	1,642,721
Accumulated amortization	(5,000)	(150,105)	(155,105)
Impairment	(537,948)	(64,612)	(602,560)
Net book amount	846,628	38,428	885,056

23 Intangible assets (Continued)

	Trademarks and licenses RMB'000	Computer software and others RMB'000	Total RMB'000
As of January 1, 2023			
Cost	1,389,576	253,145	1,642,721
Accumulated amortization	(5,000)	(150,105)	(155,105)
Impairment	(537,948)	(64,612)	(602,560)
Net book amount	846,628	38,428	885,056
Year ended December 31, 2023			
Opening net book amount	846,628	38,428	885,056
Additions	—	1,503	1,503
Disposals	—	(618)	(618)
Impairment	—	—	—
Amortization charge	—	(11,022)	(11,022)
Closing net book amount	846,628	28,291	874,919
As of December 31, 2023			
Cost	846,628	252,527	1,099,155
Accumulated amortization	—	(159,624)	(159,624)
Impairment	—	(64,612)	(64,612)
Net book amount	846,628	28,291	874,919

(a) Impairment tests for intangible assets

The trademarks and licenses were intangible assets acquired in business combinations as part of the reorganization of the Group. Most of the trademarks and licenses acquired were determined to have indefinite useful life as there is no foreseeable limit to the period over which these assets are expected to generate net cash inflows for the Group.

Impairment reviews on the trademarks and licenses with indefinite useful life were conducted by the Group at the end of years according to IAS 36 "Impairment of assets". For the purposes of impairment assessment, the recoverable amount of the trademarks and licenses with indefinite life was determined based on the higher of the fair value less cost of disposal and value-in-use calculations. Given there is no active market for the Group's trademarks and licenses with indefinite life,

23 Intangible assets (Continued)

(a) Impairment tests for intangible assets (Continued)

management did the value-in-use calculations to determine the recoverable amounts based on discounted cash flows. With reference to cash flow projection developed based on financial budgets covering a three to five-year period approved by management of the Group. As the contractual tenor of its loan product is 36 months, the cash flow forecast period of Puhui was eight years based on a financial budget covering a five-year period approved by management. As such, key assumptions underlying the five-year financial budget are used to develop the cash flows for the first five years. To develop the cash flows for the remaining period, management assumed the business would grow at the terminal growth rate. From the viewpoint of management of the Group and the market participants, the Group's business is expected to reach a steady and stable terminal growth rate likely after a five-year period.

Based on management's assessment on the recoverable amounts of the intangible assets, impairment losses amounting to RMB964 million, nil and nil were recognized for the years ended December 31, 2021, 2022 and 2023, respectively. Other than the aforementioned impairment, the results of cash flow projections exceed the carrying amount of each related intangible asset. However, subsequent impairment tests may be based on different assumptions and future cash flow projections, which may result in impairment losses for these assets in the foreseeable future.

The trademarks and licenses of the Group are primarily relating to trademark rights of Puhui of RMB800.7 million. The key assumptions used for value-in-use calculations of trademark rights of Puhui are as follows:

	As of December 31,		
	2021	2022	2023
Revenue growth rates	3%-8%	-22%-30%	-25%-26%
Pre-tax discount rates	26%	21%	20%
Long term growth rate	3%	2%	2%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Revenue growth rates	Based on recent macroeconomic, policy and industry factors, past performance and management's expectations of market development.
Pre-tax discount rates	Reflect systematical risks and specific risks relating to the relevant segments and the countries in which they operate.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rate is consistent with forecasts included in industry reports.

The excess of the recoverable amount of Puhui's trademark over its carrying amount:

	As of December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Excess of the recoverable amount of trademark rights of Puhui over its carrying amount	3,795,189	4,761,332	1,296,090

23 Intangible assets (Continued)

(a) Impairment tests for intangible assets (Continued)

While it is impracticable for the Group to estimate the impact on future periods, the following table sets forth the impact of management judgement of reasonable possible scenarios in each of the key assumptions, with all other variables held constant, on Puhui's trademark rights impairment testing at the dates indicated. As shown below, the possible changes of key parameters would not cause the carrying amount of trademark rights of Puhui to exceed its recoverable amount at the dates indicated.

	Unfavourable Change			Favourable Change		
As of December 31, 2021	Change in assumption	Change in the excess of the recoverable amount of trademark rights of Puhui over its carrying amount	Excess of the recoverable amount of trademark rights of Puhui over its carrying amount	Change in assumption	Change in the excess of the recoverable amount of trademark rights of Puhui over its carrying amount	Excess of the recoverable amount of trademark rights of Puhui over its carrying amount
		RMB'000	RMB'000		RMB'000	RMB'000
Revenue growth rates (GAGR)	-35bp	(83,267)	3,711,922	+35bp	85,108	3,880,297
Pre-tax discount rate	+100bp	(198,144)	3,597,045	-100bp	217,092	4,012,281
Long-term growth rate	-100bp	(146,486)	3,648,703	+100bp	164,796	3,959,985

	Unfavourable Change			Favourable Change		
As of December 31, 2022	Change in assumption	Change in the excess of the recoverable amount of trademark rights of Puhui over its carrying amount	Excess of the recoverable amount of trademark rights of Puhui over its carrying amount	Change in assumption	Change in the excess of the recoverable amount of trademark rights of Puhui over its carrying amount	Excess of the recoverable amount of trademark rights of Puhui over its carrying amount
		RMB'000	RMB'000		RMB'000	RMB'000
Revenue growth rates (GAGR)	-106bp	(237,258)	4,524,074	+106bp	245,670	5,007,002
Pre-tax discount rate	+100bp	(332,500)	4,428,832	-100bp	373,724	5,135,056
Long-term growth rate	-100bp	(259,337)	4,501,995	+100bp	299,236	5,060,568

	Unfavourable Change			Favourable Change		
As of December 31, 2023	Change in assumption	Change in the excess of the recoverable amount of trademark rights of Puhui over its carrying amount	Excess of the recoverable amount of trademark rights of Puhui over its carrying amount	Change in assumption	Change in the excess of the recoverable amount of trademark rights of Puhui over its carrying amount	Excess of the recoverable amount of trademark rights of Puhui over its carrying amount
		RMB'000	RMB'000		RMB'000	RMB'000
Revenue growth rates (GAGR)	-80bp	(78,519)	1,217,571	+80bp	159,464	1,377,035
Pre-tax discount rate	+100bp	(115,392)	1,180,698	-100bp	244,838	1,425,536
Long-term growth rate	-100bp	(69,639)	1,226,451	+100bp	150,419	1,376,870

24 Leases

(a) Amounts recognized in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	As of December 31,	
	2022	2023
Right-of-use assets	RMB'000	RMB'000
Properties	754,010	400,900
Lease liabilities	748,807	386,694

24 Leases (Continued)

(b) Amounts recognized in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Depreciation charge of right-of-use assets	608,889	578,014	413,957
Interest expense (included in finance costs)	38,709	41,402	27,123
Expense relating to short-term leases (included in operation and servicing expenses; general and administrative expenses; technology and analytics expenses; and sales and marketing expenses)	55,408	37,376	47,873
Expense relating to leases of low-value assets (included in operation and servicing expenses; general and administrative expenses; technology and analytics expenses; and sales and marketing expenses)	25,550	25,548	14,527

The total cash outflow for leases for years ended December 31, 2021, 2022 and 2023 were RMB713 million, RMB694 million and RMB537 million, respectively.

(c) Movement of right-of-use assets

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Opening net book amount	973,547	804,990	754,010
Additions	501,663	589,488	254,383
Early termination	(61,331)	(62,454)	(193,536)
Depreciation charge	(608,889)	(578,014)	(413,957)
Closing net book amount	804,990	754,010	400,900

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Cost	1,500,951	932,966
Accumulated depreciation	(746,941)	(532,066)
Net book amount	754,010	400,900

25 Goodwill

	As of January 1, 2021 RMB'000	Increase RMB'000	Decrease RMB'000	As of December 31, 2021 RMB'000
Puhui (a)	8,911,445	—	—	8,911,445
Tianjin Guarantee	126,207	—	—	126,207
Pingan Jixin	67,752	—	—	67,752
Lu International (Hong Kong) Limited	6,663	—	—	6,663
Yunque Dongfang	2,800	—	—	2,800
Jinniu Loan	2,515	—	—	2,515
	9,117,382	—	—	9,117,382
Less: Impairment losses	(70,552)	(128,722)	—	(199,274)
	9,046,830	(128,722)	—	8,918,108

	As of January 1, 2022 RMB'000	Increase RMB'000	Decrease RMB'000	As of December 31, 2022 RMB'000
Puhui (a)	8,911,445	—	—	8,911,445
Tianjin Guarantee	126,207	—	(126,207)	—
Pingan Jixin	67,752	—	—	67,752
Lu International (Hong Kong) Limited	6,663	—	—	6,663
Yunque Dongfang	2,800	—	(2,800)	—
Jinniu Loan	2,515	—	—	2,515
	9,117,382	—	(129,007)	8,988,375
Less: Impairment losses	(199,274)	(6,663)	129,007	(76,930)
	8,918,108	(6,663)	—	8,911,445

	As of January 1, 2023 RMB'000	Increase RMB'000	Decrease RMB'000	As of December 31, 2023 RMB'000
Puhui (a)	8,911,445	—	—	8,911,445
Pingan Jixin	67,752	—	—	67,752
Lu International (Hong Kong) Limited	6,663	—	—	6,663
Jinniu Loan	2,515	—	(2,515)	—
	8,988,375	—	(2,515)	8,985,860
Less: Impairment losses (b)	(76,930)	—	2,515	(74,415)
	8,911,445	—	—	8,911,445

(a) The Company acquired 100% equity interest in Gem Alliance Limited (an investment holding company incorporated in the Cayman Islands and principally engaged in retail credit and enablement business in PRC through its wholly-owned subsidiary, hereinafter "Puhui") from Ping An Overseas (Holdings) Limited, which was completed in May 2016. Since then, the Company conducted the retail credit and enablement business primarily through Puhui.

(b) As of December 31, 2023, Pingan Jixin and Lu International (Hong Kong) Limited were fully impaired. Jinniu Loan was written off.

25 Goodwill (Continued)

(c) Impairment testing for goodwill

The Group carries out its impairment testing on goodwill by comparing the recoverable amounts of CGU (or CGU group) to their carrying amounts. The recoverable amount of CGU (or CGU group) is the higher of value-in-use and fair value less costs of sale. Based on management's assessment on the recoverable amounts of the CGU (or CGU group), impairment losses amounting to RMB129 million, RMB6.7 million and nil were recognized for the years ended December 31, 2021, 2022 and 2023, respectively. Other than the aforementioned impairment, the results of value-in-use exceed the carrying amount of each related CGU (or CGU group). However, subsequent impairment tests may be based on different assumptions and future cash flow projections, which may result in impairment losses of these assets in the foreseeable future.

Given the market capitalization of the Group is significantly lower than its book value, management performed the value-in-use calculations to determine the recoverable amounts. Value-in-use is calculated to determine the recoverable amount based on discounted cash flows with reference to cash flow projection developed based on financial budgets covering a three to five-year period approved by management of the Group. As the contractual tenor of its loan product is 36 months, the cash flow forecast period of Puhui was eight years based on a financial budget covering a five-year period approved by management. As such, key assumptions underlying the five-year financial budget are used to develop the cash flows for the first five years. To develop the cash flows for the remaining period, management assumed the business would grow at the terminal growth rate. From the viewpoint of management of the Group and the market participants, the Group's business is expected to reach a steady and stable terminal growth rate likely after a five-year period. The Group recalibrated their strategies to focus on higher quality borrowers in more economically resilient regions, optimized the sales channel structure and productivity, and enhanced the risk management capabilities to protect the business's health and resiliency during economic downturns. These shifts affected the management's expectations when determining the value of key assumptions.

The goodwill of the Group are primarily relating to the goodwill of Puhui of RMB8,911 million. The key assumptions used for value-in-use calculations of the goodwill of Puhui are as follows:

	As of December 31,		
	2021	2022	2023
Revenue growth rates	3%-8%	-22%-30%	-25%-26%
Loan loss rates	0.9%-6.3%	1.2%-5.4%	1.5%-7.7%
Pre-tax discount rate	27%	19%	17%
Long-term growth rate	3%	2%	2%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Revenue growth rates	Based on recent macroeconomic, policy and industry factors, past performance and management's expectations of market development.
Loan loss rates	The expected lifetime loss of the core lending related business based on past performance and management's expectations for the future.
Pre-tax discount rate	Reflect systematical risks and specific risks relating to the relevant segments and the countries in which they operate.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rate is consistent with forecasts included in industry reports.

The excess of the recoverable amount of Puhui over its carrying amount:

	As of December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Excess of the recoverable amount of the CGU (or CGU group) over its carrying amount ("Headroom")	46,780,343	31,032,688	9,082,855

25 Goodwill (Continued)

(c) Impairment testing for goodwill (Continued)

While it is impracticable for the Group to estimate the impact on future periods, the following table sets forth the impact of management judgement of reasonable possible scenarios in each of the key assumptions, with all other variables held constant, on Puhui impairment testing at the dates indicated. As shown below, the possible changes of key parameters would not cause the carrying amount of the CGU (or CGU group) to exceed its recoverable amount at the dates indicated.

	Unfavourable Change			Favourable Change		
As of December 31, 2021	**Change in assumption**	**Change in headroom**	**Headroom**	**Change in assumption**	**Change in headroom**	**Headroom**
		RMB'000	**RMB'000**		**RMB'000**	**RMB'000**
Revenue growth rates (GAGR) (i)	-35bp	(1,627,159)	45,153,184	+35bp	1,638,509	48,418,852
Loan loss rates	+50bp	(4,182,688)	42,597,655	-50bp	4,222,906	51,003,249
Pre-tax discount rate	+100bp	(3,540,982)	43,239,361	-100bp	3,852,515	50,632,858
Long-term growth rate	-100bp	(3,059,879)	43,720,464	+100bp	3,442,364	50,222,707

	Unfavourable Change			Favourable Change		
As of December 31, 2022	**Change in assumption**	**Change in headroom**	**Headroom**	**Change in assumption**	**Change in headroom**	**Headroom**
		RMB'000	**RMB'000**		**RMB'000**	**RMB'000**
Revenue growth rates (GAGR) (i)	-106bp	(18,247,313)	12,785,375	+106bp	19,100,262	50,132,950
Loan loss rates	+50bp	(13,574,019)	17,485,669	-50bp	13,601,315	44,634,003
Pre-tax discount rate	+100bp	(5,206,305)	25,826,383	-100bp	5,911,041	36,943,729
Long-term growth rate	-100bp	(3,977,735)	27,054,953	+100bp	4,640,691	35,673,379

	Unfavourable Change			Favourable Change		
As of December 31, 2023	**Change in assumption**	**Change in headroom**	**Headroom**	**Change in assumption**	**Change in headroom**	**Headroom**
		RMB'000	**RMB'000**		**RMB'000**	**RMB'000**
New sales growth rates (GAGR) (i)	-200bp	(4,011,342)	5,071,513	+200bp	4,320,518	13,403,373
Funding cost for 2026-2028(i)	+50bp	(4,299,633)	4,783,222	-50bp	4,296,158	13,379,013
Loan loss rates	+50bp	(7,764,596)	1,318,259	-50bp	7,795,949	16,878,804
Pre-tax discount rate	+100bp	(2,095,143)	6,987,712	-100bp	2,413,615	11,496,470
Long-term growth rate	-100bp	(1,170,297)	7,912,558	+100bp	1,366,257	10,449,112

(i) Volume of new sales and funding cost are two key drivers of revenue growth rates. As of December 31, 2021 and 2022, the revenue growth rates were determined using a combined impact of these two variables. Due to the drop of headroom as of December 31, 2023, these two variables were modelled separately to reflect the sensitivity.

26 Other assets

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Recoverable value-added tax	646,257	725,471
Prepayments	101,879	426,765
Prepaid income tax and value-added tax	697,820	271,163
Deferred expenses	29,277	16,211
Repossessed assets	30,077	10,173
Derivative financial assets	447,443	—
Others	30,536	218
	1,983,289	1,450,001
Less: Provisions for impairment	(24,548)	(5,639)
	1,958,741	1,444,362

(a) Interest rate swap

	As of December 31, 2022
	('000)
Carrying amount	RMB222,086
Notional amount	USD1,290,000
Maturity date	18/05/2023
Pay side	Fixed
Receive side	1 month

(b) Foreign currency swap

	As of December 31, 2022
	('000)
Carrying amount	RMB225,357
Notional amount	USD1,050,000
Maturity date	06/04/2023-15/05/2023
Pay side	RMB
Receive side	USD

27 Payable to platform investors

As of December 31, 2022 and 2023, payable to platform investors are the investors' funds whose withdrawal is in processing due to settlement time.

28 Borrowings

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Secured		
- Bank borrowings (a)	1,343,970	485,400
Unsecured		
- Bank borrowings (b)	35,251,477	38,072,454
	36,595,447	38,557,854
Interest payable	320,066	265,430
Total borrowings	36,915,513	38,823,284

(a) As of December 31, 2023, the Group had RMB 485.4 million secured bank borrowings guaranteed by deposits (refer to Note 16(b)), The terms of the borrowing is twelve months, whose interest rate is 2.95% per annum.

(b) The following table sets forth the range of interest rates of borrowings as of December 31, 2022 and 2023:

	As of December 31,	
	2022	2023
Bank borrowings - fixed rate	2.70%-4.30%	2.78%-4.50%
Bank borrowings - floating rate	1.72%-5.59%	6.28%-7.24%

(c) The bank borrowings are repayable as follows:

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Within 1 year	36,915,513	36,031,387
Between 1 and 2 years	—	1,838,920
Between 2 and 5 years	—	952,977
	36,915,513	38,823,284

29 Bonds payable

	As of December 31, 2023
	RMB'000
New issued bonds	2,010,782
Interest accrued at effective interest rate	57,267
Interest paid	—
Exchange differences	75,299
Carrying value as of December 31, 2022	2,143,348
Repayment of bonds	(2,163,195)
Interest accrued at effective interest rate	75,707
Interest paid	(135,027)
Exchange differences	79,167
Carrying value as of December 31, 2023	—

On July 7, 2022 and July 14, 2022, the Group issued two bonds of USD300 million (equivalent to approximately RMB2,013 million) in aggregate, whose interest rates are determined based on compounded SOFR rate plus 2.5% and 2.55%, and the interest is paid at maturity. Both of these bonds matured one year from their respective issuance dates and have been repaid in 2023.

30 Accounts and other payables and contract liabilities

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Employee benefit payable	2,715,543	2,677,135
Contract liabilities from retail credit and enablement service	3,067,715	2,187,080
Tax payable	846,402	701,237
Payable to cooperation banks (a)	471,339	693,887
Other deposits payable	221,671	293,031
Payable to external suppliers (c)	193,283	139,213
Trust management fee payable (c)	57,976	25,999
Cash compensation of Class C ordinary shares restructuring	21,205	21,154
Unpaid redemption consideration for convertible promissory notes (Note 33(a))	3,745,929	—
Payable to investees	430,616	—
Others (b)	426,975	238,382
	12,198,654	6,977,118

30 Accounts and other payables and contract liabilities (Continued)

(a) Payable to cooperation banks is related to the restricted cash that is generated from a risk sharing business with banks. Under such business arrangement, the Group provides loan enablement services for loans originated by banks and is paid a variable fee determined based on the performance of underlying loans facilitated by the Group. On a monthly basis, the Group receives fixed service fees from the cooperation banks based on a fixed percentage of loans originated in restricted cash accounts. The service fees will be adjusted based on actual performance of the loans originated under this business upon maturity.

(b) Others comprise miscellaneous items including advances from customers and others with immaterial individual balances.

(c) As of December 31, 2022 and 2023, the agings of payable to external suppliers and trust management fee payable are all within 1 year.

31 Payable to investors of consolidated structured entities

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Payable to investors of consolidated trust plans	177,102,034	80,735,220
Payable to other funding partners	—	2,482,958
Payable to investors of consolidated wealth management plans	45,692	46,560
	177,147,726	83,264,738

32 Financing guarantee liabilities

(a) The following table sets forth the movement of gross carrying amount of financing guarantee contracts for the year ended December 31, 2021:

	Year ended December 31, 2021			
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 Total
As of January 1, 2021	20,898,499	70,527	—	20,969,026
New guarantee contracts originated	71,968,587	—	—	71,968,587
Transfers	(1,261,287)	1,261,287	—	—
— From stage 1 to stage 2	(1,296,115)	1,296,115	—	—
— From stage 2 to stage 1	34,828	(34,828)	—	—
Guarantee liabilities de-recognized and other adjustments in the current period (including repayments of loans and guarantee payments)	(27,188,881)	(1,017,363)	—	(28,206,244)
As of December 31, 2021	64,416,918	314,451	—	64,731,369

(b) The following table sets forth the movement of ECL allowance of financing guarantee contracts for the year ended December 31, 2021:

	Year ended December 31, 2021			
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 Total
As of January 1, 2021	688,080	60,594	—	748,674
New guarantee contracts originated	1,126,819	—	—	1,126,819
Transfers	(978,068)	1,175,369	—	197,301
— From stage 1 to stage 2	(993,204)	993,204	—	—
— From stage 2 to stage 1	32,580	(32,580)	—	—
Net impact on expected credit loss by stage transfers	(17,444)	214,745	—	197,301
Guarantee liabilities de-recognized and other adjustments in the current period (including repayments of loans and guarantee payments)	(911,219)	(954,257)	—	(1,865,476)
Change in parameters of expected credit loss model	2,476,773	13,018	—	2,489,791
As of December 31, 2021	2,402,385	294,724	—	2,697,109

32 Financing guarantee liabilities (Continued)

(c) The following table sets forth the movement of gross carrying amount of financing guarantee contracts for the year ended December 31, 2022:

	Year ended December 31, 2022			
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 Total
As of January 1, 2022	64,416,918	314,451	—	64,731,369
New guarantee contracts originated	59,085,462	—	—	59,085,462
Transfers	(5,760,786)	5,760,786	—	—
— From stage 1 to stage 2	(5,887,854)	5,887,854	—	—
— From stage 2 to stage 1	127,068	(127,068)	—	—
Guarantee liabilities de-recognized and other adjustments in the current period (including repayments of loans and guarantee payments)	(50,729,902)	(4,583,991)	—	(55,313,893)
As of December 31, 2022	67,011,692	1,491,246	—	68,502,938

(d) The following table sets forth the movement of ECL allowance of financing guarantee contracts for the year ended December 31, 2022:

	Year ended December 31, 2022			
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 Total
As of January 1, 2022	2,402,385	294,724	—	2,697,109
New guarantee contracts originated	980,980	—	—	980,980
Transfers	(4,462,900)	5,388,205	—	925,305
— From stage 1 to stage 2	(4,514,480)	4,514,480	—	—
— From stage 2 to stage 1	114,996	(114,996)	—	—
Net impact on expected credit loss by stage transfers	(63,416)	988,721	—	925,305
Guarantee liabilities de-recognized and other adjustments in the current period (including repayments of loans and guarantee payments)	(2,201,596)	(4,336,572)	—	(6,538,168)
Change in parameters of expected credit loss model	7,656,851	41,292	—	7,698,143
As of December 31, 2022	4,375,720	1,387,649	—	5,763,369

32 Financing guarantee liabilities (Continued)

(e) The following table sets forth the movement of gross carrying amount of financing guarantee contracts for the year ended December 31, 2023:

	Year ended December 31, 2023			
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 Total
As of January 1, 2023	67,011,692	1,491,246	—	68,502,938
New guarantee contracts originated	38,342,179	—	—	38,342,179
Transfers	(6,666,043)	6,666,043	—	—
— From stage 1 to stage 2	(7,000,050)	7,000,050	—	—
— From stage 2 to stage 1	334,007	(334,007)	—	—
Guarantee liabilities de-recognized and other adjustments in the current period (including repayments of loans and guarantee payments)	(44,798,214)	(7,143,416)	—	(51,941,630)
As of December 31, 2023	53,889,614	1,013,873	—	54,903,487

(f) The following table sets forth the movement of ECL allowance of financing guarantee contracts for the year ended December 31, 2023:

	Year ended December 31, 2023			
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 Total
As of January 1, 2023	4,375,720	1,387,649	—	5,763,369
New guarantee contracts originated	676,224	—	—	676,224
Transfers	(5,691,521)	6,254,121	—	562,600
— From stage 1 to stage 2	(5,805,478)	5,805,478	—	—
— From stage 2 to stage 1	313,688	(313,688)	—	—
Net impact on expected credit loss by stage transfers	(199,731)	762,331	—	562,600
Guarantee liabilities de-recognized and other adjustments in the current period (including repayments of loans and guarantee payments)	(2,830,662)	(6,733,874)	—	(9,564,536)
Change in parameters of expected credit loss model	6,700,989	46,886	—	6,747,875
As of December 31, 2023	3,230,750	954,782	—	4,185,532

33 Convertible promissory notes payable

In October 2015, in connection with the acquisition of Gem Alliance Limited, the Company issued a convertible promissory note (the "Notes") to China Ping An Insurance Overseas (Holdings) Limited ("PAOH"), a subsidiary of Ping An Group, in an aggregate principal amount of USD1,953.8 million. On the same date, PAOH agreed to transfer USD937.8 million of the principal amount of the Note and all rights, benefits and interests attached thereunder to An Ke Technology Company Limited ("An Ke"), a subsidiary of Ping An Group. The Notes bears interest paid semi-annually at the rate of 0.7375% per annum. Subject to its terms and conditions, the holders of the Notes have the right to convert the Notes into ordinary shares of the Company within the conversion period commencing on the listing day of the Company until the date which is five business days before (and excluding) the eighth anniversary of the issuance date of the Notes at the conversion price of USD14.8869 per share, subject to certain anti-dilution adjustments if applicable.

On August 31, 2020, the Company entered into an amendment and supplemental agreement with PAOH and An Ke. In accordance with this agreement, the holders of the Notes could only exercise their conversion right one year after the Company's listing date. This amendment did not have any material impact on the Group's financial position and results of operations.

On August 20, 2021, the Company, PAOH and An Ke entered into an amendment and supplemental agreement to the share purchase agreement and the Notes (the "Third Amendment and Supplemental Agreement"). The Third Amendment and Supplemental Agreement amends the terms of the Note by extending the commencement of the conversion period of the Notes from the date which is one year after the date of the Company's initial public offering to April 30, 2023. Each of PAOH and An Ke has the right in the manner provided in the Notes, as applicable, to convert the whole or any part of the outstanding principal amount of the Notes, as applicable, into ordinary shares of the Company.

On December 6, 2022, the Company, PAOH and An Ke entered into an amendment and supplemental agreement (the "Fourth Amendment and Supplemental Agreement") to amend the terms of the Notes, pursuant to which the Company agreed to redeem 50% of the outstanding principal amount of the Notes from PAOH and An Ke, and the parties agreed to extend the maturity date and the commencement date of the conversion period of the remaining 50% Notes. As a result, the remaining 50% outstanding principal amount of the Notes bear interest, unless otherwise agreed, at the rate of 0.7375% per annum of the principal amount of the Notes outstanding from time to time, which will be payable semi-annually until October 8, 2026. The Notes can be converted into the shares at any time from April 30, 2026 until the date which is five business days before (and excluding) October 8, 2026, at an initial conversion price of USD14.8869 per ordinary share subject to certain adjustments as set forth in the Notes (Note 44). Unless converted or purchased and canceled prior to the maturity date, the Company will redeem the Notes of their principal amounts together with accrued interests on the maturity date.

33 Convertible promissory notes payable (Continued)

The Group measured the liability component at initial recognition based on its best estimate of the present value of the redemption amount and recognized the residual to the equity component to reflect the value of conversion rights. Subsequent to initial recognition, the liability component of convertible promissory notes payable measured at amortized cost using the effective interest rate method with interest expenses recorded in the finance costs. The equity component was not be re-measured subsequently.

	Liabilities RMB'000	Equity RMB'000
Carrying value as of January 1, 2021	**10,117,188**	**5,744,955**
Interest accrued at effective interest rate	893,001	—
Interest paid	(100,937)	—
Exchange differences	(239,754)	—
Carrying value as of December 31, 2021	**10,669,498**	**5,744,955**
Interest accrued at effective interest rate	1,045,611	—
Interest paid	(115,879)	—
Redemption and extension of convertible promissory notes (a)	(7,444,513)	(5,584,770)
Exchange differences	1,009,422	—
Carrying value as of December 31, 2022	**5,164,139**	**160,185**
Interest accrued at effective interest rate	448,017	—
Interest paid	(50,900)	—
Exchange differences	89,012	—
Carrying value as of December 31, 2023	**5,650,268**	**160,185**

(a) Following the Fourth Amendment and Supplemental Agreement on December 6, 2022, the carrying values of liability and equity components in relation to original Notes were reversed due to extinguishment of original Notes and fair value of new Notes was recognized, giving rise to an increase of RMB174 million in financial costs and RMB6,210 million in share premium and a decrease of RMB5,585 million in other reserves.

In consideration of the above redemption and the extension of the maturity date and taking into account the fair market value of the Notes determined by the independent valuers, pursuant to the Fourth Amendment and Supplemental Agreement, the Company agreed to pay PAOH and An Ke a total amount of approximately USD1,071 million (the "Consideration") together with the unpaid interest accrued on the redeemed notes up to and including the effective date of the Fourth Amendment and Supplemental Agreement. The first tranche payment of the Consideration in the total amount of approximately USD536 million had been paid in December 2022. Additional interests had accrued on the remaining Consideration at a rate of 6.5% per annum, accruing daily from and including the date after the modification date (i.e. December 6, 2022) up to but excluding the date on which the unpaid consideration is paid. The remaining Consideration and additional interests amounting to USD546 million had been paid in March 2023.

34 Optionally convertible promissory notes

On September 30, 2020, the Company issued optionally convertible promissory notes with a principal amount of USD1,158 million (equivalent of approximately RMB7,884 million) to certain holders of the Company's Class C ordinary shares as part of the C-round restructuring. The optionally convertible promissory notes matured on September 30, 2023, and the notes along with accrued interests amounting to approximately USD1,227 million had been fully repaid.

The Group measured the liability component of optionally convertible promissory notes at initial recognition based on its best estimate of the present value of the redemption amount and recognized the residual between the fair value of optionally convertible promissory notes and the fair value of the liability component to the equity component to reflect the value of conversion rights. Subsequent to initial recognition, the liability component of convertible promissory notes was measured at amortized cost using effective interest rate method with interest expenses recorded in the finance costs. The equity component was not re-measured subsequently.

	Liabilities RMB'000	Equity RMB'000
Carrying value as of January 1, 2021	**7,530,542**	**1,489,748**
Interest accrued at effective interest rate	495,079	—
Interest paid	(446,953)	—
Exchange differences	(173,565)	—
Carrying value as of December 31, 2021	**7,405,103**	**1,489,748**
Interest accrued at effective interest rate	521,747	—
Interest paid	(493,134)	—
Exchange differences	709,192	—
Carrying value as of December 31, 2022	**8,142,908**	**1,489,748**
Interest accrued at effective interest rate	407,255	—
Interest paid	(498,198)	—
Redemption of optionally convertible promissory notes (a)	(8,342,096)	(1,489,748)
Exchange differences	290,131	—
Carrying value as of December 31, 2023	**—**	**—**

35 Other liabilities

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Accrued expenses	1,617,983	1,128,099
Payable for other debt investments (a)	261,851	463,184
Provisions	112,584	155,347
Others	8,350	13,042
	2,000,768	**1,759,672**

(a) Payable for other debt investments is primarily relating to the distribution of proceeds from other assets jointly invested with other parties in accordance with the provisions of the agreement.

36 Share capital and share premium

	Ordinary share		
	Number of shares	Share capital	Share premium
		RMB'000	RMB'000
As of January 1, 2021	1,231,150,560	77	33,213,426
Retirement of ordinary shares (a)	(35,644,803)	(2)	—
Issuance of ordinary shares for share-based payment (b)	8,000,000	—	—
Exercise of share-based payment	—	—	152,360
As of December 31, 2021	1,203,505,757	75	33,365,786
Exercise of share-based payment	—	—	127,063
Redemption and extension of convertible promissory notes (Note 33(a))	—	—	6,209,598
Cash Dividend (Note 44)	—	—	(7,628,573)
As of December 31, 2022	1,203,505,757	75	32,073,874
Exercise of share-based payment	—	—	17,403
Repayment of optionally convertible promissory notes (Note 34(a))	—	—	1,489,748
Cash Dividend (Note 44)	—	—	(1,438,792)
As of December 31, 2023	1,203,505,757	75	32,142,233

36 Share capital and share premium (Continued)

(a) The Company's board of directors previously designated Tun Kung Company Limited, a principal shareholder of the Company, as the entity to hold 35,644,803 shares reserved under the share incentive plans of the Company, pursuant to authorization under the existing plans. As of December 31, 2021, such arrangement for the exercise of share-based payments was terminated.

(b) The Company issued 8 million shares for the future exercise of share-based payments during the year ended December 31, 2021, which amounted to RMB517.

37 Treasury shares

	Shares	Amount RMB'000
As of January 1, 2021	**35,644,803**	**2**
Repurchase of ordinary shares (a)	53,507,241	5,560,104
Retirement of ordinary shares (Note 36(a))	(35,644,803)	(2)
Issuance of ordinary shares for share-based payment (Note 36(b))	8,000,000	—
Exercise of share-based payment (b)	(2,219,927)	—
As of December 31, 2021	**59,287,314**	**5,560,104**
Repurchase of ordinary shares (a)	1,447,513	82,665
Exercise of share-based payment (b)	(3,223,040)	—
As of December 31, 2022	**57,511,787**	**5,642,769**
Exercise of share-based payment (b)	(325,202)	(1)
As of December 31, 2023	**57,186,585**	**5,642,768**

(a) In 2021, the Company's board of directors authorized share repurchase programs under which the Company could repurchase up to an aggregate of USD1 billion of its shares during a specific period of time. For the years ended December 31, 2021, the Company had repurchased 54 million shares for approximately RMB5,560 million under share repurchase programs. For the years ended December 31, 2022, the Company had repurchased 1.4 million shares for approximately RMB83 million under share repurchase programs. As of December 31, 2022, the share repurchase program was completed.

(b) For the years ended December 31, 2021, 2022 and 2023, the number of treasury shares of 2,219,927, 3,223,040 and 325,202 had been used for the exercise of share-based payment with a par value of USD0.00001 per share, respectively, which amounted to RMB143, RMB224 and RMB23.

38 Other reserves

	Employee share-based compensation reserve	Translation differences	General reserve	Value of conversion rights - optionally convertible promissory notes (Note 34)	Value of conversion rights - convertible promissory notes (Note 33)	Capital reserve and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2021	**615,489**	**146,580**	**996,178**	**1,489,748**	**5,744,955**	**(1,574,240)**	**7,418,710**
Exercise of share-based payment	(72,709)	—	—	—	—	—	(72,709)
Foreign operation translation differences	—	28,402	—	—	—	—	28,402
Appropriation to general reserve	—	—	1,789,034	—	—	—	1,789,034
Share-based payment	132,071	—	—	—	—	—	132,071
Acquisition of non-controlling interests of a subsidiary	—	—	—	—	—	9,487	9,487
As of December 31, 2021	**674,851**	**174,982**	**2,785,212**	**1,489,748**	**5,744,955**	**(1,564,753)**	**9,304,995**

	Employee share-based compensation reserve	Translation differences	General reserve	Value of conversion rights - optionally convertible promissory notes (Note 34)	Value of conversion rights - convertible promissory notes (Note 33)	Capital reserve and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2022	**674,851**	**174,982**	**2,785,212**	**1,489,748**	**5,744,955**	**(1,564,753)**	**9,304,995**
Exercise of share-based payment	(68,110)	—	—	—	—	—	(68,110)
Foreign operation translation differences	—	(1,581,252)	—	—	—	—	(1,581,252)
Appropriation to general reserve	—	—	42,078	—	—	—	42,078
Share-based payment	45,491	—	—	—	—	—	45,491
Redemption and extension of convertible promissory notes (Note 33(a))	—	—	—	—	(5,584,770)	—	(5,584,770)
As of December 31, 2022	**652,232**	**(1,406,270)**	**2,827,290**	**1,489,748**	**160,185**	**(1,564,753)**	**2,158,432**

	Employee share-based compensation reserve	Translation differences	General reserve	Value of conversion rights - optionally convertible promissory notes (Note 34)	Value of conversion rights - convertible promissory notes (Note 33)	Capital reserve and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2023	**652,232**	**(1,406,270)**	**2,827,290**	**1,489,748**	**160,185**	**(1,564,753)**	**2,158,432**
Exercise of share-based payment	(15,667)	—	—	—	—	—	(15,667)
Foreign operation translation differences	—	(465,590)	—	—	—	—	(465,590)
Acquisition of non-controlling interests of a subsidiary	—	—	—	—	—	4,511	4,511
Share-based payment	(36,089)	—	—	—	—	—	(36,089)
Repayment of optionally convertible promissory notes (Note 34(a))	—	—	—	(1,489,748)	—	—	(1,489,748)
As of December 31, 2023	**600,476**	**(1,871,860)**	**2,827,290**	**—**	**160,185**	**(1,560,242)**	**155,849**

39 Retained earnings

In accordance with the relevant laws and regulations, each of the Company's subsidiaries, the Consolidated Affiliated Entities and Subsidiaries of Consolidated Affiliated Entities incorporated in the PRC is required to annually appropriate 10% of its after-tax income to its statutory surplus reserve prior to payment of any dividends, unless such reserve funds have reached 50% of such entity's registered capital. As of December 31, 2022 and 2023, the accumulated statutory surplus reserve was RMB4,432 million and RMB4,403 million, respectively. Such reserves are not available for dividend distribution.

40 Commitment

(a) Financing guarantee commitments

The Group provides financing guarantees services to individuals and small and micro-business owners who successfully obtain loans through the Group's platform. The following table sets forth the balance of such commitment under the financing guarantee contracts for which the Group does not consolidate the underlying loans.

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Financing guarantee commitments	68,502,938	54,903,487

(b) Capital commitments

On November 13, 2023, the Group entered into a share and purchase agreement with OCFT and the Virtual Bank, pursuant to which OCFT conditionally agreed to sell, and the Group conditionally agreed to acquire the Virtual Bank through the sale and purchase of the entire issued share capital of the indirect holding company of the Virtual Bank, Jin Yi Tong Limited, at a consideration of HK$933 million in cash.

41 Note to consolidated statements of cash flows

(a) Reconciliation from profit before income tax expenses to cash generated from operating activities:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Profits before income tax	23,400,178	13,013,271	1,645,112
Adjustments for:			
Depreciation of property and equipment	193,511	177,799	181,171
Depreciation of right-of-use assets	608,889	578,014	413,957
Amortization of intangible assets	22,234	15,325	11,022
Share of loss of associates and joint ventures	31,143	218	5,416
Net gains on sale of property and equipment, and intangible assets	6,681	24,256	21,506
Net unrealized losses on financial assets at fair value through profit or loss	483,356	212,297	197,027
Non-cash employee benefits expense - share based payment	133,395	45,919	(36,143)
Asset impairment losses	1,100,882	427,108	31,246
Credit impairment losses	5,658,259	11,956,103	5,598,588
Finance cost classified as financing activities	1,808,050	2,502,008	1,784,065
Investment income classified as investing activities	(1,592,319)	(1,460,167)	(1,220,005)
Foreign exchange losses/(gains)	(206,753)	877,232	(75,714)
	31,647,506	**28,369,383**	**8,557,248**
Change in operating assets and liabilities, net of effects from purchase of controlled entity:			
Decrease/(increase) in loans to customers and accounts and other receivables	(101,160,641)	10,415,490	105,943,815
Increase/(decrease) in accounts and other payables	82,508,406	(24,054,567)	(96,748,653)
	12,995,271	**14,730,306**	**17,752,410**

41 Note to consolidated statements of cash flows (Continued)

(b) Net increase in cash and cash equivalents

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents at the end of the year	26,496,310	29,537,511	18,480,096
Less: Cash and cash equivalents at the beginning of the year	(23,785,651)	(26,496,310)	(29,537,511)
Net increase/(decrease) in cash and cash equivalents	**2,710,659**	**3,041,201**	**(11,057,415)**

(c) Cash and cash equivalents

	As of December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Cash at bank (Note 16)	34,743,188	43,882,127	39,598,785
Less: Time deposits with original maturities of more than 3 months	(8,250,270)	(14,346,731)	(21,122,482)
Add: Provision for impairment losses	3,392	2,115	3,793
Cash and cash equivalents at the end of the year	**26,496,310**	**29,537,511**	**18,480,096**

41 Note to consolidated statements of cash flows (Continued)

(d) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years ended December 31, 2021, 2022 and 2023.

	Borrowings	Bonds payable	Convertible promissory notes payable	Lease liabilities	Optionally convertible promissory notes	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2021	**10,315,445**	**—**	**10,117,188**	**979,419**	**7,530,542**	**28,942,594**
Cash flows	15,242,903	—	(100,937)	(663,160)	(446,953)	14,031,853
Acquisitions-leases	—	—	—	501,663	—	501,663
Disposals-leases	—	—	—	(62,087)	—	(62,087)
Foreign exchange adjustments	(227,077)	—	(239,754)	—	(173,565)	(640,396)
Accrued expense	596,146	—	893,001	38,709	495,079	2,022,935
As of December 31, 2021	**25,927,417**	**—**	**10,669,498**	**794,544**	**7,405,103**	**44,796,562**
Cash flows	8,675,099	2,010,782	(3,863,265)	(604,172)	(493,134)	5,725,310
Redemption of convertible promissory notes	—	—	(3,697,127)	—	—	(3,697,127)
Acquisitions-leases	—	—	—	589,488	—	589,488
Disposals-leases	—	—	—	(72,455)	—	(72,455)
Foreign exchange adjustments	772,437	75,524	1,009,422	—	709,192	2,566,575
Accrued expense	1,540,560	57,042	1,045,611	41,402	521,747	3,206,362
As of December 31, 2022	**36,915,513**	**2,143,348**	**5,164,139**	**748,807**	**8,142,908**	**53,114,715**
Cash flows	104,949	(2,298,222)	(50,900)	(474,546)	(8,840,294)	(11,559,013)
Acquisitions-leases	—	—	—	254,383	—	254,383
Disposals-leases	—	—	—	(169,073)	—	(169,073)
Foreign exchange adjustments	246,223	79,167	89,012	—	290,131	704,533
Accrued expense	1,556,599	75,707	448,017	27,123	407,255	2,514,701
As of December 31, 2023	**38,823,284**	**—**	**5,650,268**	**386,694**	**—**	**44,860,246**

42 Share-based payment

The employees of the Group participate in share-based compensation plans under which share options and PSUs may be granted.

(a) Share options

In December 2014 and August 2015, the board of directors of the Company approved the establishment of the Phase I Share Incentive Plan (the "2014 Plan") and the Phase II Share Incentive Plan (the "2015 Plan") to grant a maximum of 20,644,803 Class A ordinary shares and maximum of 25,000,000 Class A ordinary shares. respectively. The shares reserved for grants under the two plans were treated as treasury shares in the consolidated financial statements.

Options granted under the 2014 Plan and 2015 Plan are valid and effective for 10 years from the date of grant and generally vest evenly over four years. The Group originally determined that the vesting period would commence no later than the grant date and would end either on the date 6 months after the IPO date or on the service condition ending date, whichever was later. Before the IPO, the Group revised the vesting period to reflect the best available estimate of the IPO date. Before the successful IPO, any change in the estimate of the IPO date resulted in an adjustment of share-based compensation expenses on cumulative basis in the period when such change was made.

The Group does not have statutory or constructive obligations to purchase or repay options by cash.

The following table sets forth the changes in the number of outstanding options and the weighted average exercise prices:

	Average exercise price per share option (RMB)	Number of options (in '000)
Outstanding as of January 1, 2021	74.22	21,460
Forfeited during the year	91.64	(1,702)
Exercised during the year	41.43	(1,937)
As of December 31, 2021	76.12	17,821
Exercised during the period	20.28	(2,821)
As of December 31, 2022	86.62	15,000
Exercised during the period	8.00	(181)
As of December 31, 2023	87.58	14,819

42 Share-based payment (Continued)

(a) Share options (Continued)

The Company recognized RMB4 million, RMB27 million and nil in expenses related to share options in 2021, 2022 and 2023, respectively. No options expired during the periods covered by the above table. The weighted-average remaining contract life for outstanding share options was 3.71 years and 2.73 years as of December 31, 2022 and 2023, respectively. The following table sets forth the outstanding share options as of December 31, 2023 by different exercise price:

	Number of options (in '000)
Exercise price per share option (RMB)	
8.00	354
50.00	3,738
98.06	7,905
118.00	2,822
	14,819

No share options were granted for the years ended December 31, 2021, 2022 and 2023.

(b) PSUs

On September 4, 2019, the board of directors of the Company approved the establishment of the 2019 Performance Share Unit Plan ("2019 Plan") to grant a maximum of 15,000,000 Class A ordinary shares which were reallocated from the 2015 Plan. Such shares were issued to Tun Kung Company Limited on December 24, 2019 and were treated as treasury shares in the consolidated financial statements. On July 21, 2021, the Company's board of directors approved and authorized the Company to repurchase an aggregate of 35,644,803 shares, which included shares relating to the 2014 Plan, the 2015 Plan and the 2019 Plan, from Tun Kung Company Limited at par value.

For the years ended December 31, 2021, 2022 and 2023, 1,589,900 PSUs, 39,500 PSUs, and 32,000 PSUs were granted respectively, which are generally subject to a four-year vesting schedule as determined by the administrator of the plans. The actual number of PSUs provided to a grantee can vary from zero to 100 percent depending on the Group's performance against certain key performance indicators which are determined annually.

42 Share-based payment (Continued)

(b) PSUs (Continued)

The following table sets forth the changes in the number of PSUs and weighted average exercise prices:

	Weighted average grant day fair value (RMB)	Number of units (in '000)
Outstanding as of January 1, 2021	**140.87**	**1,958**
Granted during the year	82.60	1,590
Exercised during the year	141.69	(283)
Forfeited and other change during the year	152.70	(223)
Outstanding as of December 31, 2021	**109.47**	**3,042**
Granted during the year	60.78	40
Exercised during the year	112.47	(402)
Forfeited and other change during the year	286.29	(325)
Outstanding as of December 31, 2022	**83.73**	**2,355**
Granted during the year	8.90	32
Exercised during the year	431.02	(172)
Forfeited and other change during the year	147.31	(119)
Outstanding as of December 31, 2023	**50.48**	**2,096**

For the years ended December 31, 2021, 2022 and 2023, the Company recognized RMB129 million, RMB19 million, and reversed RMB36 million of expenses related to PSUs, respectively.

The Group determined the underlying equity fair value of the Company based on its stock price as of the grant date. Based on fair value of the underlying equity, the Group uses Monte Carlo Simulation model to determine the fair value of the share unit as of the grant date. The risk-free rate was estimated based on the yield of the U.S treasury bond with a maturity date similar to the maturity date of the share unit plus the country risk premium of China. Volatility was estimated at grant date based on the average of the historical volatilities of the comparable companies over a period of time commensurable in length to the time to maturity of the share unit. Dividend yield was estimated based on management's best estimate at the grant date. The following table sets forth the key assumptions used in the Monte Carlo Simulation model for the share units granted during the years ended December 31, 2022 and 2023.

	PSUs granted in Year ended December 31,		
	2021	2022	2023
Risk-free rate	0.94%-1.70%	1.36%-3.37%	5.06%
Expected volatility rate	55.40%-59.70%	55.40%-60.05%	61.38%
Expected dividend yield	0.00%-3.00%	0.00%-3.01%	4.12%

43 Related parties and related party transactions

The following significant transactions were carried out between the Group and its related parties during the years ended December 31, 2021, 2022 and 2023.

(a) Names and relationships with related parties

The following table sets forth the major related parties which have major transactions with the Group during the years ended December 31, 2021, 2022 and 2023:

Name of related parties	Relationship with the Company
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	Significant influence on the Group and its subsidiaries

43.1 Significant transactions with related parties

The following are the significant related party transactions and balances during the period and as of period end:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Technology platform based income			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	1,414,885	1,529,485	514,936
Other income			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	3,538,974	1,053,718	1,095,656
Investment income			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	594,446	338,252	158,552
Finance costs-Interest income			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	247,238	281,130	299,278
Finance costs-Interest expense			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	6,151	25,435	14,115
Sales and marketing expenses, general and administrative expenses, operation and servicing expenses, and technology and analytics expenses			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	3,294,358	2,919,391	1,953,230
Other gains/(losses) – net			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	(211,674)	350,329	(69,669)

43 Related parties and related party transactions (Continued)

43.1 Significant transactions with related parties (Continued)

Technology platform based income

Ping An Group offers investment products available on the Group's technology platform. The investment products provided by Ping An Group primarily include private investment funds, insurance products, bank products and trust plans. Fees are collected from Ping An Group for facilitation of investment products offered on the Group's technology platform. The Group generally receives service fees based on a certain percentage of the volume of investment products facilitated and loans made by Ping An Group. Such fee is recognized upon successful facilitation.

Other income

Other income mainly comprises income for the account management services provided by the Group to Ping An Group. The Group generally receives the service fees monthly based on the number of accounts managed and the performance of the underlying loans managed by the Group for Ping An Group. In September 2022, the account management service contracts with Ping An P&C were revised as a result of worse-than-expected loan performance. Based on the negotiation with Ping An P&C, the Group agreed to revise the contract and refunded RMB440 million to Ping An P&C and charged the account management fees based on loan performance after September 2022.

Net interest income – Interest expense

The interest expense mainly consists of interest paid for borrowings from Ping An Group. These borrowings were used to providing funding for on-balance sheet loans under the Company's retail credit and enablement business. The interest expenses are calculated based on the effective interest rates and the carrying amount of such borrowings.

Investment income

Investment income mainly consists of investment return received by the Group on investment products issued or managed by Ping An Group.

Finance costs

Ping An Group provides deposit services and financing services to the Group.

Finance costs include interest paid to Ping An Group for borrowings used for businesses other than the retail credit and enablement business, interest paid to Ping An Group for its subscription in the consolidated wealth management products managed by the Group and interest income received from Ping An Group for cash deposited by the Group in Ping An Group. The finance cost is calculated based on the effective interest rates on the outstanding balances.

43 Related parties and related party transactions (Continued)

43.1 Significant transactions with related parties (Continued)

Sales and marketing expenses, general and administrative expenses, operation and servicing expenses, and technology and analytics expenses

Ping An Group provides a wide spectrum of services to the Group, including but not limited to:

(1) accounting processing and data communication services; (2) transaction settlement and custodian service; (3) office premise rental services; (4) technology support; and (5) HR support. The Group, in return, pays service fees to Ping An Group. The precise scope of service, service fees calculation, method of payment and other details of the service arrangement are agreed between the relevant parties separately.

The services fees paid by the Group to Ping An Group are determine through a bidding procedure according to the internal policies and procedures of the Group. If no tendering and bidding process is required under the Group's internal policies, they are determined through mutual negotiations between the two parties based on historical fees of such services and comparable market rates.

Other gains/(losses) - net

Other gains/(losses) – net mainly consist of foreign exchange losses due to the foreign exchange swaps provided by Ping An Group.

Leases

Part of the right-of-use assets and lease liabilities are rented from Ping An Group, and are used as workplace.

Convertible promissory notes payable

Ping An Group also held convertible promissory notes issued by the Company, which is disclosed in Note 33.

Purchase of financial assets

The Group purchased certain assets management plans, trust plans, mutual funds, private fund and other equity investments, bank wealth management products and corporate bonds managed and/or issued by Ping An Group. Please refer to Note 4.3 for the Group's maximum exposure related to these investments.

43 Related parties and related party transactions (Continued)

43.2 Year end balances with related parties

	As of December 31,	
	2022	2023
	RMB'000	RMB'000
Cash		
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	14,316,239	10,879,797
Account and other receivables and contract assets and other assets		
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	2,951,606	1,507,969
Accounts and other payables and contract liabilities and other liabilities		
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	560,888	180,762
Payable to platform investors, accounts and other payables and contract liabilities and other liabilities		
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	3,839,817	3,910
Financial assets at amortized cost		
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	2,504,622	1,501,013
Borrowings		
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	820,716	—

43 Related parties and related party transactions (Continued)

43.2 Year end balances with related parties (Continued)

(i) The balances with related parties were unsecured, interest-free and repayable on demand.

In 2023, the Company paid cash dividends to An Ke Technology Company Limited and Ping An Insurance Overseas (Holdings) Limited amounting USD51 million and USD34 million (2022: USD291 million and USD194 million), respectively.

(ii) These non-trade balances with related parties were mainly for treasury management purpose which are collectable or repayable on demand or within one year.

43.3 Key management personnel compensation

Key management includes directors (executive and non-executive) and senior officers. The following table sets forth the compensations paid or payable to key management for employee services:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonus	50,794	29,698	26,074
Other social security costs, housing benefits and other employee benefits	5,414	7,058	7,267
Pension costs – defined contribution plans	324	363	359
Share-based payment	56,317	22,719	(19,049)
	112,849	59,838	14,651

44 Dividends

On November 8, 2021, the Company's board of directors approved an annual cash dividend policy. Under the policy, starting from 2022, the Company would declare and distribute a recurring cash dividend at an amount range from 20% to 40% of the consolidated net profit in the previous fiscal year. Whether to make dividend distributions and the exact amount of such distributions in any particular year would be based upon the Company's operations and earnings, cash flow, financial condition and other relevant factors, and subject to adjustment and determination by the board of directors. On August 3, 2022, the Company's board of directors approved a semi-annual cash dividend policy to replace its existing dividend policy.

On March 7, 2022, the Company's board of directors approved and declared a cash dividend of USD0.68 per ordinary share based on the Company's outstanding shares to shareholders on record as of the close of trading on the New York Stock Exchange on April 8, 2022, which amounting to 1,144,226,418 shares. This annual dividend was paid in April 2022.

44 Dividends (Continued)

On August 3, 2022, the Company's board of directors approved an interim cash dividend of USD0.34 per ordinary share for the six-month period ended June 30, 2022, based on the Company's outstanding shares to shareholders on record as of the close of trading on the New York Stock Exchange on October 13, 2022, which amounting to 1,145,926,797 shares. The interim dividend was paid in October 2022.

On March 13, 2023, the Company's board of directors approved an interim cash dividend of USD0.1 per ordinary share for the six-month period ended December 31, 2022, based on the Company's outstanding shares to shareholders on record as of the close of trading on the New York Stock Exchange on April 7, 2023, which amounting to 1,146,108,643 shares. The interim dividend was paid in April 2023.

On August 22, 2023, the Company's board of directors approved an interim cash dividend of USD0.078 per ordinary share for the six-month period ended June 30, 2023, based on the Company's outstanding shares to shareholders on record as of the close of trading on the New York Stock Exchange on October 12, 2023, which amounting to 1,146,282,721 shares. The interim dividend was paid in October 2023.

The dividend declarations triggered an anti-dilution adjustment to the conversion price. The optionally convertible promissory notes was fully repaid on September 30, 2023 and as of December 31, 2023, the adjusted conversion prices of the Notes were USD12.74 per ordinary share following the dividend declarations.

45 Contingent liability

Other than as disclosed in the previous notes (Note 40), the Group did not have any significant contingent liability as of December 31, 2022 and 2023.

46 Benefits and interests of directors

The remuneration of each director of the Company includes director's fees, salaries and bonuses, social security and housing fund, other benefits, and non-monetary benefits.

The director's fee, salaries and bonuses, social security and housing fund and other benefits incurred by the Group for the years ended December 31, 2021, 2022 and 2023 are set out as follows:

Year ended December 31, 2021:

Name	Director's fee RMB'000	Salaries and bonuses RMB'000	Pension costs – defined contribution plans RMB'000	Other Social security and housing fund RMB'000	Other benefits RMB'000	Total RMB'000
Executive Directors:						
Cho Yong Suk	—	14,070	62	12	2,147	16,291
Gregory Dean Gibb	—	8,410	45	29	1,963	10,447
Ji Guangheng	—	12,090	46	37	523	12,696
Li Renjie	—	667	—	—	175	842
Non-Executive Directors:						
Zhang Xudong	500	—	—	—	—	500
Li Weidong	500	—	—	—	—	500
Ha Jiming	164	—	—	—	—	164
Yang Rusheng	500	—	—	—	—	500
Tang Yunwei	458	—	—	—	—	458
Li Xianglin	458	—	—	—	—	458
Sin Yin Tan	—	—	—	—	—	—
Jason Bo Yao	—	—	—	—	—	—
Law Eddie Siu Wah	—	—	—	—	—	—
Peter Jurdjevic	—	—	—	—	—	—
Li Rui	—	—	—	—	—	—
	2,580	**35,237**	**153**	**78**	**4,808**	**42,856**

46 Benefits and interests of directors (Continued)

Year ended December 31, 2022:

Name	Director's fee RMB'000	Salaries and bonuses RMB'000	Pension costs – defined contribution plans RMB'000	Other Social security and housing fund RMB'000	Other benefits RMB'000	Total RMB'000
Executive Directors:						
Cho Yong Suk	—	7,750	67	15	2,242	10,074
Gregory Dean Gibb	—	4,580	40	36	2,433	7,089
Ji Guangheng	—	2,673	13	10	87	2,783
Non-Executive Directors:						
Zhang Xudong	500	—	—	—	—	500
Li Weidong	500	—	—	—	—	500
Yang Rusheng	500	—	—	—	—	500
Tang Yunwei	448	—	—	—	—	448
Li Xianglin	500	—	—	—	—	500
Li Rui	—	—	—	—	—	—
Ou Hanjie	—	—	—	—	—	—
Cai Fangfang	—	—	—	—	—	—
Fu Xin	—	—	—	—	—	—
Huang Yuqiang	—	—	—	—	—	—
	2,448	**15,003**	**120**	**61**	**4,762**	**22,394**

46 Benefits and interests of directors (Continued)

Year ended December 31, 2023:

Name	Director's fee RMB'000	Salaries and bonuses RMB'000	Pension costs – defined contribution plans RMB'000	Other Social security and housing fund RMB'000	Other benefits RMB'000	Total RMB'000
Executive Directors:						
Cho Yong Suk	—	7,390	66	20	2,076	9,552
Gregory Dean Gibb	—	5,180	43	40	2,198	7,461
Non-Executive Directors:						
Zhang Xudong	500	—	—	—	—	500
Li Weidong	500	—	—	—	—	500
Yang Rusheng	500	—	—	—	—	500
Li Xianglin	500	—	—	—	—	500
Ji Guangheng	—	—	—	—	—	—
Fu Xin	—	—	—	—	—	—
Huang Yuqiang	—	—	—	—	—	—
Xie Yonglin	—	—	—	—	—	—
	2,000	**12,570**	**109**	**60**	**4,274**	**19,013**

Other non-monetary benefits include share options and performance share units ("PSUs"). In the years ended December 31, 2021, 2022 and 2023, the total number of shares issued upon the exercise of share options and vesting of PSUs granted to the directors of the Company was 951,276.5, 1,685,372.5 and 1,502,872.5, respectively, with trading prices ranging from USD2.95 per share to USD12.61 per share.

47 Parent company only condensed financial information

Parent company only financial statements include condensed financial information as to statements of financial position, cash flows and comprehensive income of a parent company as of the same dates and for the same periods for which the consolidated financial statements have been presented.

Save for the consideration in the amount of HK$933 million (equivalent to approximately RMB845,503 million) for the acquisition of Virtual Bank, as of December 31, 2023, the Company had no other material capital commitments. During the year ended December 31, 2023, except that Gem Alliance Limited paid cash dividend to the Company with an amount of USD800 million on August 30, other subsidiaries did not pay any dividend to the Company for the periods presented.

(a) Investments accounted for using the equity method

	As of December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Investments in subsidiaries	95,412,806	106,249,382	102,400,960
Investments in associates	459,496	39,271	2,609
	95,872,302	106,288,653	102,403,569

Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

Condensed Statements of Comprehensive Income

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Investment income	60,006	38,695	8,105
Income from subsidiaries and VIEs	18,035,463	10,683,088	2,042,751
Total income	**18,095,469**	**10,721,783**	**2,050,856**
General and administrative expenses	(113,056)	(113,983)	(155,610)
Credit impairment losses	2,210	6,972	440
Finance costs	(1,380,292)	(1,753,486)	(1,003,183)
Other gains/(losses) - net	202,562	(161,917)	(5,638)
Total expenses	**(1,288,576)**	**(2,022,414)**	**(1,163,991)**
Income before income tax expenses	16,806,893	8,699,369	886,865
Less: Income tax expenses	(2,513)	—	—
Net profit for the year	**16,804,380**	**8,699,369**	**886,865**
Net profit attributable to:			
Owners of the Company	16,804,380	8,699,369	886,865
Other comprehensive income/(loss), net of tax:			
-Exchange differences on translation of foreign operations	28,402	(1,581,252)	(465,590)
Total comprehensive income for the year	**16,832,782**	**7,118,117**	**421,275**
Total comprehensive income attributable to:			
Owners of the Company	16,832,782	7,118,117	421,275

47 Parent company only condensed financial information (Continued)

Condensed Statements of Financial Position

	Note	As of December 31, 2022 RMB'000	2023 RMB'000
ASSETS			
Cash at bank	16	1,644,302	68,371
Financial assets at fair value through profit or loss	17	767,636	—
Financial assets at amortized cost	18	155,602	—
Accounts and other receivables and contract assets	19	1,627,343	112,614
Investments accounted for using the equity method	47(a)	106,288,653	102,403,569
Total assets		**110,483,536**	**102,584,554**
LIABILITIES			
Borrowings	28	139,054	4,719,759
Accounts and other payables and contract liabilities	30	3,803,643	26,305
Convertible promissory notes payable	33	5,164,139	5,650,268
Optionally convertible promissory notes	34	8,142,908	—
Other liabilities		43,946	45,734
Total liabilities		**17,293,690**	**10,442,066**
EQUITY			
Share capital	36	75	75
Share premium	36	32,073,874	32,142,233
Treasury shares	37	(5,642,769)	(5,642,768)
Other reserves	38	2,158,432	155,849
Retained earnings		64,600,234	65,487,099
Total equity		**93,189,846**	**92,142,488**
Total liabilities and equity		**110,483,536**	**102,584,554**

47 Parent company only condensed financial information (Continued)

Condensed Statements of Cash Flows

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities			
Cash used in operating activities	(105,253)	166,134	(100,314)
Net cash generated from/(used in) operating activities	**(105,253)**	**166,134**	**(100,314)**
Cash flows from investing activities			
Inter-company cash flow	—	—	(4,600)
Capital contribution to consolidated entities	(109,635)	—	—
Payment for advances to consolidated entities	(3,689,678)	(160,000)	(948,295)
Receipts of repayments of the advances and capital return from consolidated entities	7,249,502	12,450,046	1,669,873
Proceeds and interest from sale of investment assets	6,522	419,538	774,498
Payment for acquisition of investment assets	(383,798)	(764,885)	—
Receipts of dividends from consolidated entities	—	—	5,833,440
Net cash generated from investing activities	**3,072,913**	**11,944,699**	**7,324,916**
Cash flows from financing activities			
Proceeds from exercise of share-based payment	43,456	95,911	252
Proceeds from borrowings	319,535	134,228	4,069,584
Repayment of borrowings	(369,929)	(374,464)	(140,564)
Repayment for advances to consolidated entities	—	—	(4,695,913)
Receipts of advances from consolidated entities	—	—	5,266,949
Repayment of convertible promissory notes payable	—	(3,747,386)	(3,642,931)
Repayment of optionally convertible promissory notes	—	—	(8,342,096)
Refund of cash reserved for repurchase of ordinary shares	—	—	854,624
Payment for interest expenses	(555,304)	(621,246)	(731,034)
Payment for dividend declared	—	(7,717,474)	(1,435,461)
Payment for repurchase of ordinary shares	(6,438,455)	—	—
Other financing activities	(1,131)	—	—
Net cash used in financing activities	**(7,001,828)**	**(12,230,431)**	**(8,796,590)**
Effect of exchange rate changes on cash and cash equivalents	**(62,027)**	**(49,716)**	**(3,943)**
Net decrease in cash and cash equivalents	(4,096,195)	(169,314)	(1,575,931)
Add: Cash and cash equivalents at the beginning of the year	5,909,811	1,813,616	1,644,302
Cash and cash equivalents at the end of the year	**1,813,616**	**1,644,302**	**68,371**

48 Subsequent events

On March 21, 2024, the Company's board of directors resolved to recommend the declaration and distribution of a special dividend out of the share premium account under the reserves of the Company in the amount of US$1.21 per ordinary share or US$2.42 per ADS. The special dividend will be payable in cash, with eligible holders of ordinary shares given an option to elect to receive the special dividend wholly in the form of new ordinary shares and eligible holders of ADSs given an option to elect to receive the special dividend wholly in the form of new ADSs. The special dividend is subject to the approval of shareholders at the annual general meeting, which will be held on May 30, 2024. The Company's ability to pay this special dividend depends upon one-off dividends paid by its PRC subsidiaries in 2024. In March 2024, certain PRC subsidiaries of the Group declared dividends to the Hong Kong's subsidiary of the Group for an aggregate amount of RMB10.5 billion. The withholding tax of RMB1.05 billion to be levied on the dividend remitted overseas will be reflected in the financial statements in 2024.

48 Subsequent events (Continued)

On April 2, 2024, all the conditions precedent to the acquisition of Virtual Bank had been fulfilled (refer to Note 2). Upon that, the acquisition was completed and the Virtual Bank became a wholly-owned subsidiary of the Group. The Virtual Bank is a fully-licensed bank registered under the Hong Kong Banking Ordinance and is regulated by the Hong Kong Monetary Authority. Its principal activity is to provide banking services through electronic channels, with its service scope similar to traditional banks but without physical operating branches. All of the Virtual Bank's loans were small and medium-sized enterprises ("SME") loans in Hong Kong, and a significant portion of the outstanding balance is backed by Hong Kong government's SME Financing Guarantee Scheme. The Company believes that the business and target customers of the Virtual Bank would synchronize well with the Company's existing operations, enabling the Company to leverage its operational experience and technological expertise in its business development. As of December 31, 2023, the unaudited total assets and liabilities of the Virtual Banks were RMB2,995 million and RMB2,388 million, respectively. For the year ended December 31, 2023, the unaudited revenue and loss before income tax of the Virtual Bank was RMB146 million and RMB163 million, respectively.

Exhibit 1.1

THE COMPANIES ACT

EXEMPTED COMPANY LIMITED BY SHARES

SIXTH AMENDED AND RESTATED

MEMORANDUM OF ASSOCIATION

OF

Lufax Holding Ltd
陆金所控股有限公司

(Adopted by way of a special resolution of the shareholders passed on 12 April 2023 and effective on 14 April 2023)

1. The name of the Company is **Lufax Holding Ltd** 陆金所控股有限公司.

2. The registered office of the Company shall be at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

3. Subject to the following provisions of this Memorandum, the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

4. Subject to the following provisions of this Memorandum, the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided by Section 27(2) of the Companies Act.

5. Nothing in this Memorandum shall permit the Company to carry on a business for which a licence is required under the laws of the Cayman Islands unless duly licensed.

6. The Company shall not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this clause shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.

7. The liability of each member is limited to the amount from time to time unpaid on such member's shares.

8. The share capital of the Company is US$100,000 divided into 10,000,000,000 shares of US$0.00001 par value each, with power for the Company insofar as is permitted by applicable law and the Articles of Association, to redeem or purchase any of its shares and to increase or reduce the said capital and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether declared to be preference or otherwise shall be subject to the powers hereinbefore contained.

9. The Company may exercise the power contained in the Companies Act to deregister in the Cayman Islands and be registered by way of continuation in another jurisdiction.

The Companies Act (As Amended)
Company Limited by Shares

THE NINTH AMENDED AND RESTATED

ARTICLES OF ASSOCIATION

OF

Lufax Holding Ltd

陆金所控股有限公司

(Adopted by way of a special resolution of the shareholders passed on 12 April 2023 and effective on 14 April 2023)

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TABLE A

1. The regulations in Table A in the First Schedule to the Companies Act (as amended) do not apply to the Company.

INTERPRETATION

2. (1) In these Articles, unless the context otherwise requires, the words standing in the first column of the following table shall bear the meaning set opposite them respectively in the second column.

WORD	MEANING
"Act"	The Companies Act (as amended) of the Cayman Islands.
"ADSs"	American depositary shares representing the Company's ordinary shares.
"Audit Committee"	any audit committee of the Company as may be formed by the Board pursuant to Article 118 hereof, or any successor audit committee.
"Auditor"	the independent auditor of the Company which shall be an internationally recognized firm of independent accountants.
"Articles"	these Articles in their present form or as supplemented or amended or substituted from time to time.
"Board" or "Directors"	the board of directors of the Company or the directors present at a meeting of directors of the Company at which a quorum is present.
"capital"	the share capital from time to time of the Company.
"Chairman of the Board"	has the meaning given in Article 122(2).
"clear days"	in relation to the period of a notice, that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect.
"clearing house"	a clearing house recognised by the laws of the jurisdiction in which the shares of the Company (or depositary receipts therefor) are listed or quoted on a stock exchange or interdealer quotation system in such jurisdiction.

"Communication Facilities"	video, video-conferencing, internet or online conferencing applications, telephone or tele-conferencing and/or any other video-communications, internet or online conferencing application or telecommunications facilities by means of which all persons participating in a meeting are capable of hearing and being heard by each other.
"Company"	Lufax Holding Ltd 陆金所控股有限公司.
"competent regulatory authority"	a competent regulatory authority in the territory where the shares of the Company (or depositary receipts therefor) are listed or quoted on a stock exchange or interdealer quotation system in such territory.
"debenture" and "debenture holder"	include debenture stock and debenture stockholder respectively.
"Designated Stock Exchange"	the stock exchange on which the Company's ADSs or any shares are listed for trading.
"dollars" and "$"	dollars, the legal currency of the United States of America.
"electronic"	has the meaning given to it in the Electronic Transactions Act and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor.
"electronic communication"	electronic posting to the Company's website, transmission to any number, address or internet website or other electronic delivery methods as otherwise decided and approved by not less than two-thirds of the vote of the Board.
"Electronic Transactions Act"	the Electronic Transactions Act (As Revised) of the Cayman Islands and any statutory amendment or re-enactment thereof.
"Exchange Act"	the Securities Exchange Act of 1934, as amended.

"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China.
"head office"	such office of the Company as the Directors may from time to time determine to be the principal office of the Company.
"Member"	a duly registered holder from time to time of the shares in the capital of the Company.
"Memorandum of Association"	the memorandum of association of the Company, as amended from time to time.
"month"	a calendar month.
"Notice"	written notice unless otherwise specifically stated and as further defined in these Articles.
"Office"	the registered office of the Company for the time being.
"ordinary resolution"	a resolution shall be an ordinary resolution when it has been passed by a simple majority of votes cast by such Members as, being entitled so to do, vote in person or, in the case of any Member being a corporation, by its duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which not less than ten (10) clear days' Notice has been duly given, and includes a written resolution passed pursuant to Article 78A;
"Ordinary Share"	an ordinary share of par value $0.00001 each in the share capital of the Company having the rights set out in these Articles.
"paid up"	paid up or credited as paid up.
"person"	any natural person, firm, company, joint venture, partnership, corporation, association or other entity (whether or not having a separate legal personality) or any of them as the context so requires.
"present"	in respect of any person, such person's presence at a general meeting of Members (or any meeting of the holders of any class of shares), which may be satisfied by means of such person or, if a corporation or other non-natural person, its duly authorized representative (or, in the case of any Member, a proxy which has been validly appointed by such Member in accordance with these Articles), being: (a) physically present at the meeting; or (b) in the case of any meeting at which Communication Facilities are permitted in accordance with these Articles, including any Virtual Meeting, connected by means of the use of such Communication Facilities.

"Register"	the principal register and where applicable, any branch register of Members to be maintained at such place within or outside the Cayman Islands as the Board shall determine from time to time.
"Registration Office"	in respect of any class of share capital such place as the Board may from time to time determine to keep a branch register of Members in respect of that class of share capital and where (except in cases where the Board otherwise directs) the transfers or other documents of title for such class of share capital are to be lodged for registration and are to be registered.
"SEC"	the United States Securities and Exchange Commission.
"Seal"	common seal or any one or more duplicate seals of the Company (including a securities seal) for use in the Cayman Islands or in any place outside the Cayman Islands.
"Secretary"	any person, firm or corporation appointed by the Board to perform any of the duties of secretary of the Company and includes any assistant, deputy, temporary or acting secretary.
"share"	a share in the capital of the Company, and includes an Ordinary Share. All references to "shares" herein shall be deemed to be shares of any or all classes as the context may require. For the avoidance of doubt in these Articles the expression "share" shall include a fraction of a share.
"special resolution"	a resolution shall be a special resolution when it has been passed by a majority of not less than three-fourths of the votes of such Members as, being entitled so to do, vote in person or, in the case of such Members as are corporations, by their respective duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which Notice specifying (without prejudice to the power contained in these Articles to amend the same) the intention to propose the resolution as a special resolution has been duly given, and includes a written resolution passed pursuant to Article 78A;

	a special resolution shall be effective for any purpose for which an ordinary resolution is expressed to be required under any provision of these Articles or the Statutes.
"Statutes"	the Act and every other law of the Cayman Islands for the time being in force applying to or affecting the Company, its Memorandum of Association and/or these Articles.
"year"	a calendar year.
"Virtual Meeting"	any general meeting of the Members (or any meeting of the holders of any class of shares) at which the Members (and any other permitted participants of such meeting, including without limitation the chairman of the meeting and any Directors) are permitted to attend and participate solely by means of Communication Facilities.

(2) In these Articles, unless there be something within the subject or context inconsistent with such construction:

(a) words importing the singular include the plural and vice versa;

(b) words importing a gender include both gender and the neuter;

(c) words importing persons include companies, associations and bodies of persons whether corporate or not;

(d) the words:

(i) "may" shall be construed as permissive;

(ii) "shall" or "will" shall be construed as imperative;

(e) expressions referring to writing shall, unless the contrary intention appears, be construed as including printing, lithography, photography and other modes of representing words or figures in a visible form, and including where the representation takes the form of electronic display, provided that both the mode of service of the relevant document or notice and the Member's election comply with all applicable Statutes, rules and regulations;

(f) references to any law, ordinance, statute or statutory provision shall be interpreted as relating to any statutory modification or re-enactment thereof for the time being in force;

(g) save as aforesaid words and expressions defined in the Statutes shall bear the same meanings in these Articles if not inconsistent with the subject in the context;

(h) references to a document being executed include references to it being executed under hand or under seal or by electronic signature or by any other method and references to a notice or document include a notice or document recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not;

(i) any requirements as to delivery under the Articles include delivery in the form of an electronic record or an electronic communication;

(j) Section 8 and Section 19(3) of the Electronic Transactions Act shall not apply to these Articles to the extent they impose obligations or requirements in addition to those set out in these Articles.

SHARE CAPITAL

3. (1) The share capital of the Company at the date on which these Articles come into effect shall be divided into 10,000,000,000 shares of a par value of $0.00001 each.

(2) Subject to the Act, the Company's Memorandum and Articles of Association and, where applicable, the rules of the Designated Stock Exchange and/or any competent regulatory authority, the Company shall have the power to purchase or otherwise acquire its own shares and such power shall be exercisable by the Board in such manner, upon such terms and subject to such conditions as it in its absolute discretion thinks fit and any determination by the Board of the manner of purchase shall be deemed authorised by these Articles for purposes of the Act. The Company is hereby authorised to make payments in respect of the purchase of its shares out of capital or out of any other account or fund which can be authorised for this purpose in accordance with the Act.

(3) The Company may accept the surrender for no consideration of any fully paid share.

(4) No share shall be issued to bearer.

ALTERATION OF CAPITAL

4. The Company may from time to time by ordinary resolution in accordance with the Act alter the conditions of its Memorandum of Association to:

(a) increase its capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;

(b) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(c) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Company's Memorandum of Association (subject, nevertheless, to the Act), and may by such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred, deferred or other rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares;

(d) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled or, in the case of shares, without par value, diminish the number of shares into which its capital is divided.

5. The Board may settle as it considers expedient any difficulty which arises in relation to any consolidation and division under the last preceding Article and in particular but without prejudice to the generality of the foregoing may issue certificates in respect of fractions of shares or arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale (after deduction of the expenses of such sale) in due proportion amongst the Members who would have been entitled to the fractions, and for this purpose the Board may authorise some person to transfer the shares representing fractions to their purchaser or resolve that such net proceeds be paid to the Company for the Company's benefit. Such purchaser will not be bound to see to the application of the purchase money nor will his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

6. The Company may from time to time by special resolution, subject to any confirmation or consent required by the Act, reduce its share capital or any capital redemption reserve or other undistributable reserve in any manner permitted by law.

7. Except so far as otherwise provided by the conditions of issue, or by these Articles, any capital raised by the creation of new shares shall be treated as if it formed part of the original capital of the Company, and such shares shall be subject to the provisions contained in these Articles with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, cancellation, surrender, voting and otherwise.

SHARE RIGHTS

8. Subject to the provisions of the Act, the rules of the Designated Stock Exchange and the Memorandum of Association and the Articles of Association and to any special rights conferred on the holders of any shares or class of shares, and without prejudice to Article 13 hereof, any share in the Company (whether forming part of the present capital or not) may be issued with or have attached thereto such rights or restrictions whether in regard to dividend, voting, return of capital or otherwise as the Board may determine, including without limitation on terms that they may be, or at the option of the Company or the holder are, liable to be redeemed on such terms and in such manner, including out of capital, as the Board may deem fit.

9. Subject to the Act, any preferred shares may be issued or converted into shares that, at a determinable date or at the option of the Company or the holder, if so authorised by the Memorandum of Association, are liable to be redeemed on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution of the Members determine. Where the Company purchases for redemption a redeemable share, if purchases are by tender, tenders shall comply with applicable laws.

10. Subject to Article 13(1), the Memorandum of Association and any resolution of the Members to the contrary and without prejudice to any special rights conferred thereby on the holders of any other shares or class of shares, the holders of shares shall, subject to these Articles:

(a) be entitled to one vote per share;

(b) be entitled to such dividends as the Board may from time to time declare;

(c) in the event of a winding up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganisation or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and

(d) generally, be entitled to enjoy all of the rights attaching to shares.

VARIATION OF RIGHTS

11. Subject to the Act and without prejudice to Article 8, all or any of the special rights for the time being attached to the shares or any class of shares may, unless otherwise provided by the terms of issue of the shares of that class, from time to time (whether or not the Company is being wound up) be varied, modified or abrogated with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting all the provisions of these Articles relating to general meetings of the Company shall, *mutatis mutandis*, apply, but so that:

(a) the necessary quorum (whether at a separate general meeting or at its adjourned meeting) shall be a person or persons or (in the case of a Member being a corporation) its duly authorized representative together holding or representing by proxy not less than one-third in nominal value of the issued shares of that class; and

(b) every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him.

12. The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied, modified or abrogated by the creation or issue of further shares ranking *pari passu* therewith.

SHARES

13. (1) Subject to the Act, these Articles and, where applicable, the rules of the Designated Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, and on the condition that no new class of shares with voting rights superior to those of Ordinary Shares will be created, the unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Board may in its absolute discretion determine but so that no shares shall be issued at a discount.

(2) Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to Members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(3) Subject to the rules of the Designated Stock Exchange, the Board may issue options, warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

14. Subject to the rules of the Designated Stock Exchange, the Company may in connection with the issue of any shares exercise all powers of paying commission and brokerage conferred or permitted by the Act. Subject to the Act, the commission may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one and partly in the other.

15. Except as required by law and/or the rules of the Designated Stock Exchange, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any fractional part of a share or (except only as otherwise provided by these Articles or by law) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

16. Subject to the Act, these Articles and the rules of the Designated Stock Exchange, the Board may at any time after the allotment of shares but before any person has been entered in the Register as the holder, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Board considers fit to impose.

SHARE CERTIFICATES

17. Every share certificate shall be issued under the Seal or a facsimile thereof or with the Seal printed thereon and shall specify the number and class and distinguishing numbers (if any) of the shares to which it relates, and the amount paid up thereon and may otherwise be in such form as the Directors may from time to time determine. No certificate shall be issued representing shares of more than one class. The Board may by resolution determine, either generally or in any particular case or cases, that any signatures on any such certificates (or certificates in respect of other securities) need not be autographic but may be affixed to such certificates by some mechanical means or may be printed thereon.

18. (1) In the case of a share held jointly by several persons, the Company shall not be bound to issue more than one certificate therefor and delivery of a certificate to one of several joint holders shall be sufficient delivery to all such holders.

(2) Where a share stands in the names of two or more persons, the person first named in the Register shall as regards service of notices and, subject to the provisions of these Articles, all or any other matters connected with the Company, except the transfer of the shares, be deemed the sole holder thereof.

19. Every person whose name is entered, upon an allotment of shares, as a Member in the Register shall be entitled, without payment, to receive one certificate for all such shares of any one class or several certificates each for one or more of such shares of such class upon payment for every certificate after the first of such reasonable out-of-pocket expenses as the Board from time to time determines; provided however, the Company is not obligated to issue a share certificate to a Members unless the Member requests it from the Company.

20. Share certificates shall be issued within the relevant time limit as prescribed by the Act or as the Designated Stock Exchange may from time to time determine, whichever is the shorter, after allotment or, except in the case of a transfer which the Company is for the time being entitled to refuse to register and does not register, after lodgment of a transfer with the Company.

21. (1) Upon every transfer of shares the certificate held by the transferor shall be given up to be cancelled, and shall forthwith be cancelled accordingly, and a new certificate shall be issued to the transferee in respect of the shares transferred to him at such fee as is provided in paragraph (2) of this Article. If any of the shares included in the certificate so given up shall be retained by the transferor a new certificate for the balance shall be issued to him at the aforesaid fee payable by the transferor to the Company in respect thereof.

(2) The fee referred to in paragraph (1) above shall be an amount not exceeding the relevant maximum amount as the Designated Stock Exchange may from time to time determine provided that the Board may at any time determine a lower amount for such fee.

22. If a share certificate shall be damaged or defaced or alleged to have been lost, stolen or destroyed a new certificate representing the same shares may be issued to the relevant Member upon request and on payment of such fee as the Board may determine and, subject to compliance with such terms (if any) as to evidence and indemnity and to payment of the costs and reasonable out-of-pocket expenses of the Company in investigating such evidence and preparing such indemnity as the Board may think fit and, in case of damage or defacement, on delivery of the old certificate to the Company provided always that where share warrants have been issued, no new share warrant shall be issued to replace one that has been lost unless the Board has determined that the original has been destroyed.

LIEN

23. The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of that share. The Company shall also have a first and paramount lien on every share (not being a fully paid share) registered in the name of a Member (whether or not jointly with other Members) for all amounts of money presently payable by such Member or his estate to the Company whether the same shall have been incurred before or after notice to the Company of any equitable or other interest of any person other than such member, and whether the period for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such Member or his estate and any other person, whether a Member or not. The Company's lien on a share shall extend to all dividends or other moneys payable thereon or in respect thereof. The Board may at any time, generally or in any particular case, waive any lien that has arisen or declare any share exempt in whole or in part, from the provisions of this Article.

24. Subject to these Articles, the Company may sell in such manner as the Board determines any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable, or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged nor until the expiration of fourteen (14) clear days after a notice in writing, stating and demanding payment of the sum presently payable, or specifying the liability or engagement and demanding fulfilment or discharge thereof and giving notice of the intention to sell in default, has been served on the registered holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.

25. The net proceeds of the sale shall be received by the Company and applied in or towards payment or discharge of the debt or liability in respect of which the lien exists, so far as the same is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the share prior to the sale) be paid to the person entitled to the share at the time of the sale. To give effect to any such sale the Board may authorise some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares so transferred and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

CALLS ON SHARES

26. Subject to these Articles and to the terms of allotment, the Board may from time to time make calls upon the Members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or by way of premium), and each Member shall (subject to being given at least fourteen (14) clear days' Notice specifying the time and place of payment) pay to the Company as required by such notice the amount called on his shares. A call may be extended, postponed or revoked in whole or in part as the Board determines but no Member shall be entitled to any such extension, postponement or revocation except as a matter of grace and favour.

27. A call shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed and may be made payable either in one lump sum or by instalments.

28. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect of which the call was made. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect thereof or other moneys due in respect thereof.

29. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the amount unpaid from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding twenty per cent. (20%) per annum) as the Board may determine, but the Board may in its absolute discretion waive payment of such interest in whole or in part.

30. No Member shall be entitled to receive any dividend or bonus or to be present and vote (save as proxy for another Member) at any general meeting either personally or by proxy, or be reckoned in a quorum, or exercise any other privilege as a Member until all calls or instalments due by him to the Company, whether alone or jointly with any other person, together with interest and expenses (if any) shall have been paid.

31. On the trial or hearing of any action or other proceedings for the recovery of any money due for any call, it shall be sufficient to prove that the name of the Member sued is entered in the Register as the holder, or one of the holders, of the shares in respect of which such debt accrued, that the resolution making the call is duly recorded in the minute book, and that notice of such call was duly given to the Member sued, in pursuance of these Articles; and it shall not be necessary to prove the appointment of the Directors who made such call, nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

32. Any amount payable in respect of a share upon allotment or at any fixed date, whether in respect of nominal value or premium or as an instalment of a call, shall be deemed to be a call duly made and payable on the date fixed for payment and if it is not paid the provisions of these Articles shall apply as if that amount had become due and payable by virtue of a call duly made and notified.

33. On the issue of shares the Board may differentiate between the allottees or holders as to the amount of calls to be paid and the times of payment.

34. The Board may, if it thinks fit, receive from any Member willing to advance the same, and either in money or money's worth, all or any part of the moneys uncalled and unpaid or instalments payable upon any shares held by him and upon all or any of the moneys so advanced (until the same would, but for such advance, become presently payable) pay interest at such rate (if any) as the Board may decide. The Board may at any time repay the amount so advanced upon giving to such Member not less than one (1) month's Notice of its intention in that behalf, unless before the expiration of such notice the amount so advanced shall have been called up on the shares in respect of which it was advanced. Such payment in advance shall not entitle the holder of such share or shares to participate in respect thereof in a dividend subsequently declared.

FORFEITURE OF SHARES

35. (1) If a call remains unpaid after it has become due and payable the Board may give to the person from whom it is due not less than fourteen (14) clear days' Notice:

(a) requiring payment of the amount unpaid together with any interest which may have accrued and which may still accrue up to the date of actual payment; and

(b) stating that if the Notice is not complied with the shares on which the call was made will be liable to be forfeited.

(2) If the requirements of any such Notice are not complied with, any share in respect of which such Notice has been given may at any time thereafter, before payment of all calls and interest due in respect thereof has been made, be forfeited by a resolution of the Board to that effect, and such forfeiture shall include all dividends and bonuses declared in respect of the forfeited share but not actually paid before the forfeiture.

36. When any share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share. No forfeiture shall be invalidated by any omission or neglect to give such Notice.

37. The Board may accept the surrender of any share liable to be forfeited hereunder and, in such case, references in these Articles to forfeiture will include surrender.

38. Any share so forfeited shall be deemed the property of the Company and may be sold, re-allotted or otherwise disposed of to such person, upon such terms and in such manner as the Board determines, and at any time before a sale, re-allotment or disposition the forfeiture may be annulled by the Board on such terms as the Board determines.

39. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares but nevertheless shall remain liable to pay the Company all moneys which at the date of forfeiture were presently payable by him to the Company in respect of the shares, with (if the Board shall in its discretion so requires) interest thereon from the date of forfeiture until payment at such rate (not exceeding twenty per cent. (20%) per annum) as the Board shall determine. The Board may enforce payment thereof if it thinks fit, and without any deduction or allowance for the value of the forfeited shares, at the date of forfeiture, but his liability shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares. For the purposes of this Article any sum which, by the terms of issue of a share, is payable thereon at a fixed time which is subsequent to the date of forfeiture, whether on account of the nominal value of the share or by way of premium, shall notwithstanding that time has not yet arrived be deemed to be payable at the date of forfeiture, and the same shall become due and payable immediately upon the forfeiture, but interest thereon shall only be payable in respect of any period between the said fixed time and the date of actual payment.

40. A declaration by a Director or the Secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share, and such declaration shall (subject to the execution of an instrument of transfer by the Company if necessary) constitute a good title to the share, and the person to whom the share is disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the consideration (if any), nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture, sale or disposal of the share. When any share shall have been forfeited, notice of the declaration shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry.

41. Notwithstanding any such forfeiture as aforesaid the Board may at any time, before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, permit the shares forfeited to be bought back upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the share, and upon such further terms (if any) as it thinks fit.

42. The forfeiture of a share shall not prejudice the right of the Company to any call already made or instalment payable thereon.

43. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

REGISTER OF MEMBERS

44. (1) The Company shall keep in one or more books a Register of its Members and shall enter therein the following particulars, that is to say:

(a) the name and address of each Member, the number and class of shares held by him and the amount paid or agreed to be considered as paid on such shares;

(b) the date on which each person was entered in the Register; and

(c) the date on which any person ceased to be a Member.

(2) The Company may keep an overseas or local or other branch register of Members resident in any place, and the Board may make and vary such regulations as it determines in respect of the keeping of any such register and maintaining a Registration Office in connection therewith.

45. The Register and branch register of Members, as the case may be, shall during normal business hours (subject to such reasonable restrictions as the Board may impose) be open to inspection by Members without charge or by any other person, upon a maximum payment of $2.50 or such other sum specified by the Board (which in any case shall not exceed the maximum amount as may from time to time be permitted by the Designated Stock Exchange), at the Office or Registration Office or such other place at which the Register is kept in accordance with the Act. The Register including any overseas or local or other branch register of Members may, after compliance with any notice requirement of the Designated Stock Exchange or by any electronic means in such manner as may be accepted by the Designated Stock Exchange to that effect, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the Board may determine and either generally or in respect of any class of shares.

RECORD DATES

46. For the purpose of determining the Members that are entitled to notice of or to vote at any general meeting, or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of shares or for the purpose of any other lawful action, the Board may provide that the Register shall be closed for transfers for a stated period which shall not exceed in any case thirty (30) calendar days in any calendar year.

In lieu of or apart from closing the Register, the Board may fix in advance a date as the record date for any such determination of those Members that are entitled to receive notice of, attend or vote at a meeting of the Members and for the purpose of determining those Members that are entitled to receive payment of any dividend the Directors may, at or within ninety (90) calendar days prior to the date of declaration of such dividend, fix a subsequent date as the record date for such determination.

If the Register is not so closed and no record date is fixed for the determination of those Members entitled to receive notice of, attend or vote at a meeting of Members or those Members that are entitled to receive payment of a dividend, the date on which notice of the meeting is posted or the date on which the resolution of the Board declaring such dividend is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of those Members that are entitled to receive notice of, attend or vote at a meeting of Members has been made as provided in this Article, such determination shall apply to any adjournment thereof.

TRANSFER OF SHARES

47. Subject to these Articles, any Member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in any other form approved by the Board and may be under hand or, if the transferor or transferee is a clearing house or a central depository house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

48. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so. Without prejudice to the last preceding Article, the Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. Nothing in these Articles shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.

49. (1) The Board may, in its absolute discretion, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four joint holders or a transfer of any share (not being a fully paid up share) on which the Company has a lien.

(2) The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the Register to any branch register or any share on any branch register to the Register or any other branch register. In the event of any such transfer, the shareholder requesting such transfer shall bear the cost of effecting the transfer unless the Board otherwise determines.

(3) Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time determine, and which agreement the Board shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the Register shall be transferred to any branch register nor shall shares on any branch register be transferred to the Register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant Registration Office, and, in the case of any shares on the Register, at the Office or such other place at which the Register is kept in accordance with the Act.

50. Without limiting the generality of the last preceding Article, the Board may decline to recognise any instrument of transfer unless:-

(a) a fee of such maximum sum as the Designated Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof;

(b) the instrument of transfer is in respect of only one class of share;

(c) the instrument of transfer is lodged at the Office or such other place at which the Register is kept in accordance with the Act or the Registration Office (as the case may be) accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and

(d) if applicable, the instrument of transfer is duly and properly stamped.

51. If the Board refuses to register a transfer of any share, it shall, within three months after the date on which the transfer was lodged with the Company, send to each of the transferor and transferee notice of the refusal.

52. The registration of transfers of shares or of any class of shares may, after compliance with any notice requirements of the Designated Stock Exchange be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as the Board may determine.

TRANSMISSION OF SHARES

53. If a Member dies, the survivor or survivors where the deceased was a joint holder, and his legal personal representatives where he was a sole or only surviving holder, will be the only persons recognised by the Company as having any title to his interest in the shares; but nothing in this Article will release the estate of a deceased Member (whether sole or joint) from any liability in respect of any share which had been solely or jointly held by him.

54. Any person becoming entitled to a share in consequence of the death or bankruptcy or winding-up of a Member may, upon such evidence as to his title being produced as may be required by the Board, elect either to become the holder of the share or to have some person nominated by him registered as the transferee thereof. If he elects to become the holder he shall notify the Company in writing either at the Registration Office or the Office, as the case may be, to that effect. If he elects to have another person registered he shall execute a transfer of the share in favour of that person. The provisions of these Articles relating to the transfer and registration of transfers of shares shall apply to such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer signed by such Member.

55. A person becoming entitled to a share by reason of the death or bankruptcy or winding-up of a Member shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share. However, the Board may, if it thinks fit, withhold the payment of any dividend payable or other advantages in respect of such share until such person shall become the registered holder of the share or shall have effectually transferred such share, but, subject to the requirements of Article 76(2) being met, such a person may vote at meetings.

UNTRACEABLE MEMBERS

56. (1) Without prejudice to the rights of the Company under paragraph (2) of this Article, the Company may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.

(2) The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a Member who is untraceable, but no such sale shall be made unless:

(a) all cheques or warrants in respect of dividends of the shares in question, being not less than three (3) in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Articles have remained uncashed;

(b) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the Member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and

(c) the Company, if so required by the rules governing the listing of shares on the Designated Stock Exchange, has given notice to, and caused advertisement in newspapers to be made in accordance with the requirements of, the Designated Stock Exchange of its intention to sell such shares in the manner required by the Designated Stock Exchange, and a period of three (3) months or such shorter period as may be allowed by the Designated Stock Exchange has elapsed since the date of such advertisement.

For the purpose of the foregoing, the "relevant period" means the period commencing twelve (12) years before the date of publication of the advertisement referred to in paragraph (c) of this Article and ending at the expiry of the period referred to in that paragraph.

(3) To give effect to any such sale the Board may authorise some person to transfer the said shares and an instrument of transfer signed or otherwise executed by or on behalf of such person shall be as effective as if it had been executed by the registered holder or the person entitled by transmission to such shares, and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former Member for an amount equal to such net proceeds. No trust shall be created in respect of such debt and no interest shall be payable in respect of it and the Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of the Company or as it thinks fit. Any sale under this Article shall be valid and effective notwithstanding that the Member holding the shares sold is dead, bankrupt or otherwise under any legal disability or incapacity.

GENERAL MEETINGS

57. The Company shall hold a general meeting in each financial year as its annual general meeting, to be held within six months (or such other period as may be permitted by the rules of the Designated Stock Exchange) after the end of such financial year and shall specify the meeting as such in the notices calling it. The annual general meeting shall be held at such time and place as may be determined by the Directors.

58. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting. General meetings may be held at such times and in any location in the world as may be determined by the Board.

59. A majority of the Board or the Chairman of the Board may call annual general meetings and extraordinary general meetings, which shall be held at such times and locations (as permitted hereby) as such person or persons shall determine. Any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the voting rights, on a one vote per share basis, in the share capital of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and to add resolutions to a meeting agenda; and such meeting shall be held within two (2) months after the deposit of such requisition. If within sixty-one (61) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

NOTICE OF GENERAL MEETINGS

60. (1) An annual general meeting shall be called by not less than twenty-one (21) days' Notice and any other general meeting (including an extraordinary general meeting) shall be called by not less than fourteen (14) days' Notice in writing but a general meeting may be called by shorter notice, subject to the Act, if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and

(b) in the case of any other meeting, by two-thirds of the Members having the right to attend and vote at the meeting.

(2) The notice shall specify the place of the meeting (except in the case of a Virtual Meeting), the time of the meeting and the particulars of the resolutions to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such. Notice of every general meeting shall be given to all Members other than to such Members as, under the provisions of these Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, to all persons entitled to a share in consequence of the death or bankruptcy or winding-up of a Member and to each of the Directors and the Auditors.

61. The accidental omission to give Notice of a meeting or (in cases where instruments of proxy are sent out with the Notice) to send such instrument of proxy to, or the non-receipt of such Notice or such instrument of proxy by, any person entitled to receive such Notice shall not invalidate any resolution passed or the proceedings at that meeting.

PROCEEDINGS AT GENERAL MEETINGS

62. No business other than the appointment of a chairman of a meeting shall be transacted at any general meeting unless a quorum is present at the commencement of the business. At any general meeting of the Company, two (2) Members entitled to vote and present representing not less than one-third in nominal value of the total issued voting shares in the Company throughout the meeting shall form a quorum for all purposes.

63. If within thirty (30) minutes (or such longer time not exceeding one hour as the chairman of the meeting may determine to wait) after the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day in the next week at the same time and place or to such time and place as the Board may determine. If at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, the meeting shall be dissolved.

63A. If the Directors so determine in respect of a specific general meeting or all general meetings of the Company, attendance and participation in any general meeting of the Company may be by means of Communication Facilities. Without limiting the generality of the foregoing, the Directors may determine that any general meeting may be held as a Virtual Meeting. The notice of any general meeting at which Communication Facilities will be utilized (including any Virtual Meeting) must disclose the Communication Facilities that will be used, including the procedures to be followed by any Member or other participant of the meeting who wishes to utilise such Communication Facilities for the purposes of attending and participating in such meeting, including attending and casting any vote thereat.

64. The Chairman of the Board shall preside as chairman at every general meeting. If at any meeting the chairman is not present within fifteen (15) minutes after the time appointed for holding the meeting, or is not willing to act as chairman, the Directors present shall choose one of their number to act, or if one Director only is present he shall preside as chairman if willing to act. If no Director is present, or if each of the Directors present declines to take the chair, or if the chairman chosen shall retire from the chair, the Members present entitled to vote shall elect one of their number to be chairman.

64A. The chairman of any general meeting (including any Virtual Meeting) shall be entitled to attend and participate at any such general meeting by means of Communication Facilities, and to act as the chairman of such general meeting, in which event the following provisions shall apply:

(1) The chairman of the meeting shall be deemed to be present at the meeting; and

(2) If the Communication Facilities are interrupted or fail for any reason to enable the chairman of the meeting to hear and be heard by all other persons participating in the meeting, then the other Directors present at the meeting shall choose another Director present to act as chairman of the meeting for the remainder of the meeting; provided that if no other Director is present at the meeting, or if all the Directors present decline to take the chair, then the meeting shall be automatically adjourned to the same day in the next week and at such time and place as shall be decided by the Board.

65. The chairman may adjourn the meeting from time to time, from place(s) to place(s) and/or from one form to another (a physical meeting or a Virtual Meeting), but no business shall be transacted at any adjourned meeting other than the business which might lawfully have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for fourteen (14) days or more, at least seven (7) clear days' notice of the adjourned meeting shall be given specifying the time and place (except in the case of a Virtual Meeting) of the adjourned meeting and the particulars of the resolutions to be considered at the meeting as in the case of an original meeting. Where a meeting is adjourned for less than fourteen (14) days, at least two (2) clear days' notice of the adjourned meeting shall be given specifying the time and place (except in the case of a Virtual Meeting) of the adjourned meeting and the particulars of the resolutions to be considered at the meeting as in the case of an original meeting.

66. If an amendment is proposed to any resolution under consideration but is in good faith ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a special resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.

VOTING

67. Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting (a) every Member present shall have the right to speak, (b) on a show of hands, every Member present shall have one vote and (c) on a poll every Member present shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. On a poll a Member entitled to more than one vote is under no obligation to cast all his votes in the same way. Notwithstanding anything contained in these Articles, where more than one proxy is appointed by a Member which is a clearing house or a central depository house (or its nominee(s)), each such proxy is under no obligation to cast all his votes in the same way on a poll and shall have one vote on a show of hands. Where any shares or ADSs of the Company are listed on any Designated Stock Exchange, and any Member is required under the rules of the Designated Stock Exchange to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted. A resolution put to the vote of a meeting shall be decided on a poll save that the chairman of the meeting may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the rules of the Designated Stock Exchange to be voted on by a show of hands.

68. Where a resolution is voted on by a show of hands as permitted under the rules of the Designated Stock Exchange, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the facts without proof of the number or proportion of the votes recorded for or against the resolution.

69. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was taken. The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the rules of the Designated Stock Exchange.

70. A poll demanded on the election of a chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on any other question shall be taken in such manner (including the use of ballot or voting papers or tickets) and at such time (being not later than thirty (30) days from the date of the meeting or adjourned meeting at which the poll was taken) and place as the chairman directs.

71. [Reserved.]

72. On a poll vote may be given either personally or by proxy.

73. A person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

74. All questions submitted to a meeting shall be decided by a simple majority of votes except where a greater majority is required by these Articles or by the Act. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of such meeting shall be entitled to a second or casting vote in addition to any other vote he may have.

75. Where there are joint holders of any share any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding. Several executors or administrators of a deceased Member in whose name any share stands shall for the purposes of this Article be deemed joint holders thereof.

76. (1) A Member who is a patient for any purpose relating to mental health or in respect of whom an order has been made by any court having jurisdiction for the protection or management of the affairs of persons incapable of managing their own affairs may vote, whether on a show of hands or on a poll, by his receiver, committee, *curator bonis* or other person in the nature of a receiver, committee or *curator bonis* appointed by such court, and such receiver, committee, *curator bonis* or other person may vote on a poll by proxy, and may otherwise act and be treated as if he were the registered holder of such shares for the purposes of general meetings, provided that such evidence as the Board may require of the authority of the person claiming to vote shall have been deposited at the Office, head office or Registration Office, as appropriate, not less than forty-eight (48) hours before the time appointed for holding the meeting, or adjourned meeting or poll, as the case may be.

(2) Any person entitled under Article 54 to be registered as the holder of any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty-eight (48) hours at least before the time of the holding of the meeting or adjourned meeting, as the case may be, at which he proposes to vote, he shall satisfy the Board of his entitlement to such shares, or the Board shall have previously admitted his right to vote at such meeting in respect thereof.

77. No Member shall, unless the Board otherwise determines, be entitled to attend and vote and to be reckoned in a quorum at any general meeting unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid.

78. If:

(a) any objection shall be raised to the qualification of any voter; or

(b) any votes have been counted which ought not to have been counted or which might have been rejected; or

(c) any votes are not counted which ought to have been counted;

the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless the same is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the chairman decides that the same may have affected the decision of the meeting. The decision of the chairman on such matters shall be final and conclusive.

78A. A resolution in writing signed by all the Members for the time being entitled to receive notice of and to attend and vote at general meetings of the Company (or being corporations by their duly authorised representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held.

PROXIES

79. Any Member entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the Member to speak at the meeting. Each Member, other than a clearing house or a central depository entity (or its nominee(s)), may only appoint one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a Member. In addition, a proxy or proxies representing either a Member who is an individual or a Member which is a corporation shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise.

80. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.

81. (1) The Company may, at its absolute discretion, provide an electronic address for the receipt of any document or information relating to proxies for a general meeting (including any instrument of proxy or invitation to appoint proxy, any document necessary to show the validity of, or otherwise relating to, an appointment of proxy (whether or not required under these Articles) and notice of termination of the authority of a proxy. If such an electronic address is provided, the Company shall be deemed to have agreed that any such document or information (relating to the proxies as aforesaid) may be sent by electronic means to that address, subject as hereafter provided and subject to any other limitations or conditions specified by the Company when providing the address. Without limitation, the Company may from time to time determine that any such electronic address may be used generally for such matters or specifically for particular meetings and purposes and, if so, the Company may provide different electronic addresses for different purposes. The Company may also impose any conditions on the transmission of and its receipt of such electronic communications including, for the avoidance of doubt, imposing any security or encryption arrangements as may be specified by the Company. If any document or information required to be sent to the Company under this Article is sent to the Company by electronic means, such document or information is not treated as validly delivered to or deposited with the Company if the same is not received by the Company at its designated electronic address provided in accordance with this Article or if no electronic address is so designated by the Company for the receipt of such document or information.

(2) The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified at the Registration Office or the Office, as may be appropriate) not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date named in it as the date of its execution, except at an adjourned meeting in cases where the meeting was originally held within twelve (12) months from such date. Delivery of an instrument appointing a proxy shall not preclude a Member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

82. Instruments of proxy shall be in any common form or in such other form as the Board may approve (provided that this shall not preclude the use of the two-way form) and the Board may, if it thinks fit, send out with the notice of any meeting forms of instrument of proxy for use at the meeting. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

83. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the instrument of proxy or of the authority under which it was executed, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office or the Registration Office (or such other place as may be specified for the delivery of instruments of proxy in the notice convening the meeting or other document sent therewith) two (2) hours at least before the commencement of the meeting or adjourned meeting, or the taking of the poll, at which the instrument of proxy is used.

84. Anything which under these Articles a Member may do by proxy he may likewise do by his duly appointed attorney and the provisions of these Articles relating to proxies and instruments appointing proxies shall apply *mutatis mutandis* in relation to any such attorney and the instrument under which such attorney is appointed.

CORPORATIONS ACTING BY REPRESENTATIVES

85. (1) Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of Members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Member and such corporation shall for the purposes of these Articles be deemed to be present at any such meeting if a person so authorised is present thereat.

(2) If a clearing house or a central depository entity (or its nominee(s)), being a corporation, is a Member, it may, by resolution of its directors or other governing body or by power of attorney, authorise such persons as it thinks fit to act as its representatives at any meeting of the Company any meeting of any class of Members or any creditors meeting of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Article shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house or a central depository entity (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house or a central depository entity (or its nominee(s)) including the right to speak and vote.

(3) Any reference in these Articles to a duly authorised representative of a Member being a corporation shall mean a representative authorised under the provisions of this Article.

86. [Reserved].

BOARD OF DIRECTORS

87. (1) Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than three (3). There shall be no maximum number of Directors unless otherwise determined from time to time by the Members in general meeting.

(2) Subject to the Articles and the Act, the Company may by ordinary resolution appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Board.

(3) The Directors shall have the power from time to time and at any time to appoint any person as a Director to fill a casual vacancy on the Board or as an addition to the existing Board, who shall hold office only until the first annual general meeting of the Company after his appointment and shall be eligible for re-election.

(4) At every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every director (including every Independent Non-Executive Director and/or those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring director shall retain office until the close of the meeting at which he or she retires and shall be eligible for re-election thereat.

(5) No Director shall be required to hold any shares of the Company by way of qualification and a Director who is not a Member shall be entitled to receive notice of and to attend and speak at any general meeting of the Company and of all classes of shares of the Company.

(6) A Director (including a managing Director or other executive Director) may be removed (with or without cause) by way of an ordinary resolution of the Members at any time before the expiration of his term of office notwithstanding anything in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement).

(7) A vacancy on the Board created by the removal of a Director under the provisions of subparagraph (5) above may be filled by the appointment by ordinary resolution of the Members at the meeting at which such Director is removed or by the affirmative vote of a simple majority of the remaining Directors present and voting at a Board meeting.

(8) The Company may from time to time in general meeting by ordinary resolution increase or reduce the number of Directors but so that the number of Directors shall never be less than two (2).

DISQUALIFICATION OF DIRECTORS

88. The office of a Director shall be vacated if the Director:

(1) resigns his office by notice in writing delivered to the Company at the Office or tendered at a meeting of the Board;

(2) becomes of unsound mind or dies;

(3) without special leave of absence from the Board, is absent from meetings of the Board for three consecutive meetings and the Board resolves that his office be vacated;

(4) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(5) is prohibited by law or the rules of the Designated Stock Exchange from being a Director; or

(6) ceases to be a Director by virtue of any provision of the Statutes or is removed from office pursuant to these Articles.

EXECUTIVE DIRECTORS

89. The Board may from time to time appoint any one or more of its body to be a managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. Any such revocation or termination as aforesaid shall be without prejudice to any claim for damages that such Director may have against the Company or the Company may have against such Director. A Director appointed to an office under this Article shall be subject to the same provisions as to removal as the other Directors of the Company, and he shall (subject to the provisions of any contract between him and the Company) ipso facto and immediately cease to hold such office if he shall cease to hold the office of Director for any cause.

90. Notwithstanding Articles 95, 96 and 97, an executive director appointed to an office under Article 89 hereof shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time determine, and either in addition to or in lieu of his remuneration as a Director.

ALTERNATE DIRECTORS

91. Any Director may at any time by Notice delivered to the Office or head office or at a meeting of the Directors appoint any person (including another Director) to be his alternate Director. Any person so appointed shall have all the rights and powers of the Director or Directors for whom such person is appointed in the alternative provided that such person shall not be counted more than once in determining whether or not a quorum is present. An alternate Director may be removed at any time by the body which appointed him and, subject thereto, the office of alternate Director shall continue until the happening of any event which, if he were a Director, would cause him to vacate such office or if his appointer ceases for any reason to be a Director. Any appointment or removal of an alternate Director shall be effected by Notice signed by the appointor and delivered to the Office or head office or tendered at a meeting of the Board. An alternate Director may also be a Director in his own right and may act as alternate to more than one Director. An alternate Director shall, if his appointor so requests, be entitled to receive notices of meetings of the Board or of committees of the Board to the same extent as, but in lieu of, the Director appointing him and shall be entitled to such extent to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present and generally at such meeting to exercise and discharge all the functions, powers and duties of his appointor as a Director and for the purposes of the proceedings at such meeting the provisions of these Articles shall apply as if he were a Director save that as an alternate for more than one Director, he shall have a voting right for every Director for whom he has been appointed as an alternate.

92. An alternate Director shall only be a Director for the purposes of the Act and shall only be subject to the provisions of the Act insofar as they relate to the duties and obligations of a Director when performing the functions of the Director for whom he is appointed in the alternative and shall alone be responsible to the Company for his acts and defaults and shall not be deemed to be the agent of or for the Director appointing him. An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified by the Company to the same extent *mutatis mutandis* as if he were a Director but he shall not be entitled to receive from the Company any fee in his capacity as an alternate Director except only such part, if any, of the remuneration otherwise payable to his appointor as such appointor may by Notice to the Company from time to time direct.

93. Every person acting as an alternate Director shall have one vote for each Director for whom he acts as alternate (in addition to his own vote if he is also a Director). If his appointor is for the time being absent from the People's Republic of China or otherwise not available or unable to act, the signature of an alternate Director to any resolution in writing of the Board or a committee of the Board of which his appointor is a member shall, unless the notice of his appointment provides to the contrary, be as effective as the signature of his appointor.

94. An alternate Director shall ipso facto cease to be an alternate Director if his appointor ceases for any reason to be a Director, however, such alternate Director or any other person may be re-appointed by the Directors to serve as an alternate Director PROVIDED always that, if at any meeting any Director retires but is re-elected at the same meeting, any appointment of such alternate Director pursuant to these Articles which was in force immediately before his retirement shall remain in force as though he had not retired.

DIRECTORS' FEES AND EXPENSES

95. The Directors shall receive such remuneration as the Board may from time to time determine. Each Director shall be entitled to be repaid or prepaid all traveling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the board or general meetings or separate meetings of any class of shares or of debenture of the Company or otherwise in connection with the discharge of his duties as a Director.

96. Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Article.

97. The Board shall determine any payment to any Director or past Director of the Company by way of compensation for loss of office, or as consideration for or in connection with his retirement from office (not being payment to which the Director is contractually entitled).

DIRECTORS' INTERESTS

98. A Director may:

(a) hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine. Any remuneration (whether by way of salary, commission, participation in profits or otherwise) paid to any Director in respect of any such other office or place of profit shall be in addition to any remuneration provided for by or pursuant to any other Article;

(b) act by himself or his firm in a professional capacity for the Company (otherwise than as Auditor) and he or his firm may be remunerated for professional services as if he were not a Director;

(c) continue to be or become a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of any other company promoted by the Company or in which the Company may be interested as a vendor, shareholder or otherwise and (unless otherwise agreed) no such Director shall be accountable for any remuneration, profits or other benefits received by him as a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of or from his interests in any such other company. Subject as otherwise provided by these Articles the Directors may exercise or cause to be exercised the voting powers conferred by the shares in any other company held or owned by the Company, or exercisable by them as Directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors, managing directors, joint managing directors, deputy managing directors, executive directors, managers or other officers of such company) or voting or providing for the payment of remuneration to the director, managing director, joint managing director, deputy managing director, executive director, manager or other officers of such other company and any Director may vote in favour of the exercise of such voting rights in manner aforesaid notwithstanding that he may be, or about to be, appointed a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in manner aforesaid.

Notwithstanding the foregoing, no "Independent Director" as defined in the rules of the Designated Stock Exchange, and with respect of whom the Board has determined constitutes an "Independent Director" for purposes of compliance with applicable law or the rules of the Designated Stock Exchange, shall without the consent of the Audit Committee (if an Audit Committee has been formed by the Board pursuant to Article 118) take any of the foregoing actions or any other action that would reasonably be likely to affect such Director's status as an "Independent Director" of the Company.

99. Subject to the Act and to these Articles, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the Members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established provided that such Director shall disclose the nature of his interest in any contract or arrangement in which he is interested in accordance with Article 100 herein. Any such transaction that would reasonably be likely to affect a Director's status as an "Independent Director", or that would constitute a "related party transaction" as defined by the rules of the Designated Stock Exchange or under applicable laws, shall require the approval of the Audit Committee (if an Audit Committee has been formed by the Board pursuant to Article 118).

100. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. For the purposes of this Article, a general Notice to the Board by a Director to the effect that:

(a) he is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the Notice be made with that company or firm; or

(b) he is to be regarded as interested in any contract or arrangement which may after the date of the Notice be made with a specified person who is connected with him;

shall be deemed to be a sufficient declaration of interest under this Article in relation to any such contract or arrangement, provided that no such Notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.

101. Following a declaration being made pursuant to the last preceding two Articles, subject to any separate requirement for Audit Committee (if an Audit Committee has been formed by the Board pursuant to Article 118) approval under applicable law or the listing rules of the Company's Designated Stock Exchange, and unless disqualified by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested and may be counted in the quorum at such meeting.

GENERAL POWERS OF THE DIRECTORS

102. (1) The business of the Company shall be managed and conducted by the Board, which may pay all expenses incurred in forming and registering the Company and may exercise all powers of the Company (whether relating to the management of the business of the Company or otherwise) which are not by the Statutes or by these Articles required to be exercised by the Company in general meeting, subject nevertheless to the provisions of the Statutes and of these Articles and to such regulations being not inconsistent with such provisions, as may be prescribed by the Company in general meeting, but no regulations made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if such regulations had not been made. The general powers given by this Article shall not be limited or restricted by any special authority or power given to the Board by any other Article.

(2) Without prejudice to the general powers conferred by these Articles it is hereby expressly declared that the Board shall have the following powers:

(a) to give to any person the right or option of requiring at a future date that an allotment shall be made to him of any share at par or at such premium as may be agreed;

(b) to give to any Directors, officers or employees of the Company an interest in any particular business or transaction or participation in the profits thereof or in the general profits of the Company either in addition to or in substitution for a salary or other remuneration; and

(c) to resolve that the Company be deregistered in the Cayman Islands and continued in a named jurisdiction outside the Cayman Islands subject to the provisions of the Act.

103. The Board may establish any regional or local boards or agencies for managing any of the affairs of the Company in any place, and may appoint any persons to be members of such local boards, or any managers or agents, and may fix their remuneration (either by way of salary or by commission or by conferring the right to participation in the profits of the Company or by a combination of two or more of these modes) and pay the working expenses of any staff employed by them upon the business of the Company. The Board may delegate to any regional or local board, manager or agent any of the powers, authorities and discretions vested in or exercisable by the Board (other than its powers to make calls and forfeit shares), with power to sub-delegate, and may authorise the members of any of them to fill any vacancies therein and to act notwithstanding vacancies. Any such appointment or delegation may be made upon such terms and subject to such conditions as the Board may think fit, and the Board may remove any person appointed as aforesaid, and may revoke or vary such delegation, but no person dealing in good faith and without notice of any such revocation or variation shall be affected thereby.

104. The Board may by power of attorney appoint any company, firm or person, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these Articles) and for such period and subject to such conditions as it may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit, and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him. Such attorney or attorneys may, if so authorised under the Seal of the Company, execute any deed or instrument under their personal seal with the same effect as the affixation of the Company's Seal.

105. The Board may entrust to and confer upon a managing director, joint managing director, deputy managing director, an executive director or any Director any of the powers exercisable by it upon such terms and conditions and with such restrictions as it thinks fit, and either collaterally with, or to the exclusion of, its own powers, and may from time to time revoke or vary all or any of such powers but no person dealing in good faith and without notice of such revocation or variation shall be affected thereby.

106. All cheques, promissory notes, drafts, bills of exchange and other instruments, whether negotiable or transferable or not, and all receipts for moneys paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Board shall from time to time by resolution determine. The Company's banking accounts shall be kept with such banker or bankers as the Board shall from time to time determine.

107. (1) The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's moneys to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit under the Company or any of its subsidiary companies) and ex-employees of the Company and their dependants or any class or classes of such person.

(2) The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as mentioned in the last preceding paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of or upon or at any time after his actual retirement, and may be subject or not subject to any terms or conditions as the Board may determine.

BORROWING POWERS

108. The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Act, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

109. Debentures, bonds and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

110. Any debentures, bonds or other securities may be issued at a discount (other than shares), premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meetings of the Company, appointment of Directors and otherwise.

111. (1) Where any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same subject to such prior charge, and shall not be entitled, by notice to the Members or otherwise, to obtain priority over such prior charge.

(2) The Board shall cause a proper register to be kept, in accordance with the provisions of the Act, of all charges specifically affecting the property of the Company and of any series of debentures issued by the Company and shall duly comply with the requirements of the Act in regard to the registration of charges and debentures therein specified and otherwise.

PROCEEDINGS OF THE DIRECTORS

112. The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of any equality of votes the chairman of the meeting shall have an additional or casting vote.

113. A meeting of the Board may be convened by the Secretary on request of a Director or by any Director. The Secretary shall convene a meeting of the Board of which notice may be given in writing or by telephone or in such other manner as the Board may from time to time determine whenever he shall be required so to do by the president or chairman, as the case may be, or any Director.

114. (1) The quorum necessary for the transaction of the business of the Board may be fixed by the Board and, unless so fixed at any other number, shall be a majority of the Directors. An alternate Director shall be counted in a quorum in the case of the absence of a Director for whom he is the alternate provided that he shall not be counted more than once for the purpose of determining whether or not a quorum is present.

(2) Directors may participate in any meeting of the Board by means of a conference telephone or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a meeting as if those participating were present in person.

(3) Any Director who ceases to be a Director at a Board meeting may continue to be present and to act as a Director and be counted in the quorum until the termination of such Board meeting if no other Director objects and if otherwise a quorum of Directors would not be present.

115. The continuing Directors or a sole continuing Director may act notwithstanding any vacancy in the Board but, if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with these Articles as the quorum, the continuing Directors or Director, notwithstanding that the number of Directors is below the number fixed by or in accordance with these Articles as the quorum or that there is only one continuing Director, may act for the purpose of filling vacancies in the Board or of summoning general meetings of the Company but not for any other purpose.

116. The Chairman of the Board shall be the chairman of all meetings of the Board. If the Chairman of the Board is not present at any meeting within five (5) minutes after the time appointed for holding the same, the Directors present may choose one of their number to be chairman of the meeting.

117. A meeting of the Board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions for the time being vested in or exercisable by the Board.

118. (1) The Board may delegate any of its powers, authorities and discretions to committees, consisting of such Director or Directors and other persons as it thinks fit, and they may, from time to time, revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes. Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed on it by the Board.

(2) All acts done by any such committee in conformity with such regulations, and in fulfilment of the purposes for which it was appointed, but not otherwise, shall have like force and effect as if done by the Board, and the Board (or if the Board delegates such power, the committee) shall have power to remunerate the members of any such committee, and charge such remuneration to the current expenses of the Company.

119. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in these Articles for regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by any regulations imposed by the Board under the last preceding Article, indicating, without limitation, any committee charter adopted by the Board for purposes or in respect of any such committee.

120. A resolution in writing signed by all the Directors or all the members of a committee of Directors entitled to receive notice of a meeting of Directors or committee of Directors, as the case may be (an alternate Director, subject as provided otherwise in the terms of appointment of the alternate Director, being entitled to sign such a resolution on behalf of his appointer if his appointer is for the time being not available or unable to act), except such as are temporarily unable to act through ill-health or disability shall (provided that such number is sufficient to constitute a quorum and further provided that a copy of such resolution has been given or the contents thereof communicated to all the Directors for the time being entitled to receive notices of Board meetings in the same manner as notices of meetings are required to be given by these Articles) be as valid and effectual as if a resolution had been passed at a meeting of the Board or committee of Directors, as the case may be, duly convened and held. Such resolution may be contained in one document or in several documents in like form each signed by one or more of the Directors and for this purpose a facsimile signature of a Director shall be treated as valid.

121. All acts bona fide done by the Board or by any committee or by any person acting as a Director or members of a committee, shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any member of the Board or such committee or person acting as aforesaid or that they or any of them were disqualified or had vacated office, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or member of such committee.

OFFICERS

122. (1) The officers of the Company shall consist of the Chairman of the Board, the Directors and Secretary and such additional officers (who may or may not be Directors) as the Board may from time to time determine, all of whom shall be deemed to be officers for the purposes of the Act and these Articles.

(2) The Directors shall, as soon as may be after each appointment or election of Directors, elect amongst the Directors a chairman ("**Chairman of the Board**") and if more than one Director is proposed for this office, the election to such office shall take place in such manner as the Directors may determine.

(3) The officers shall receive such remuneration as the Directors may from time to time determine.

123. (1) The Secretary and additional officers, if any, shall be appointed by the Board and shall hold office on such terms and for such period as the Board may determine. If thought fit, two or more persons may be appointed as joint Secretaries. The Board may also appoint from time to time on such terms as it thinks fit one or more assistant or deputy Secretaries.

(2) The Secretary shall attend all meetings of the Members and shall keep correct minutes of such meetings and enter the same in the proper books provided for the purpose. He shall perform such other duties as are prescribed by the Act or these Articles or as may be prescribed by the Board.

124. The officers of the Company shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Directors from time to time.

125. A provision of the Act or of these Articles requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as or in place of the Secretary.

REGISTER OF DIRECTORS AND OFFICERS

126. The Company shall cause to be kept in one or more books at its Office a Register of Directors and Officers in which there shall be entered the full names and addresses of the Directors and Officers and such other particulars as required by the Act or as the Directors may determine. The Company shall send to the Registrar of Companies in the Cayman Islands a copy of such register, and shall from time to time notify to the said Registrar of any change that takes place in relation to such Directors and Officers as required by the Act.

MINUTES

127. (1) The Board shall cause minutes to be duly entered in books provided for the purpose:

(a) of all elections and appointments of officers;

(b) of the names of the Directors present at each meeting of the Directors and of any committee of the Directors;

(c) of all resolutions and proceedings of each general meeting of the Members, meetings of the Board and meetings of committees of the Board and where there are managers, of all proceedings of meetings of the managers.

(2) Minutes shall be kept by the Secretary at the Office.

SEAL

128. (1) The Company shall have one or more Seals, as the Board may determine. For the purpose of sealing documents creating or evidencing securities issued by the Company, the Company may have a securities seal which is a facsimile of the Seal of the Company with the addition of the word "Securities" on its face or in such other form as the Board may approve. The Board shall provide for the custody of each Seal and no Seal shall be used without the authority of the Board or of a committee of the Board authorised by the Board in that behalf. Subject as otherwise provided in these Articles, any instrument to which a Seal is affixed shall be signed autographically by one Director and the Secretary or by two Directors or by such other person (including a Director) or persons as the Board may appoint, either generally or in any particular case, save that as regards any certificates for shares or debentures or other securities of the Company the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature. Every instrument executed in manner provided by this Article shall be deemed to be sealed and executed with the authority of the Board previously given.

(2) Where the Company has a Seal for use abroad, the Board may by writing under the Seal appoint any agent or committee abroad to be the duly authorised agent of the Company for the purpose of affixing and using such Seal and the Board may impose restrictions on the use thereof as may be thought fit. Wherever in these Articles reference is made to the Seal, the reference shall, when and so far as may be applicable, be deemed to include any such other Seal as aforesaid.

AUTHENTICATION OF DOCUMENTS

129. Any Director or the Secretary or any person appointed by the Board for the purpose may authenticate any documents affecting the constitution of the Company and any resolution passed by the Company or the Board or any committee, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts, and if any books, records, documents or accounts are elsewhere than at the Office or the head office the local manager or other officer of the Company having the custody thereof shall be deemed to be a person so appointed by the Board. A document purporting to be a copy of a resolution, or an extract from the minutes of a meeting, of the Company or of the Board or any committee which is so certified shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such minutes or extract is a true and accurate record of proceedings at a duly constituted meeting.

DESTRUCTION OF DOCUMENTS

130. (1) Subject to applicable laws, the Company shall be entitled to destroy the following documents at the following times:

(a) any share certificate which has been cancelled at any time after the expiry of one (1) year from the date of such cancellation;

(b) any dividend mandate or any variation or cancellation thereof or any notification of change of name or address at any time after the expiry of two (2) years from the date such mandate variation cancellation or notification was recorded by the Company;

(c) any instrument of transfer of shares which has been registered at any time after the expiry of seven (7) years from the date of registration;

(d) any allotment letters after the expiry of seven (7) years from the date of issue thereof; and

(e) copies of powers of attorney, grants of probate and letters of administration at any time after the expiry of seven (7) years after the account to which the relevant power of attorney, grant of probate or letters of administration related has been closed;

and it shall conclusively be presumed in favour of the Company that every entry in the Register purporting to be made on the basis of any such documents so destroyed was duly and properly made and every share certificate so destroyed was a valid certificate duly and properly cancelled and that every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and that every other document destroyed hereunder was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company. Provided always that: (1) the foregoing provisions of this Article shall apply only to the destruction of a document in good faith and without express notice to the Company that the preservation of such document was relevant to a claim; (2) nothing contained in this Article shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any case where the conditions of proviso (1) above are not fulfilled; and (3) references in this Article to the destruction of any document include references to its disposal in any manner.

(2) Notwithstanding any provision contained in these Articles, the Directors may, if permitted by applicable law, authorise the destruction of documents set out in sub-paragraphs (a) to (e) of paragraph (1) of this Article and any other documents in relation to share registration which have been microfilmed or electronically stored by the Company or by the share registrar on its behalf provided always that this Article shall apply only to the destruction of a document in good faith and without express notice to the Company and its share registrar that the preservation of such document was relevant to a claim.

DIVIDENDS AND OTHER PAYMENTS

131. Subject to the Act, the Company in general meeting or the Board may from time to time declare dividends in any currency to be paid to the Members but no dividend shall be declared in excess of the amount recommended by the Board.

132. Dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. The Board may also declare and pay dividends out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Act.

133. Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of this Article as paid up on the share; and

(b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

134. The Board may from time to time pay to the Members such interim dividends as appear to the Board to be justified by the profits of the Company and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights and may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment.

135. The Board may deduct from any dividend or other moneys payable to a Member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

136. No dividend or other moneys payable by the Company on or in respect of any share shall bear interest against the Company.

137. Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first in the Register in respect of the shares at his address as appearing in the Register or addressed to such person and at such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the Register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

138. All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six (6) years from the date of declaration shall be forfeited and shall revert to the Company. The payment by the Board of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.

139. Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe securities of the Company or any other company, or in any one or more of such ways, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue certificates in respect of fractions of shares, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any Members upon the basis of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, and such appointment shall be effective and binding on the Members. The Board may resolve that no such assets shall be made available to Members with registered addresses in any particular territory or territories where, in the absence of a registration statement or other special formalities, such distribution of assets would or might, in the opinion of the Board, be unlawful or impracticable and in such event the only entitlement of the Members aforesaid shall be to receive cash payments as aforesaid. Members affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of Members for any purpose whatsoever.

140. (1) Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on any class of the share capital of the Company, the Board may further resolve either:

(a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the Members entitled thereto will be entitled to elect to receive such dividend (or part thereof if the Board so determines) in cash in lieu of such allotment. In such case, the following provisions shall apply:

(i) the basis of any such allotment shall be determined by the Board;

(ii) the Board, after determining the basis of allotment, shall give not less than ten (10) days' Notice to the holders of the relevant shares of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;

(iii) the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and

(iv) the dividend (or that part of the dividend to be satisfied by the allotment of shares as aforesaid) shall not be payable in cash on shares in respect whereof the cash election has not been duly exercised ("the non-elected shares") and in satisfaction thereof shares of the relevant class shall be allotted credited as fully paid up to the holders of the non-elected shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of any part of the undivided profits of the Company (including profits carried and standing to the credit of any reserves or other special account, share premium account, capital redemption reserve other than the Subscription Rights Reserve) as the Board may determine, such sum as may be required to pay up in full the appropriate number of shares of the relevant class for allotment and distribution to and amongst the holders of the non-elected shares on such basis; or

(b) that the Members entitled to such dividend shall be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. In such case, the following provisions shall apply:

(i) the basis of any such allotment shall be determined by the Board;

(ii) the Board, after determining the basis of allotment, shall give not less than ten (10) days' Notice to the holders of the relevant shares of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;

(iii) the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and

(iv) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on shares in respect whereof the share election has been duly exercised ("the elected shares") and in lieu thereof shares of the relevant class shall be allotted credited as fully paid up to the holders of the elected shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of any part of the undivided profits of the Company (including profits carried and standing to the credit of any reserves or other special account, share premium account, capital redemption reserve other than the Subscription Rights Reserve) as the Board may determine, such sum as may be required to pay up in full the appropriate number of shares of the relevant class for allotment and distribution to and amongst the holders of the elected shares on such basis.

(2) (a) The shares allotted pursuant to the provisions of paragraph (1) of this Article shall rank *pari passu* in all respects with shares of the same class (if any) then in issue save only as regards participation in the relevant dividend or in any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividend unless, contemporaneously with the announcement by the Board of their proposal to apply the provisions of sub-paragraph (a) or (b) of paragraph (2) of this Article in relation to the relevant dividend or contemporaneously with their announcement of the distribution, bonus or rights in question, the Board shall specify that the shares to be allotted pursuant to the provisions of paragraph (1) of this Article shall rank for participation in such distribution, bonus or rights.

(b) The Board may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (1) of this Article, with full power to the Board to make such provisions as it thinks fit in the case of shares becoming distributable in fractions (including provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down or whereby the benefit of fractional entitlements accrues to the Company rather than to the Members concerned). The Board may authorise any person to enter into on behalf of all Members interested, an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made pursuant to such authority shall be effective and binding on all concerned.

(3) The Board may, or the Company may upon the recommendation of the Board by ordinary resolution, resolve in respect of any one particular dividend of the Company that notwithstanding the provisions of paragraph (1) of this Article a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

(4) The Board may on any occasion determine that rights of election and the allotment of shares under paragraph (1) of this Article shall not be made available or made to any shareholders with registered addresses in any territory where, in the absence of a registration statement or other special formalities, the circulation of an offer of such rights of election or the allotment of shares would or might, in the opinion of the Board, be unlawful or impracticable, and in such event the provisions aforesaid shall be read and construed subject to such determination. Members affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of Members for any purpose whatsoever.

(5) Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in general meeting or a resolution of the Board, may specify that the same shall be payable or distributable to the persons registered as the holders of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, and thereupon the dividend shall be payable or distributable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares. The provisions of this Article shall *mutatis mutandis* apply to bonuses, capitalisation issues, distributions of realised capital profits or offers or grants made by the Company to the Members.

RESERVES

141. (1) The Board shall establish an account to be called the share premium account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any share in the Company. Unless otherwise provided by the provisions of these Articles, the Board may apply the share premium account in any manner permitted by the Act. The Company shall at all times comply with the provisions of the Act in relation to the share premium account.

(2) Before recommending any dividend, the Board may set aside out of the profits of the Company such sums as it determines as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit and so that it shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute.

CAPITALISATION

142. The Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and capital redemption reserve and the profit and loss account) whether or not the same is available for distribution and accordingly that such amount be set free for distribution among the Members or any class of Members who would be entitled thereto if it were distributed by way of dividend and in the same proportions, on the basis that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such Members respectively or in paying up in full unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid up among such Members, or partly in one way and partly in the other, and the Board shall give effect to such resolution provided that, for the purposes of this Article, a share premium account and any capital redemption reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the Company to be allotted to such Members credited as fully paid.

143. The Board may settle, as it considers appropriate, any difficulty arising in regard to any distribution under the last preceding Article and in particular may issue certificates in respect of fractions of shares or authorise any person to sell and transfer any fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments shall be made to any Members in order to adjust the rights of all parties, as may seem expedient to the Board. The Board may appoint any person to sign on behalf of the persons entitled to participate in the distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon the Members.

SUBSCRIPTION RIGHTS RESERVE

144. The following provisions shall have effect to the extent that they are not prohibited by and are in compliance with the Act:

(1) If, so long as any of the rights attached to any warrants issued by the Company to subscribe for shares of the Company shall remain exercisable, the Company does any act or engages in any transaction which, as a result of any adjustments to the subscription price in accordance with the provisions of the conditions of the warrants, would reduce the subscription price to below the par value of a share, then the following provisions shall apply:

(a) as from the date of such act or transaction the Company shall establish and thereafter (subject as provided in this Article) maintain in accordance with the provisions of this Article a reserve (the "Subscription Rights Reserve") the amount of which shall at no time be less than the sum which for the time being would be required to be capitalised and applied in paying up in full the nominal amount of the additional shares required to be issued and allotted credited as fully paid pursuant to sub-paragraph (c) below on the exercise in full of all the subscription rights outstanding and shall apply the Subscription Rights Reserve in paying up such additional shares in full as and when the same are allotted;

(b) the Subscription Rights Reserve shall not be used for any purpose other than that specified above unless all other reserves of the Company (other than share premium account) have been extinguished and will then only be used to make good losses of the Company if and so far as is required by law;

(c) upon the exercise of all or any of the subscription rights represented by any warrant, the relevant subscription rights shall be exercisable in respect of a nominal amount of shares equal to the amount in cash which the holder of such warrant is required to pay on exercise of the subscription rights represented thereby (or, as the case may be the relevant portion thereof in the event of a partial exercise of the subscription rights) and, in addition, there shall be allotted in respect of such subscription rights to the exercising warrantholder, credited as fully paid, such additional nominal amount of shares as is equal to the difference between:

(i) the said amount in cash which the holder of such warrant is required to pay on exercise of the subscription rights represented thereby (or, as the case may be, the relevant portion thereof in the event of a partial exercise of the subscription rights); and

(ii) the nominal amount of shares in respect of which such subscription rights would have been exercisable having regard to the provisions of the conditions of the warrants, had it been possible for such subscription rights to represent the right to subscribe for shares at less than par and immediately upon such exercise so much of the sum standing to the credit of the Subscription Rights Reserve as is required to pay up in full such additional nominal amount of shares shall be capitalised and applied in paying up in full such additional nominal amount of shares which shall forthwith be allotted credited as fully paid to the exercising warrantholders; and

(d) if, upon the exercise of the subscription rights represented by any warrant, the amount standing to the credit of the Subscription Rights Reserve is not sufficient to pay up in full such additional nominal amount of shares equal to such difference as aforesaid to which the exercising warrantholder is entitled, the Board shall apply any profits or reserves then or thereafter becoming available (including, to the extent permitted by law, share premium account) for such purpose until such additional nominal amount of shares is paid up and allotted as aforesaid and until then no dividend or other distribution shall be paid or made on the fully paid shares of the Company then in issue. Pending such payment and allotment, the exercising warrantholder shall be issued by the Company with a certificate evidencing his right to the allotment of such additional nominal amount of shares. The rights represented by any such certificate shall be in registered form and shall be transferable in whole or in part in units of one share in the like manner as the shares for the time being are transferable, and the Company shall make such arrangements in relation to the maintenance of a register therefor and other matters in relation thereto as the Board may think fit and adequate particulars thereof shall be made known to each relevant exercising warrantholder upon the issue of such certificate.

(2) Shares allotted pursuant to the provisions of this Article shall rank *pari passu* in all respects with the other shares allotted on the relevant exercise of the subscription rights represented by the warrant concerned. Notwithstanding anything contained in paragraph (1) of this Article, no fraction of any share shall be allotted on exercise of the subscription rights.

(3) The provision of this Article as to the establishment and maintenance of the Subscription Rights Reserve shall not be altered or added to in any way which would vary or abrogate, or which would have the effect of varying or abrogating the provisions for the benefit of any warrantholder or class of warrantholders under this Article without the sanction of a special resolution of such warrantholders or class of warrantholders.

(4) A certificate or report by the auditors for the time being of the Company as to whether or not the Subscription Rights Reserve is required to be established and maintained and if so the amount thereof so required to be established and maintained, as to the purposes for which the Subscription Rights Reserve has been used, as to the extent to which it has been used to make good losses of the Company, as to the additional nominal amount of shares required to be allotted to exercising warrantholders credited as fully paid, and as to any other matter concerning the Subscription Rights Reserve shall (in the absence of manifest error) be conclusive and binding upon the Company and all warrantholders and shareholders.

ACCOUNTING RECORDS

145. The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

146. The accounting records shall be kept at the Office or, at such other place or places as the Board decides and shall always be open to inspection by the Directors. No Member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting.

AUDIT

147. The appointment of the Auditor shall require the approval of an ordinary resolution. The Company shall at every annual general meeting appoint the Auditor who shall hold office until the next annual general meeting. The removal of the Auditor before the expiration of his period of office shall require the approval of an ordinary resolution.

148. Subject to the Act the accounts of the Company shall be audited at least once in every year.

149. The remuneration of the Auditor shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

150. [Reserved].

151. The Auditor shall at all reasonable times have access to all books kept by the Company and to all accounts and vouchers relating thereto; and he may call on the Directors or officers of the Company for any information in their possession relating to the books or affairs of the Company.

152. The Auditor shall, if so required by the Directors, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment, and at any time during their term of office, upon request of the Directors or of the Members at any general meeting.

NOTICES

153. Any Notice or document, whether or not, to be given or issued under these Articles from the Company to a Member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such Notice and document may be served or delivered by the Company on or to any Member either personally or by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for the giving of Notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the Notice being duly received by the Member or may also be served by advertisement in appropriate newspapers in accordance with the requirements of the Designated Stock Exchange or, to the extent permitted by the applicable laws, by placing it on the Company's website and giving to the member a notice stating that the notice or other document is available there (a "notice of availability"). The notice of availability may be given to the Member by any of the means set out above. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders.

154. Any Notice or other document:

(a) if served or delivered by post, shall where appropriate be sent by airmail and shall be deemed to have been served or delivered on the day following that on which the envelope containing the same, properly prepaid and addressed, is put into the post; in proving such service or delivery it shall be sufficient to prove that the envelope or wrapper containing the notice or document was properly addressed and put into the post and a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board that the envelope or wrapper containing the Notice or other document was so addressed and put into the post shall be conclusive evidence thereof;

(b) if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A Notice placed on the Company's website is deemed given by the Company to a Member on the day following that on which a notice of availability is deemed served on the Member;

(c) if served or delivered in any other manner contemplated by these Articles, shall be deemed to have been served or delivered at the time of personal service or delivery or, as the case may be, at the time of the relevant despatch or transmission; and in proving such service or delivery a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board as to the act and time of such service, delivery, despatch or transmission shall be conclusive evidence thereof; and

(d) may be given to a Member either in the English language or the Chinese language, subject to due compliance with all applicable Statutes, rules and regulations.

155. (1) Any Notice or other document delivered or sent by post to or left at the registered address of any Member in pursuance of these Articles shall, notwithstanding that such Member is then dead or bankrupt or that any other event has occurred, and whether or not the Company has notice of the death or bankruptcy or other event, be deemed to have been duly served or delivered in respect of any share registered in the name of such Member as sole or joint holder unless his name shall, at the time of the service or delivery of the Notice or document, have been removed from the Register as the holder of the share, and such service or delivery shall for all purposes be deemed a sufficient service or delivery of such Notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.

(2) A Notice may be given by the Company to the person entitled to a share in consequence of the death, mental disorder or bankruptcy of a Member by sending it through the post in a prepaid letter, envelope or wrapper addressed to him by name, or by the title of representative of the deceased, or trustee of the bankrupt, or by any like description, at the address, if any, supplied for the purpose by the person claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death, mental disorder or bankruptcy had not occurred.

(3) Any person who by operation of law, transfer or other means whatsoever shall become entitled to any share shall be bound by every Notice in respect of such share which prior to his name and address being entered on the Register shall have been duly given to the person from whom he derives his title to such share.

SIGNATURES

156. For the purposes of these Articles, a cable or telex or facsimile or electronic transmission message purporting to come from a holder of shares or, as the case may be, a Director, or, in the case of a corporation which is a holder of shares from a director or the secretary thereof or a duly appointed attorney or duly authorised representative thereof for it and on its behalf, shall in the absence of express evidence to the contrary available to the person relying thereon at the relevant time be deemed to be a document or instrument in writing signed by such holder or Director in the terms in which it is received.

WINDING UP

157. (1) The Board shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.

(2) Subject to the Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

158. (1) Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the Members as such shall be insufficient to repay the whole of the paid-up capital such assets shall be distributed so that, a nearly as may be, the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

(2) If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Act, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of properties of one kind or shall consist of properties to be divided as aforesaid of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of the Members as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

INDEMNITY

159. (1) The Directors, Secretary and other officers for the time being of the Company (but not including the Auditor) and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company and every one of them, and every one of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

(2) Each Member agrees to waive any claim or right of action he might have, whether individually or by or in the right of the Company, against any Director on account of any action taken by such Director, or the failure of such Director to take any action in the performance of his duties with or for the Company; PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director.

FINANCIAL YEAR

160. Unless the Directors otherwise prescribe, the financial year of the Company shall end on 31st December in each year and, following the year of incorporation, shall begin on 1st January in each year.

AMENDMENT TO MEMORANDUM AND ARTICLES OF ASSOCIATION AND NAME OF COMPANY

161. No Article shall be rescinded, altered or amended and no new Article shall be made until the same has been approved by a special resolution of the Members. A special resolution shall be required to alter the provisions of the Memorandum of Association or to change the name of the Company.

INFORMATION

162. Subject to due compliance with the relevant laws, rules and regulations applicable to the Company, no Member shall be entitled to require discovery of or any information respecting any detail of the Company's trading or any matter which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors it will be inexpedient in the interests of the members of the Company to communicate to the public.

EXCLUSIVE FORUM

163. For the avoidance of doubt and without limiting the jurisdiction of the courts of the Cayman Islands and the courts of Hong Kong to hear, settle and/or determine disputes related to the Company and without prejudice to Article 164, the Company, Members, the Directors, and the officers of the Company agree to submit to the jurisdiction of the courts of the Cayman Islands and Hong Kong, to the exclusion of other jurisdictions, for (a) any derivative action or proceeding brought on behalf of the Company, (b) any action asserting a claim of breach of a fiduciary duty owed by any Director, officer or other employee of the Company to the Company or the Members, (c) any action asserting a claim arising pursuant to any provision of the Act or these Articles including but not limited to any purchase or acquisition of shares, securities, or guarantees, provided in consideration thereof, or (d) any action asserting a claim against the Company which if brought in the United States would be a claim arising under the internal affairs doctrine (as such concept is recognized under the laws of the United States from time to time).

164. Notwithstanding Article 163, the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts in New York County, New York) shall be the exclusive forum within the United States for the resolution of any complaint asserting a cause of action arising out of or relating in any way to the federal securities laws of the United States, regardless of whether such legal suit, action, or proceeding also involves parties other than the Company. Any person or entity purchasing or otherwise acquiring any shares or other securities in the Company, or purchasing or otherwise acquiring American depositary shares issued pursuant to deposit agreements, shall be deemed to have notice of and consented to the provisions of this Article. Without prejudice to the foregoing, if the provision in this Article is held to be illegal, invalid or unenforceable under applicable law, the legality, validity or enforceability of the rest of these Articles shall not be affected and this Article shall be interpreted and construed to the maximum extent possible to apply in the relevant jurisdiction with whatever modification or deletion may be necessary so as best to give effect to the intention of the Company.

Exhibit 2.4

LUFAX HOLDING LTD

AND

CITIBANK, N.A.,

as Depositary,

and

THE HOLDERS AND BENEFICIAL OWNERS OF
AMERICAN DEPOSITARY SHARES
OUTSTANDING UNDER THE TERMS OF THE
DEPOSIT AGREEMENT, DATED AS OF NOVEMBER 3, 2020

Amendment No. 1
to
Deposit Agreement

Dated as of December 15, 2023

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AMENDMENT NO. 1 TO DEPOSIT AGREEMENT

AMENDMENT NO. 1 TO DEPOSIT AGREEMENT dated as of December 15, 2023 (the "Amendment No. 1"), by and among Lufax Holding Ltd, an exempted company with limited liability incorporated and existing under the laws of the Cayman Islands (the "Company"), Citibank, N.A., a national banking association organized under the laws of the United States of America (the "Depositary"), and all Holders and Beneficial Owners from time to time of American Depositary Shares issued and outstanding under the Deposit Agreement, dated as of November 3, 2020.

WITNESSETH THAT:

WHEREAS, the Company and the Depositary entered into that certain Deposit Agreement, dated as of November 3, 2020 (the "Deposit Agreement"), for the creation of American Depositary Shares ("ADSs") representing the Shares (as defined in the Deposit Agreement) deposited thereunder and for the execution and delivery of American Depositary Receipts ("ADRs") in respect of the ADSs; and

WHEREAS, the Company desires to (a) change the ADS-to-Share ratio from (i) the existing ratio of two (2) ADSs to one (1) Share to (ii) a new ratio of one (1) ADS to two (2) Shares, (b) amend the Deposit Agreement, the ADRs currently outstanding, and the form of ADR annexed as Exhibit A to the Deposit Agreement and (c) give notice thereof to all Holders (as defined in the Deposit Agreement) of ADSs; and

WHEREAS, pursuant to Section 6.1 of the Deposit Agreement, the Company and the Depositary deem it necessary and desirable to amend the Deposit Agreement, the ADRs currently outstanding and the form of ADR annexed to the Deposit Agreement as Exhibit A for the purposes set forth herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Depositary hereby agree to amend the Deposit Agreement, the ADRs currently outstanding and the form of ADR annexed as Exhibit A to the Deposit Agreement as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01 Definitions. Unless otherwise specified in this Amendment No. 1, all capitalized terms used, but not defined, herein shall have the meanings given to such terms in the Deposit Agreement.

SECTION 1.02 Effective Date. The term "Effective Date" shall mean the date set forth above and as of which this Amendment No. 1 shall become effective.

ARTICLE II

AMENDMENTS TO DEPOSIT AGREEMENT

SECTION 2.01 Deposit Agreement. All references in the Deposit Agreement to the terms "Deposit Agreement" shall, as of the Effective Date, refer to the Deposit Agreement, dated as of November 3, 2020, as amended by this Amendment No. 1 and as further amended and supplemented after the Effective Date.

SECTION 2.02 Amendments Binding on all Holders and Beneficial Owners. From and after the Effective Date, the Deposit Agreement, as amended by this Amendment No. 1, shall be binding on all Holders and Beneficial Owners of ADSs issued and outstanding as of the Effective Date and on all Holders and Beneficial Owners of ADSs issued after the Effective Date.

ARTICLE III

AMENDMENTS TO THE FORM OF ADR

SECTION 3.01 ADR Amendment. (a) The phrase in the top, right-hand corner of the Form of ADR attached as Exhibit A to the Deposit Agreement and in each of the ADRs issued and outstanding under the terms of the Deposit Agreement is hereby amended as of the Effective Date by deleting such phrase in its entirety and inserting the following in its stead:

"American Depositary Shares (each American Depositary Share represents the right to receive two (2) fully paid ordinary shares)"

(b) The second sentence of the introductory paragraph of the Form of ADR attached as Exhibit A to the Deposit Agreement and in each of the ADRs issued and outstanding under the terms of the Deposit Agreement is hereby amended as of the Effective Date by deleting such sentence in its entirety and inserting the following in its stead:

"As of the date of issuance of this ADR, each ADS represents the right to receive two (2) Shares deposited under the Deposit Agreement (as hereinafter defined) with the Custodian, which at the date of issuance of this ADR is Citibank, N.A. - Hong Kong (the "Custodian")."

(c) The first sentence of paragraph (1) of the form of ADR attached as Exhibit A to the Deposit Agreement and in each of the ADRs issued and outstanding under the terms of the Deposit Agreement is hereby amended as of the Effective Date by deleting such sentence in its entirety and inserting the following in its stead:

"This American Depositary Receipt is one of an issue of American Depositary Receipts ("ADRs"), all issued and to be issued upon the terms and conditions set forth in the Deposit Agreement, dated as of November 3, 2020, and as amended by Amendment No. 1 to the Deposit Agreement, dated as of December 15, 2023 (as amended and supplemented from time to time, the "Deposit Agreement"), by and among the Company, the Depositary, and all Holders and Beneficial Owners from time to time of ADSs issued thereunder."

SECTION 3.02 Change of ADS Ratio. All references to the ADS-to-Share ratio made in the form of ADR attached as Exhibit A to the Deposit Agreement and in each of the ADRs outstanding, as of the Effective Date, under the terms of the Deposit Agreement shall, as of the Effective Date, refer to the ADS-to-Share ratio of one (1) ADS to two (2) Shares.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01 Representations and Warranties. The Company represents and warrants to, and agrees with, the Depositary and the Holders and Beneficial Owners, that:

(a) This Amendment No. 1, when executed and delivered by the Company, and the Deposit Agreement and all other documentation executed and delivered by the Company in connection therewith, will be and have been, respectively, duly and validly authorized, executed and delivered by the Company, and constitute the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, subject to bankruptcy, insolvency, fraudulent transfer, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles; and

(b) In order to ensure the legality, validity, enforceability or admissibility into evidence of this Amendment No. 1 or the Deposit Agreement as amended hereby, and other document furnished hereunder or thereunder in the Cayman Islands, neither of such agreements need to be filed or recorded with any court or other authority in the Cayman Islands, nor does any stamp or similar tax need be paid in the Cayman Islands on or in respect of such agreements; and

(c) All of the information provided to the Depositary by the Company in connection with this Amendment No. 1 is true, accurate and correct.

ARTICLE V

MISCELLANEOUS

SECTION 5.01 New ADRs. From and after the Effective Date, the Depositary shall arrange to have new ADRs printed or amended that reflect the changes to the form of ADR effected by this Amendment No. 1. All ADRs issued hereunder after the Effective Date, once such new ADRs are available, whether upon the deposit of Shares or other Deposited Securities or upon the transfer, combination or split up of existing ADRs, shall be substantially in the form of the specimen ADR attached as Exhibit A hereto. However, ADRs issued prior or subsequent to the date hereof, which do not reflect the changes to the form of ADR effected hereby, do not need to be called in for exchange and may remain outstanding until such time as the Holders thereof choose to surrender them for any reason under the Deposit Agreement. The Depositary is authorized and directed to take any and all actions deemed necessary to effect the foregoing.

SECTION 5.02 Notice of Amendment to Holders of ADSs. The Depositary is hereby directed to send notices informing the Holders of ADSs (i) of the terms of this Amendment No. 1, (ii) of the Effective Date of this Amendment No. 1, (iii) that the Holder of ADRs shall be given the opportunity, but that it is unnecessary, to substitute their ADRs with new ADRs reflecting the changes effected by this Amendment No. 1, as provided in Section 5.01 hereof, (iv) that Holders of Uncertificated ADSs do not need to take any action in connection with this Amendment No. 1, and (v) that copies of this Amendment No. 1 may be retrieved from the Commission's website at www.sec.gov and may be obtained from the Depositary and the Company upon request.

SECTION 5.03 Indemnification. The Company agrees to indemnify and hold harmless the Depositary (and any and all of its directors, employees and officers) for any and all liability it or they may incur as a result of the terms of this Amendment No. 1 and the transactions contemplated herein.

SECTION 5.04 Ratification. Except as expressly amended hereby, the terms, covenants and conditions of the Deposit Agreement as originally executed shall remain in full force and effect.

SECTION 5.05 Governing Law. This Amendment No. 1 shall be governed by and construed in accordance with the laws of the State of New York without reference to its principles of choice of law.

SECTION 5.06 Counterparts. This Amendment No. 1 may be executed in any number of counterparts, each of which shall be deemed an original, and all of such counterparts together shall be deemed an original, and all such counterparts together shall constitute one and the same instrument.

[Reminder of page intentionally left blank. Signatures on following page.]

IN WITNESS WHEREOF, the Company and the Depositary have caused this Amendment No. 1 to be executed by representatives thereunto duly authorized as of the date set forth above.

LUFAX HOLDING LTD

By: /s/ Gregory Dean Gibb
Name: Gregory Dean Gibb
Title: Director and Co-Chief Executive Officer

CITIBANK, N.A., as Depositary

By: /s/ Joseph Connor
Name: Joseph Connor
Title: Attorney in Fact

EXHIBIT A

Number _____

CUSIP NUMBER: _____

American Depositary Shares (each American Depositary Share represents the right to receive two (2) fully paid ordinary shares)

AMERICAN DEPOSITARY RECEIPT

for

AMERICAN DEPOSITARY SHARES

representing

DEPOSITED ORDINARY SHARES

of

LUFAX HOLDING LTD

(Incorporated under the laws of the Cayman Islands)

CITIBANK, N.A., a national banking association organized and existing under the laws of the United States of America, as depositary (the "Depositary"), hereby certifies that _____ is the owner of _____ American Depositary Shares (hereinafter "ADS") representing deposited ordinary shares, including evidence of rights to receive such ordinary shares (the "Shares"), of Lufax Holding Ltd, an exempted company with limited liability incorporated and existing under the laws of the Cayman Islands, and its successors (the "Company"). As of the date of issuance of this ADR, each ADS represents the right to receive two (2) Shares deposited under the Deposit Agreement (as hereinafter defined) with the Custodian, which at the date of issuance of this ADR is Citibank, N.A. - Hong Kong (the "Custodian"). The ADS(s)-to-Share(s) ratio is subject to amendment as provided in Articles IV and VI of the Deposit Agreement. The Depositary's Principal Office is located at 388 Greenwich Street, New York, New York 10013, U.S.A.

(1) The Deposit Agreement. This American Depositary Receipt is one of an issue of American Depositary Receipts ("ADRs"), all issued and to be issued upon the terms and conditions set forth in the Deposit Agreement, dated as of November 3**,** 2020, and as amended by Amendment No. 1 to the Deposit Agreement, dated as of December 15, 2023 (as amended and supplemented from time to time, the "Deposit Agreement"), by and among the Company, the Depositary, and all Holders and Beneficial Owners from time to time of ADSs issued thereunder. The Deposit Agreement sets forth the rights and obligations of Holders and Beneficial Owners of ADSs and the rights and duties of the Depositary in respect of the Shares deposited thereunder and any and all other Deposited Property (as defined in the Deposit Agreement) from time to time received and held on deposit in respect of the ADSs. Copies of the Deposit Agreement are on file at the Principal Office of the Depositary and with the Custodian. Each Holder and each Beneficial Owner, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the Deposit Agreement, shall be deemed for all purposes to (a) be a party to and bound by the terms of the Deposit Agreement and the applicable ADR(s), and (b) appoint the Depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the Deposit Agreement and the applicable ADR(s), to adopt any and all procedures necessary to comply with applicable law and to take such action as the Depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the Deposit Agreement and the applicable ADR(s), the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof. The manner in which a Beneficial Owner holds ADSs (e.g., in a brokerage account vs. as registered holder) may affect the rights and obligations of, the manner in which, and the extent to which, services are made available to, Beneficial Owners pursuant to the terms of the Deposit Agreement.

The statements made on the face and reverse of this ADR are summaries of certain provisions of the Deposit Agreement and the Articles of Association of the Company (as in effect on the date of the signing of the Deposit Agreement) and are qualified by and subject to the detailed provisions of the Deposit Agreement and the Articles of Association of the Company, to which reference is hereby made.

All capitalized terms not defined herein shall have the meanings ascribed thereto in the Deposit Agreement.

The Depositary makes no representation or warranty as to the validity or worth of the Deposited Property. The Depositary has made arrangements for the acceptance of the ADSs into DTC. Each Beneficial Owner of ADSs held through DTC must rely on the procedures of DTC and the DTC Participants to exercise and be entitled to any rights attributable to such ADSs. The Depositary may issue Uncertificated ADSs subject, however, to the terms and conditions of Section 2.13 of the Deposit Agreement.

(2) Surrender of ADSs and Withdrawal of Deposited Securities. The Holder of this ADR (and of the ADSs evidenced hereby) shall be entitled to Delivery (at the Custodian's designated office) of the Deposited Securities at the time represented by the ADSs evidenced hereby upon satisfaction of each of the following conditions: (i) the Holder (or a duly-authorized attorney of the Holder) has duly Delivered ADSs to the Depositary at its Principal Office the ADSs evidenced hereby (and, if applicable, this ADR evidencing such ADSs) for the purpose of withdrawal of the Deposited Securities represented thereby, (ii) if applicable and so required by the Depositary, this ADR Delivered to the Depositary for such purpose has been properly endorsed in blank or is accompanied by proper instruments of transfer in blank (including signature guarantees in accordance with standard securities industry practice), (iii) if so required by the Depositary, the Holder of the ADSs has executed and delivered to the Depositary a written order directing the Depositary to cause the Deposited Securities being withdrawn to be Delivered to or upon the written order of the person(s) designated in such order, and (iv) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 of, and Exhibit B to, the Deposit Agreement) have been paid, *subject, however, in each case*, to the terms and conditions of this ADR evidencing the surrendered ADSs, of the Deposit Agreement, of the Articles of Association and of any applicable laws and the rules of the applicable book-entry settlement entity, and to any provisions of or governing the Deposited Securities, in each case as in effect at the time thereof.

Upon satisfaction of each of the conditions specified above, the Depositary (i) shall cancel the ADSs Delivered to it (and, if applicable, this ADR(s) evidencing the ADSs so Delivered), (ii) shall direct the Registrar to record the cancellation of the ADSs so Delivered on the books maintained for such purpose, and (iii) shall direct the Custodian to Deliver, or cause the Delivery of, in each case, without unreasonable delay, the Deposited Securities represented by the ADSs so canceled together with any certificate or other document of title for the Deposited Securities, or evidence of the electronic transfer thereof (if available), as the case may be, to or upon the written order of the person(s) designated in the order delivered to the Depositary for such purpose, *subject however, in each case*, to the terms and conditions of the Deposit Agreement, of this ADR evidencing the ADS so canceled, of the Articles of Association, of any applicable laws and of the rules of the applicable book-entry settlement entity, and to the terms and conditions of or governing the Deposited Securities, in each case as in effect at the time thereof.

The Depositary shall not accept for surrender ADSs representing less than one (1) Share. In the case of Delivery to it of ADSs representing a number other than a whole number of Shares, the Depositary shall cause ownership of the appropriate whole number of Shares to be Delivered in accordance with the terms hereof, and shall, at the discretion of the Depositary, either (i) return to the person surrendering such ADSs the number of ADSs representing any remaining fractional Share, or (ii) sell or cause to be sold the fractional Share represented by the ADSs so surrendered and remit the proceeds of such sale (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes withheld) to the person surrendering the ADSs.

Notwithstanding anything else contained in this ADR or the Deposit Agreement, the Depositary may make delivery at the Principal Office of the Depositary of Deposited Property consisting of (i) any cash dividends or cash distributions, or (ii) any proceeds from the sale of any non-cash distributions, which are at the time held by the Depositary in respect of the Deposited Securities represented by the ADSs surrendered for cancellation and withdrawal. At the request, risk and expense of any Holder so surrendering ADSs represented by this ADR, and for the account of such Holder, the Depositary shall direct the Custodian to forward (to the extent permitted by law) any Deposited Property (other than Deposited Securities) held by the Custodian in respect of such ADSs to the Depositary for delivery at the Principal Office of the Depositary. Such direction shall be given by letter or, at the request, risk and expense of such Holder, by cable, telex or facsimile transmission.

(3) Transfer, Combination and Split-up of ADRs. The Registrar shall register the transfer of this ADR (and of the ADSs represented hereby) on the books maintained for such purpose and the Depositary shall (x) cancel this ADR and execute new ADRs evidencing the same aggregate number of ADSs as those evidenced by this ADR canceled by the Depositary, (y) cause the Registrar to countersign such new ADRs, and (z) Deliver such new ADRs to or upon the order of the person entitled thereto, if each of the following conditions has been satisfied: (i) this ADR has been duly Delivered by the Holder (or by a duly authorized attorney of the Holder) to the Depositary at its Principal Office for the purpose of effecting a transfer thereof, (ii) this surrendered ADR has been properly endorsed or is accompanied by proper instruments of transfer (including signature guarantees in accordance with standard securities industry practice), (iii) this surrendered ADR has been duly stamped (if required by the laws of the State of New York or of the United States), and (iv) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 of, and Exhibit B to, the Deposit Agreement) have been paid, *subject, however, in each case,* to the terms and conditions of this ADR, of the Deposit Agreement and of applicable law, in each case as in effect at the time thereof.

The Registrar shall register the split-up or combination of this ADR (and of the ADSs represented hereby) on the books maintained for such purpose and the Depositary shall (x) cancel this ADR and execute new ADRs for the number of ADSs requested, but in the aggregate not exceeding the number of ADSs evidenced by this ADR canceled by the Depositary, (y) cause the Registrar to countersign such new ADRs, and (z) Deliver such new ADRs to or upon the order of the Holder thereof, if each of the following conditions has been satisfied: (i) this ADR has been duly Delivered by the Holder (or by a duly authorized attorney of the Holder) to the Depositary at its Principal Office for the purpose of effecting a split-up or combination hereof, and (ii) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 of, and Exhibit B to, the Deposit Agreement) have been paid, *subject, however, in each case*, to the terms and conditions of this ADR, of the Deposit Agreement and of applicable law, in each case as in effect at the time thereof.

(4) Pre-Conditions to Registration, Transfer, Etc. As a condition precedent to the execution and Delivery, the registration of issuance, transfer, split-up, combination or surrender, of any ADS, the delivery of any distribution thereon, or the withdrawal of any Deposited Property, the Depositary or the Custodian may require (i) payment from the depositor of Shares or presenter of ADSs or of this ADR of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees and charges of the Depositary as provided in Section 5.9 and Exhibit B to the Deposit Agreement and in this ADR, (ii) the production of proof reasonably satisfactory to it as to the identity and genuineness of any signature or any other matter contemplated by Section 3.1 of the Deposit Agreement, and (iii) compliance with (A) any laws or governmental regulations relating to the execution and Delivery of this ADR or ADSs or to the withdrawal of Deposited Securities and (B) such reasonable regulations as the Depositary and the Company may establish consistent with the provisions of this ADR, if applicable, the Deposit Agreement and applicable law.

The issuance of ADSs against deposits of Shares generally or against deposits of particular Shares may be suspended, or the deposit of particular Shares may be refused, or the registration of transfer of ADSs in particular instances may be refused, or the registration of transfer of ADSs generally may be suspended, during any period when the transfer books of the Company, the Depositary, a Registrar or the Share Registrar are closed or if any such action is deemed necessary or advisable by the Depositary (whereupon the Depositary shall notify the Company in writing) or the Company, in good faith, at any time or from time to time because of any requirement of law or regulation, any government or governmental body or commission or any securities exchange on which the ADSs or Shares are listed, or under any provision of the Deposit Agreement or this ADR, if applicable, or under any provision of, or governing, the Deposited Securities, or because of a meeting of shareholders of the Company or for any other reason, subject, in all cases to Section 7.8(a) of the Deposit Agreement and paragraph (25) of this ADR. Notwithstanding any provision of the Deposit Agreement or this ADR to the contrary, Holders are entitled to surrender outstanding ADSs to withdraw the Deposited Securities associated therewith at any time subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the deposit of Shares in connection with voting at a shareholders' meeting or the payment of dividends, (ii) the payment of fees, taxes and similar charges, (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the ADSs or to the withdrawal of the Deposited Securities, and (iv) other circumstances specifically contemplated by Instruction I.A.(l) of the General Instructions to Form F-6 (as such General Instructions may be amended from time to time) under the Securities Act.

(5) Compliance with Information Requests. Notwithstanding any other provision of the Deposit Agreement or this ADR, each Holder and Beneficial Owner of the ADSs represented hereby agrees to comply with requests from the Company pursuant to applicable law, the rules and requirements of any stock exchange on which the Shares or ADSs are, or will be, registered, traded or listed, or the Articles of Association, which are made to provide information, *inter alia*, as to the capacity in which such Holder or Beneficial Owner owns ADSs (and the Shares represented by such ADSs, as the case may be) and regarding the identity of any other person(s) interested in such ADSs (and the Shares represented by such ADSs, as the case may be) and the nature of such interest and various other matters, whether or not they are Holders and/or Beneficial Owners at the time of such request. The Depositary agrees to use its reasonable efforts to forward, upon the request of the Company and at the Company's expense, any such request from the Company to the Holders and to forward to the Company any such responses to such requests received by the Depositary.

(6) Ownership Restrictions. Notwithstanding any other provision contained in this ADR or of the Deposit Agreement to the contrary, the Company may restrict transfers of the Shares where such transfer might result in ownership of Shares exceeding limits imposed by applicable law or the Articles of Association. The Company may also restrict, in such manner as it deems appropriate, transfers of the ADSs where such transfer may result in the total number of Shares represented by the ADSs owned by a single Holder or Beneficial Owner to exceed any such limits. The Company may, in its sole discretion but subject to applicable law, instruct the Depositary to take action with respect to the ownership interest of any Holder or Beneficial Owner in excess of the limits set forth in the preceding sentence, including but not limited to, the imposition of restrictions on the transfer of ADSs, the removal or limitation of voting rights or the mandatory sale or disposition on behalf of a Holder or Beneficial Owner of the Shares represented by the ADSs held by such Holder or Beneficial Owner in excess of such limitations, if and to the extent such disposition is permitted by applicable law and the Articles of Association. Nothing herein or in the Deposit Agreement shall be interpreted as obligating the Depositary or the Company to ensure compliance with the ownership restrictions described herein or in Section 3.5 of the Deposit Agreement.

(7) Reporting Obligations and Regulatory Approvals. Applicable laws and regulations may require holders and beneficial owners of Shares, including the Holders and Beneficial Owners of ADSs, to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. Holders and Beneficial Owners of ADSs are solely responsible for determining and complying with such reporting requirements and obtaining such approvals. Each Holder and each Beneficial Owner hereby agrees to make such determination, file such reports, and obtain such approvals to the extent and in the form required by applicable laws and regulations as in effect from time to time. Neither the Depositary, the Custodian, the Company or any of their respective agents or affiliates shall be required to take any actions whatsoever on behalf of Holders or Beneficial Owners to determine or satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

(8) Liability for Taxes and Other Charges. Any tax or other governmental charge payable by the Custodian or by the Depositary with respect to any Deposited Property, ADSs or this ADR shall be payable by the Holders and Beneficial Owners to the Depositary. The Company, the Custodian and/or the Depositary may withhold or deduct from any distributions made in respect of Deposited Property held on behalf of such Holder and/or Beneficial Owner, and may sell for the account of a Holder and/or Beneficial Owner any or all of such Deposited Property and apply such distributions and sale proceeds in payment of, any taxes (including applicable interest and penalties) or charges that are or may be payable by Holders or Beneficial Owners in respect of the ADSs, Deposited Property and this ADR, the Holder and the Beneficial Owner hereof remaining liable for any deficiency. The Custodian may refuse the deposit of Shares and the Depositary may refuse to issue ADSs, to deliver ADRs, register the transfer of ADSs, register the split-up or combination of ADRs and (subject to paragraph (25) of this ADR and Section 7.8(a) of the Deposit Agreement) the withdrawal of Deposited Property until payment in full of such tax, charge, penalty or interest is received. Every Holder and Beneficial Owner agrees to indemnify the Depositary, the Company, the Custodian, and any of their agents, directors, officers, employees and Affiliates for, and to hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from (i) any ADS held by such Holder and/or owned by such Beneficial Owner, (ii) the Deposited Property represented by the ADSs, and (iii) any transaction entered into by such Holder and/or Beneficial Owner in respect of the ADSs and/or the Deposited Property represented thereby. Notwithstanding anything to the contrary contained in the Deposit Agreement or this ADR, the obligations of Holders and Beneficial Owners under the paragraph (8) and Section 3.2 of the Deposit Agreement shall survive any transfer of ADSs, any cancellation of ADSs and withdrawal of Deposited Securities, and the termination of the Deposit Agreement.

(9) Representations and Warranties on Deposit of Shares. Each person depositing Shares under the Deposit Agreement shall be deemed thereby to represent and warrant that (i) such Shares and the certificates therefor are duly authorized, validly issued, fully paid, non-assessable and legally obtained by such person, (ii) all preemptive (and similar) rights, if any, with respect to such Shares have been validly waived or exercised, (iii) the person making such deposit is duly authorized so to do, (iv) the Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, (v) the Shares presented for deposit are not, and the ADSs issuable upon such deposit will not be, Restricted Securities (except as contemplated in Section 2.14 of the Deposit Agreement), and (vi) the Shares presented for deposit have not been stripped of any rights or entitlements. Such representations and warranties shall survive the deposit and withdrawal of Shares, the issuance and cancellation of ADSs in respect thereof and the transfer of such ADSs. If any such representations or warranties are false in any way, the Company and the Depositary shall be authorized, at the cost and expense of the person depositing Shares, to take any and all actions necessary to correct the consequences thereof.

(10) Proofs, Certificates and Other Information. Any person presenting Shares for deposit, any Holder and any Beneficial Owner may be required, and every Holder and Beneficial Owner agrees, from time to time to provide to the Depositary and the Custodian such proof of citizenship or residence, taxpayer status, payment of all applicable taxes or other governmental charges, exchange control approval, legal or beneficial ownership of ADSs and Deposited Property, compliance with applicable laws, the terms of the Deposit Agreement or this ADR evidencing the ADSs and the provisions of, or governing, the Deposited Property, to execute such certifications and to make such representations and warranties, and to provide such other information and documentation (or, in the case of Shares in registered form presented for deposit, such information relating to the registration on the books of the Company or of the Share Registrar) as the Depositary or the Custodian may deem necessary or proper or as the Company may reasonably require by written request to the Depositary consistent with its obligations under the Deposit Agreement and this ADR. The Depositary and the Registrar, as applicable, may withhold the execution or delivery or registration of transfer of any ADR or ADS or the distribution or sale of any dividend or distribution of rights or of the proceeds thereof or, to the extent not limited by the terms of paragraph (25) and Section 7.8(a) of the Deposit Agreement, the delivery of any Deposited Property until such proof or other information is filed or such certifications are executed, or such representations and warranties are made, or such other documentation or information provided, in each case to the Depositary's, the Registrar's and the Company's satisfaction. The Depositary shall provide the Company, in a timely manner, with copies or originals if necessary and appropriate of (i) any such proofs of citizenship or residence, taxpayer status, or exchange control approval or copies of written representations and warranties which it receives from Holders and Beneficial Owners, and (ii) any other information or documents which the Company may reasonably request and which the Depositary shall request and receive from any Holder or Beneficial Owner or any person presenting Shares for deposit or ADSs for cancellation, transfer or withdrawal. Nothing herein shall obligate the Depositary to (i) obtain any information for the Company if not provided by the Holders or Beneficial Owners, or (ii) verify or vouch for the accuracy of the information so provided by the Holders or Beneficial Owners.

(11) ADS Fees and Charges. The following ADS fees are payable under the terms of the Deposit Agreement:

(i) ADS Issuance Fee: by any person for whom ADSs are issued (*e.g.*, an issuance upon a deposit of Shares, upon a change in the ADS(s)-to-Share(s) ratio, or for any other reason), excluding issuances as a result of distributions described in paragraph (iv) below, a fee not in excess of U.S. $5.00 per 100 ADSs (or fraction thereof) issued under the terms of the Deposit Agreement;

(ii) ADS Cancellation Fee: by any person for whom ADSs are being cancelled (*e.g.*, a cancellation of ADSs for Delivery of deposited Shares, upon a change in the ADS(s)-to-Share(s) ratio, or for any other reason), a fee not in excess of U.S. $5.00 per 100 ADSs (or fraction thereof) cancelled;

(iii) Cash Distribution Fee: by any Holder of ADSs, a fee not in excess of U.S. $5.00 per 100 ADSs (or fraction thereof) held for the distribution of cash dividends or other cash distributions (*e.g.*, upon a sale of rights and other entitlements);

(iv) Stock Distribution /Rights Exercise Fee: by any Holder of ADS(s), a fee not in excess of U.S. $5.00 per 100 ADSs (or fraction thereof) held for the distribution of ADSs pursuant to (a) stock dividends or other free stock distributions, or (b) an exercise of rights to purchase additional ADSs;

(v) Other Distribution Fee: by any Holder of ADS(s), a fee not in excess of U.S. $5.00 per 100 ADSs (or fraction thereof) held for the distribution of securities other than ADSs or rights to purchase additional ADSs (*e.g.*, spin-off shares);

(vi) Depositary Services Fee: by any Holder of ADS(s), a fee not in excess of U.S. $5.00 per 100 ADSs (or fraction thereof) held on the applicable record date(s) established by the Depositary;

(vii) Registration of ADS Transfer Fee: by any Holder of ADS(s) being transferred or by any person to whom ADSs are transferred, a fee not in excess of U.S. $5.00 per 100 ADSs (or fraction thereof) transferred (e.g., upon a registration of the transfer of registered ownership of ADSs, upon a transfer of ADSs into DTC and *vice versa*, or for any other reason); and

(viii) ADS Conversion Fee: by any Holder of ADS(s) being converted or by any person to whom the converted ADSs are delivered, a fee not in excess of U.S. $5.00 per 100 ADSs (or fraction thereof) converted from one ADS series to another ADS series (*e.g.*, upon conversion of Partial Entitlement ADSs for Full Entitlement ADSs, or upon conversion of Restricted ADSs into freely transferrable ADSs, and *vice versa*).

The Company, Holders, Beneficial Owners, persons depositing Shares or withdrawing Deposited Securities in connection with ADS issuances and cancellations, and persons for whom ADSs are issued or cancelled shall be responsible for the following ADS charges under the terms of the Deposit Agreement:

(a) taxes (including applicable interest and penalties) and other governmental charges;

(b) such registration fees as may from time to time be in effect for the registration of Shares or other Deposited Securities on the share register and applicable to transfers of Shares or other Deposited Securities to or from the name of the Custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively;

(c) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing Shares or withdrawing Deposited Property or of the Holders and Beneficial Owners of ADSs;

(d) in connection with the conversion of Foreign Currency, the fees, expenses, spreads, taxes and other charges of the Depositary and/or conversion service providers (which may be a division, branch or Affiliate of the Depositary). Such fees, expenses, spreads, taxes and other charges shall be deducted from the Foreign Currency;

(e) any reasonable and customary out-of-pocket expenses incurred in such conversion and/or on behalf of the Holders and Beneficial Owners in complying with currency exchange control or other governmental requirements; and

(f) the fees, charges, costs and expenses incurred by the Depositary, the Custodian, or any nominee in connection with the ADR program.

All ADS fees and charges so payable may be deducted from distributions or must be remitted to the Depositary, or its designee, and may, at any time and from time to time, be changed by agreement between the Depositary and Company but, in the case of ADS fees and charges payable by Holders and Beneficial Owners, any such change (excluding any changes to the waiver by the Depositary of fees and charges contemplated in the Deposit Agreement) may be made only in the manner contemplated by paragraph (23) of this ADR and as contemplated in Section 6.1 of the Deposit Agreement. The Depositary shall provide, without charge, a copy of its latest ADS fee schedule to anyone upon request.

ADS fees and charges for (i) the issuance of ADSs and (ii) the cancellation of ADSs will be payable by the person for whom the ADSs are so issued by the Depositary (in the case of ADS issuances) and by the person for whom ADSs are being cancelled (in the case of ADS cancellations). In the case of ADSs issued by the Depositary into DTC or presented to the Depositary via DTC, the ADS issuance and cancellation fees and charges will be payable by the DTC Participant(s) receiving the ADSs from the Depositary or the DTC Participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the Beneficial Owner(s) and will be charged by the DTC Participant(s) to the account(s) of the applicable Beneficial Owner(s) in accordance with the procedures and practices of the DTC Participant(s) as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are payable by Holders as of the applicable ADS Record Date established by the Depositary. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, the applicable Holders as of the ADS Record Date established by the Depositary will be invoiced for the amount of the ADS fees and charges and such ADS fees may be deducted from distributions made to Holders. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC Participants in accordance with the procedures and practices prescribed by DTC from time to time and the DTC Participants in turn charge the amount of such ADS fees and charges to the Beneficial Owners for whom they hold ADSs. In the case of (i) registration of ADS transfers, the ADS transfer fee will be payable by the ADS Holder whose ADSs are being transferred or by the person to whom the ADSs are transferred, and (ii) conversion of ADSs of one series for ADSs of another series, the ADS conversion fee will be payable by the Holder whose ADSs are converted or by the person to whom the converted ADSs are delivered.

The Depositary may reimburse the Company for certain expenses incurred by the Company in respect of the ADR program established pursuant to the Deposit Agreement, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as the Company and the Depositary agree from time to time. The Company shall pay to the Depositary such fees and charges, and reimburse the Depositary for such out-of-pocket expenses, as the Depositary and the Company may agree from time to time. Responsibility for payment of such fees, charges and reimbursements may from time to time be changed by agreement between the Company and the Depositary. Unless otherwise agreed, the Depositary shall present its statement for such fees, charges and reimbursements to the Company once every three months. The charges and expenses of the Custodian are for the sole account of the Depositary.

The obligations of Holders and Beneficial Owners to pay ADS fees and charges shall survive the termination of the Deposit Agreement. As to any Depositary, upon the resignation or removal of such Depositary as described in Section 5.4 of the Deposit Agreement, the right to collect ADS fees and charges shall extend for those ADS fees and charges incurred prior to the effectiveness of such resignation or removal.

(12) Title to ADRs. Subject to the limitations contained in the Deposit Agreement and in this ADR, it is a condition of this ADR, and every successive Holder of this ADR by accepting or holding the same consents and agrees, that title to this ADR (and to each Certificated ADS evidenced hereby) shall be transferable upon the same terms as a certificated security under the laws of the State of New York, provided that, in the case of Certificated ADSs, this ADR has been properly endorsed or is accompanied by proper instruments of transfer. Notwithstanding any notice to the contrary, the Depositary and the Company may deem and treat the Holder of this ADR (that is, the person in whose name this ADR is registered on the books of the Depositary) as the absolute owner thereof for all purposes. Neither the Depositary nor the Company shall have any obligation nor be subject to any liability under the Deposit Agreement or this ADR to any holder of this ADR or any Beneficial Owner unless, in the case of a holder of ADSs, such holder is the Holder of this ADR registered on the books of the Depositary or, in the case of a Beneficial Owner, such Beneficial Owner, or the Beneficial Owner's representative, is the Holder registered on the books of the Depositary.

(13) Validity of ADR. The Holder(s) of this ADR (and the ADSs represented hereby) shall not be entitled to any benefits under the Deposit Agreement or be valid or enforceable for any purpose against the Depositary or the Company unless this ADR has been (i) dated, (ii) signed by the manual or facsimile signature of a duly-authorized signatory of the Depositary, (iii) countersigned by the manual or facsimile signature of a duly-authorized signatory of the Registrar, and (iv) registered in the books maintained by the Registrar for the registration of issuances and transfers of ADRs. An ADR bearing the facsimile signature of a duly-authorized signatory of the Depositary or the Registrar, who at the time of signature was a duly authorized signatory of the Depositary or the Registrar, as the case may be, shall bind the Depositary, notwithstanding the fact that such signatory has ceased to be so authorized prior to the delivery of such ADR by the Depositary.

(14) Available Information; Reports; Inspection of Transfer Books.

The Company is subject to the periodic reporting requirements of the Exchange Act and, accordingly, is required to file or furnish certain reports with the Commission. These reports can be retrieved from the Commission's website (www.sec.gov) and can be inspected and copied at the public reference facilities maintained by the Commission located (as of the date of the Deposit Agreement) at 100 F Street, N.E., Washington D.C. 20549. The Depositary shall make available for inspection by Holders at its Principal Office any reports and communications, including any proxy soliciting materials, received from the Company which are both (a) received by the Depositary, the Custodian, or the nominee of either of them as the holder of the Deposited Property and (b) made generally available to the holders of such Deposited Property by the Company. The Depositary shall also provide or make available to Holders copies of such reports when furnished by the Company pursuant to Section 5.6 of the Deposit Agreement.

The Registrar shall keep books for the registration of ADSs which at all reasonable times shall be open for inspection by the Company and by the Holders of such ADSs, provided that such inspection shall not be, to the Registrar's knowledge, for the purpose of communicating with Holders of such ADSs in the interest of a business or object other than the business of the Company or other than a matter related to the Deposit Agreement or the ADSs.

The Registrar may close the transfer books with respect to the ADSs, at any time or from time to time, when deemed necessary or advisable by it in good faith in connection with the performance of its duties hereunder, or at the reasonable written request of the Company subject, in all cases, to paragraph (25) and Section 7.8(a) of the Deposit Agreement.

Dated:

CITIBANK, N.A.
Transfer Agent and Registrar

By: _____
Authorized Signatory

CITIBANK, N.A.
as Depositary

By: _____
Authorized Signatory

The address of the Principal Office of the Depositary is 388 Greenwich Street, New York, New York 10013, U.S.A.

[FORM OF REVERSE OF ADR]

SUMMARY OF CERTAIN ADDITIONAL PROVISIONS

OF THE DEPOSIT AGREEMENT

(15) Dividends and Distributions in Cash, Shares, etc. (a) ***Cash Distributions***: Upon the timely receipt by the Depositary of a notice from the Company that it intends to make a distribution of a cash dividend or other cash distribution, the Depositary shall establish the ADS Record Date upon the terms described in Section 4.9 of the Deposit Agreement. Upon confirmation of the receipt of (x) any cash dividend or other cash distribution on any Deposited Securities, or (y) proceeds from the sale of any Deposited Property held in respect of the ADSs under the terms of the Deposit Agreement, the Depositary will (i) if any amounts are received in a Foreign Currency, promptly convert or cause to be converted such cash dividend, distribution or proceeds into Dollars (subject to the terms and conditions of Section 4.8 of the Deposit Agreement), (ii) if applicable and unless previously established, establish the ADS Record Date upon the terms described in Section 4.9 of the Deposit Agreement, and (iii) distribute promptly the amount thus received (net of (a) the applicable fees and charges set forth in the Fee Schedule attached as Exhibit B to the Deposit Agreement and (b) applicable taxes withheld) to the Holders entitled thereto as of the ADS Record Date in proportion to the number of ADSs held as of the ADS Record Date. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Holder a fraction of one cent, and any balance not so distributed shall be held by the Depositary (without liability for interest thereon) and shall be added to and become part of the next sum received by the Depositary for distribution to Holders of ADSs outstanding at the time of the next distribution. If the Company, the Custodian or the Depositary is required to withhold and does withhold from any cash dividend or other cash distribution in respect of any Deposited Securities, or from any cash proceeds from the sales of Deposited Property, an amount on account of taxes, duties or other governmental charges, the amount distributed to Holders on the ADSs shall be reduced accordingly. Such withheld amounts shall be forwarded by the Company, the Custodian or the Depositary to the relevant governmental authority. Evidence of payment thereof by the Company shall be forwarded by the Company to the Depositary upon request. The Depositary will hold any cash amounts it is unable to distribute in a non-interest bearing account for the benefit of the applicable Holders and Beneficial Owners of ADSs until the distribution can be effected or the funds that the Depositary holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in Section 4.1 of the Deposit Agreement, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in Section 4.1 of the Deposit Agreement, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in Section 4.1 of the Deposit Agreement where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

(b) ***Share Distributions***: Upon the timely receipt by the Depositary of a notice from the Company that it intends to make a distribution that consists of a dividend in, or free distribution of Shares, the Depositary shall establish the ADS Record Date upon the terms described in Section 4.9 of the Deposit Agreement. Upon receipt of confirmation from the Custodian of the receipt of the Shares so distributed by the Company, the Depositary shall either (i) subject to Section 5.9 of the Deposit Agreement, distribute to the Holders as of the ADS Record Date in proportion to the number of ADSs held as of the ADS Record Date, additional ADSs, which represent in the aggregate the number of Shares received as such dividend, or free distribution, subject to the other terms of the Deposit Agreement (including, without limitation, (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes), or (ii) if additional ADSs are not so distributed, take all actions necessary so that each ADS issued and outstanding after the ADS Record Date shall, to the extent permissible by law, thenceforth also represent rights and interests in the additional integral number of Shares distributed upon the Deposited Securities represented thereby (net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary, and (b) taxes). In lieu of delivering fractional ADSs, the Depositary shall sell the number of Shares or ADSs, as the case may be, represented by the aggregate of such fractions and distribute the net proceeds upon the terms described in Section 4.1 of the Deposit Agreement.

In the event that the Depositary determines that any distribution in property (including Shares) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, or, if the Company in the fulfillment of its obligations under Section 5.7 of the Deposit Agreement, has furnished an opinion of U.S. counsel determining that Shares must be registered under the Securities Act or other laws in order to be distributed to Holders (and no such registration statement has been declared effective), the Depositary may dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable, and the Depositary shall distribute the net proceeds of any such sale (after deduction of (a) taxes and (b) fees and charges of, and the expenses incurred by, the Depositary) to Holders entitled thereto upon the terms of Section 4.1 of the Deposit Agreement. The Depositary shall hold and/or distribute any unsold balance of such property in accordance with the provisions of the Deposit Agreement. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in Section 4.2 of the Deposit Agreement, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in Section 4.2 of the Deposit Agreement, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in Section 4.2 of the Deposit Agreement where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

(c) ***Elective Distributions in Cash or Shares***: Upon the timely receipt of a notice indicating that the Company wishes an elective distribution in cash or Shares to be made available to Holders of ADSs upon the terms described in the Deposit Agreement, the Company and the Depositary shall determine in accordance with the Deposit Agreement whether such distribution is lawful and reasonably practicable. The Depositary shall make such elective distribution available to Holders only if (i) the Company shall have timely requested that the elective distribution be made available to Holders, (ii) the Depositary shall have determined that such distribution is reasonably practicable and (iii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7 of the Deposit Agreement. If the above conditions are satisfied, the Depositary shall establish the ADS Record Date on the terms described in paragraph (17) and Section 4.9 of the Deposit Agreement and establish procedures to enable the Holder hereof to elect the receipt of the proposed distribution in cash or in additional ADSs. If a Holder elects to receive the distribution in cash, the distribution shall be made as in the case of a distribution in cash. If the Holder hereof elects to receive the distribution in additional ADSs, the distribution shall be made as in the case of a distribution in Shares upon the terms described in the Deposit Agreement. If such elective distribution is not reasonably practicable or if the Depositary did not receive satisfactory documentation set forth in the Deposit Agreement, the Depositary shall establish an ADS Record Date upon the terms of Section 4.9 of the Deposit Agreement and, to the extent permitted by law, distribute to Holders, on the basis of the same determination as is made in the Cayman Islands in respect of the Shares for which no election is made, either (x) cash, upon the terms described in Section 4.1 of the Deposit Agreement or (y) additional ADSs representing such additional Shares upon the terms described in Section 4.2 of the Deposit Agreement. Nothing herein or in the Deposit Agreement shall obligate the Depositary to make available to the Holder hereof a method to receive the elective distribution in Shares (rather than ADSs). There can be no assurance that the Holder hereof or Holders generally will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of Shares. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in Section 4.3 of the Deposit Agreement, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in Section 4.3 of the Deposit Agreement, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in Section 4.3 of the Deposit Agreement where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

(d) ***Distribution of Rights to Purchase Additional ADSs***: Upon the timely receipt by the Depositary of a notice indicating that the Company wishes rights to subscribe for additional Shares to be made available to Holders of ADSs, the Depositary shall consult with the Company to determine, and the Company shall assist the Depositary in its determination, whether it is lawful and reasonably practicable to make such rights available to the Holders. The Depositary shall make such rights available to Holders only if (i) the Company shall have timely requested that such rights be made available to Holders, (ii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7 of the Deposit Agreement, and (iii) the Depositary shall have determined that such distribution of rights is reasonably practicable. In the event any of the conditions set forth above are not satisfied or if the Company requests that the rights not be made available to Holders of ADSs, the Depositary shall proceed with the sale of the rights as contemplated in Section 4.4(b) of the Deposit Agreement. In the event all conditions set forth above are satisfied, the Depositary shall establish the ADS Record Date (upon the terms described in Section 4.9 of the Deposit Agreement) and establish procedures to (x) distribute rights to purchase additional ADSs (by means of warrants or otherwise), (y) enable the Holders to exercise such rights (upon payment of the subscription price and of the applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes), and (z) deliver ADSs upon the valid exercise of such rights. The Company shall assist the Depositary to the extent necessary in establishing such procedures. Nothing herein or in the Deposit Agreement shall obligate the Depositary to make available to the Holders a method to exercise rights to subscribe for Shares (rather than ADSs). If (i) the Company does not timely request the Depositary to make the rights available to Holders or requests that the rights not be made available to Holders, (ii) the Depositary fails to receive satisfactory documentation within the terms of Section 5.7 of the Deposit Agreement or determines it is not reasonably practicable to make the rights available to Holders, or (iii) any rights made available are not exercised and appear to be about to lapse, the Depositary shall determine whether it is lawful and reasonably practicable to sell such rights, in a riskless principal capacity, at such place and upon such terms (including public and private sale) as it may deem practicable. The Company shall assist the Depositary to the extent necessary to determine such legality and practicability. The Depositary shall, upon such sale, convert and distribute proceeds of such sale (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes) upon the terms hereof and of Section 4.1 of the Deposit Agreement. If the Depositary is unable to make any rights available to Holders upon the terms described in Section 4.4(a) of the Deposit Agreement or to arrange for the sale of the rights upon the terms described in Section 4.4(b) of the Deposit Agreement, the Depositary shall allow such rights to lapse. The Depositary shall not be liable for (i) any failure to accurately determine whether it may be lawful or practicable to make such rights available to Holders in general or any Holders in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale or exercise, or (iii) the content of any materials forwarded to the Holders on behalf of the Company in connection with the rights distribution.

Notwithstanding anything herein or in Section 4.4 of the Deposit Agreement to the contrary, if registration (under the Securities Act or any other applicable law) of the rights or the securities to which any rights relate may be required in order for the Company to offer such rights or such securities to Holders and to sell the securities represented by such rights, the Depositary will not distribute such rights to the Holders (i) unless and until a registration statement under the Securities Act (or other applicable law) covering such offering is in effect or (ii) unless the Company furnishes the Depositary opinion(s) of counsel for the Company in the United States and counsel to the Company in any other applicable country in which rights would be distributed, in each case reasonably satisfactory to the Depositary, to the effect that the offering and sale of such securities to Holders and Beneficial Owners are exempt from, or do not require registration under, the provisions of the Securities Act or any other applicable laws. In the event that the Company, the Depositary or the Custodian shall be required to withhold and does withhold from any distribution of Deposited Property (including rights) an amount on account of taxes or other governmental charges, the amount distributed to the Holders of ADSs shall be reduced accordingly. In the event that the Depositary determines that any distribution of Deposited Property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, the Depositary may dispose of all or a portion of such Deposited Property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable to pay any such taxes or charges.

There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to receive or exercise rights on the same terms and conditions as the holders of Shares or be able to exercise such rights. Nothing herein or in the Deposit Agreement shall obligate the Company to file any registration statement in respect of any rights or Shares or other securities to be acquired upon the exercise of such rights.

(e) ***Distributions other than Cash, Shares or Rights to Purchase Shares***: Upon receipt of a notice indicating that the Company wishes property other than cash, Shares or rights to purchase additional Shares to be made to Holders of ADSs, the Depositary shall determine whether such distribution to Holders is lawful and reasonably practicable. The Depositary shall not make such distribution unless (i) the Company shall have requested the Depositary to make such distribution to Holders, (ii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7 of the Deposit Agreement, and (iii) the Depositary shall have determined that such distribution is reasonably practicable. Upon satisfaction of such conditions, the Depositary shall distribute the property so received to the Holders of record, as of the ADS Record Date, in proportion to the number of ADSs held by them respectively and in such manner as the Depositary may deem practicable for accomplishing such distribution (i) upon receipt of payment or net of the applicable fees and charges of, and expenses incurred by, the Depositary, and (ii) net of any taxes withheld. The Depositary may dispose of all or a portion of the property so distributed and deposited, in such amounts and in such manner (including public or private sale) as the Depositary may deem practicable or necessary to satisfy any taxes (including applicable interest and penalties) or other governmental charges applicable to the distribution.

If the conditions above are not satisfied, the Depositary shall sell or cause such property to be sold in a public or private sale, at such place or places and upon such terms as it may deem practicable and shall (i) cause the proceeds of such sale, if any, to be converted into Dollars and (ii) distribute the proceeds of such conversion received by the Depositary (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes) to the Holders as of the ADS Record Date upon the terms hereof and of Section 4.1 of the Deposit Agreement. If the Depositary is unable to sell such property, the Depositary may dispose of such property for the account of the Holders in any way it deems reasonably practicable under the circumstances.

Neither the Depositary nor the Company shall be responsible for (i) any failure to determine whether it is lawful or practicable to make the property described in Section 4.5 of the Deposit Agreement available to Holders in general or any Holders in particular, nor (ii) any loss incurred in connection with the sale or disposal of such property.

(16) Redemption. Upon timely receipt of notice from the Company that it intends to exercise its right of redemption in respect of any of the Deposited Securities, and satisfactory documentation, and only if the Depositary shall have determined that such proposed redemption is practicable, the Depositary shall provide to each Holder a notice setting forth the intended exercise by the Company of the redemption rights and any other particulars set forth in the Company's notice to the Depositary. The Depositary shall instruct the Custodian to present to the Company the Deposited Securities in respect of which redemption rights are being exercised against payment of the applicable redemption price. Upon receipt of confirmation from the Custodian that the redemption has taken place and that funds representing the redemption price have been received, the Depositary shall convert, transfer, and distribute the proceeds (net of applicable (a) fees and charges of, and the expenses incurred by, the Depositary, and (b) taxes), retire ADSs and cancel ADRs, if applicable, upon delivery of such ADSs by Holders thereof and the terms set forth in Sections 4.1 and 6.2 of the Deposit Agreement. If less than all outstanding Deposited Securities are redeemed, the ADSs to be retired will be selected by lot or on a pro rata basis, as may be determined by the Depositary. The redemption price per ADS shall be the dollar equivalent of the per share amount received by the Depositary (adjusted to reflect the ADS(s)-to-Share(s) ratio) upon the redemption of the Deposited Securities represented by ADSs (subject to the terms of Section 4.8 of the Deposit Agreement and the applicable fees and charges of, and expenses incurred by, the Depositary, and taxes) multiplied by the number of Deposited Securities represented by each ADS redeemed.

Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed redemption provided for in Section 4.7 of the Deposit Agreement, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in Section 4.7 of the Deposit Agreement, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in Section 4.7 of the Deposit Agreement where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

(17) Fixing of ADS Record Date. Whenever (a) the Depositary shall receive notice of the fixing of a record date by the Company for the determination of holders of Deposited Securities entitled to receive any distribution (whether in cash, Shares, rights or other distribution), (b) for any reason the Depositary causes a change in the number of Shares that are represented by each ADS, (c) the Depositary shall receive notice of any meeting of, or solicitation of consents or proxies of, holders of Shares or other Deposited Securities, or (d) the Depositary shall find it necessary or convenient in connection with the giving of any notice, solicitation of any consent or any other matter, the Depositary shall fix the record date (the "ADS Record Date") for the determination of the Holders of ADS(s) who shall be entitled to receive such distribution, to give instructions for the exercise of voting rights at any such meeting, to give or withhold such consent, to receive such notice or solicitation or to otherwise take action, or to exercise the rights of Holders with respect to such changed number of Shares represented by each ADS. The Depositary shall make reasonable efforts to establish the ADS Record Date as closely as practicable to the applicable record date for the Deposited Securities (if any) set by the Company in the Cayman Islands and shall not announce the establishment of any ADS Record Date prior to the relevant corporate action having been made public by the Company (if such corporate action affects the Deposited Securities). Subject to applicable law, the terms and conditions of this ADR and Sections 4.1 through 4.8 and to the other terms and conditions of the Deposit Agreement, only the Holders of ADSs at the close of business in New York on such ADS Record Date shall be entitled to receive such distribution, to give such voting instructions, to receive such notice or solicitation, or otherwise take action.

(18) Voting of Deposited Securities. As soon as practicable after receipt of notice of any meeting at which the holders of Deposited Securities are entitled to vote, or of solicitation of consents or proxies from holders of Deposited Securities, the Depositary shall fix the ADS Record Date in respect of such meeting or solicitation of consent or proxy in accordance with Section 4.9 of the Deposit Agreement. The Depositary shall, if requested by the Company in writing in a timely manner (the Depositary having no obligation to take any further action if the request shall not have been received by the Depositary at least thirty (30) days prior to the date of such vote or meeting), at the Company's expense and provided no U.S. legal prohibitions exist, distribute as soon as practicable after receipt thereof to Holders as of the ADS Record Date: (a) such notice of meeting or solicitation of consent or proxy, (b) a statement that the Holders at the close of business on the ADS Record Date will be entitled, subject to any applicable law, the provisions of the Deposit Agreement, the Articles of Association and the provisions of or governing the Deposited Securities (which provisions, if any, shall be summarized in pertinent part by the Company), to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Deposited Securities represented by such Holder's ADSs, and (c) a brief statement as to the manner and timing in which such voting instructions may be given or deemed to have been given in accordance with Section 4.10 of the Deposit Agreement if no instructions are received prior to the deadline set for such purposes to the Depositary to give a discretionary proxy to a person designated by the Company. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to timely request that the Depositary distribute the information as provided for in Section 4.10 of the Deposit Agreement, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in Section 4.10 of the Deposit Agreement, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in Section 4.10 of the Deposit Agreement where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

Notwithstanding anything contained in the Deposit Agreement or this ADR, the Depositary may, to the extent not prohibited by law or regulations, or by the requirements of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the Depositary in connection with any meeting of, or solicitation of consents or proxies from, holders of Deposited Securities, distribute to the Holders a notice that provides Holders with, or otherwise publicizes to Holders, instructions on how to retrieve such materials or receive such materials upon request (*e.g.*, by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).

The Depositary has been advised by the Company that under the Articles of Association as in effect on the date of the Deposit Agreement, voting at any meeting of shareholders of the Company is by show of hands unless (before or on the declaration of the result of the show of hands) a poll is demanded. The Depositary will not join in demanding a poll, whether or not requested to do so by Holders of ADSs. Under the Articles of Association as in effect on the date of the Deposit Agreement, a poll may be demanded by the chairman of such meeting or one or more shareholders present in person or by proxy and representing not less than one-tenth of the total voting rights of all shareholders having the right to vote at the meeting.

Voting instructions may be given only in respect of a number of ADSs representing an integral number of Deposited Securities. Upon the timely receipt from a Holder of ADSs as of the ADS Record Date of voting instructions in the manner specified by the Depositary, the Depositary shall endeavor, insofar as practicable and permitted under applicable law, the provisions of the Deposit Agreement, the Articles of Association and the provisions of the Deposited Securities, to vote, or cause the Custodian to vote, the Deposited Securities (in person or by proxy) represented by such Holder's ADSs as follows: (a) *in the event voting takes place at a shareholders' meeting by a show of hands*, the Depositary will instruct the Custodian to vote all Deposited Securities in accordance with the voting instructions received timely from a majority of Holders of ADSs who provided voting instructions, and (b) *in the event voting takes place at a shareholders' meeting by poll*, the Depositary will instruct the Custodian to vote the Deposited Securities in accordance with the voting instructions timely received from the Holders of ADSs. If voting is by poll and the Depositary does not receive voting instructions from a Holder as of the ADS Record Date on or before the date established by the Depositary for such purpose, such Holder shall be deemed, and the Depositary shall deem such Holder, to have instructed the Depositary to give a discretionary proxy to a person designated by the Company to vote the Deposited Securities; provided, however, that no such discretionary proxy shall be given by the Depositary with respect to any matter to be voted upon as to which the Company informs the Depositary that (A) the Company does not wish such proxy to be given, (B) substantial opposition exists, or (C) the rights of holders of Deposited Securities may be adversely affected.

Deposited Securities represented by ADSs for which no timely voting instructions are received by the Depositary from the Holder shall not be voted (except (a) in the case voting is by show of hands, in which case the Depositary will instruct the Custodian to vote all Deposited Securities in accordance with the voting instructions received from a majority of Holders of ADSs who provided timely voting instructions, and (b) as contemplated in Section 4.10 of the Deposit Agreement). Neither the Depositary nor the Custodian shall under any circumstances exercise any discretion as to voting and neither the Depositary nor the Custodian shall vote, attempt to exercise the right to vote, or in any way make use of, for purposes of establishing a quorum or otherwise, the Deposited Securities represented by ADSs, except pursuant to and in accordance with the voting instructions timely received from Holders or as otherwise contemplated herein. If the Depositary timely receives voting instructions from a Holder which fail to specify the manner in which the Depositary is to vote the Deposited Securities represented by such Holder's ADSs, the Depositary will deem such Holder (unless otherwise specified in the notice distributed to Holders) to have instructed the Depositary to vote in favor of the items set forth in such voting instructions.

Notwithstanding anything to the contrary contained herein, the Depositary shall, if so requested in writing by the Company, represent all Deposited Securities (whether or not voting instructions have been received in respect of such Deposited Securities from Holders as of the ADS Record Date) for the sole purpose of establishing quorum at a meeting of shareholders.

Notwithstanding anything else contained in the Deposit Agreement or this ADR, the Depositary shall not have any obligation to take any action with respect to any meeting, or solicitation of consents or proxies, of holders of Deposited Securities if the taking of such action would violate U.S. laws. The Company agrees to take any and all actions reasonably necessary and as permitted by the laws of the Cayman Islands to enable Holders and Beneficial Owners to exercise the voting rights accruing to the Deposited Securities and to deliver to the Depositary an opinion of U.S. counsel addressing any actions requested to be taken if so requested by the Depositary.

There can be no assurance that Holders generally or any Holder in particular will receive the notice described above with sufficient time to enable the Holder to return voting instructions to the Depositary in a timely manner.

(19) Changes Affecting Deposited Securities. Upon any change in nominal or par value, split-up, cancellation, consolidation or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger, consolidation or sale of assets affecting the Company or to which it is a party, any property which shall be received by the Depositary or the Custodian in exchange for, or in conversion of, or replacement of, or otherwise in respect of, such Deposited Securities shall, to the extent permitted by law, be treated as new Deposited Property under the Deposit Agreement, and this ADR shall, subject to the provisions of the Deposit Agreement, this ADR evidencing such ADSs and applicable law, represent the right to receive such additional or replacement Deposited Property. In giving effect to such change, split-up, cancellation, consolidation or other reclassification of Deposited Securities, recapitalization, reorganization, merger, consolidation or sale of assets, the Depositary may, with the Company's approval, and shall, if the Company shall so request, subject to the terms of the Deposit Agreement (including, without limitation, (a) the applicable fees and charges of, and expenses incurred by, the Depositary, and (b) taxes) and receipt of an opinion of counsel to the Company reasonably satisfactory to the Depositary that such actions are not in violation of any applicable laws or regulations, (i) issue and deliver additional ADSs as in the case of a stock dividend on the Shares, (ii) amend the Deposit Agreement and the applicable ADRs, (iii) amend the applicable Registration Statement(s) on Form F-6 as filed with the Commission in respect of the ADSs, (iv) call for the surrender of outstanding ADRs to be exchanged for new ADRs, and (v) take such other actions as are appropriate to reflect the transaction with respect to the ADSs. The Company agrees to, jointly with the Depositary, amend the Registration Statement on Form F-6 as filed with the Commission to permit the issuance of such new form of ADRs. Notwithstanding the foregoing, in the event that any Deposited Property so received may not be lawfully distributed to some or all Holders, the Depositary may, with the Company's approval, and shall, if the Company requests, subject to receipt of an opinion of Company's counsel satisfactory to the Depositary that such action is not in violation of any applicable laws or regulations, sell such Deposited Property at public or private sale, at such place or places and upon such terms as it may deem proper and may allocate the net proceeds of such sales (net of (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes) for the account of the Holders otherwise entitled to such Deposited Property upon an averaged or other practicable basis without regard to any distinctions among such Holders and distribute the net proceeds so allocated to the extent practicable as in the case of a distribution received in cash pursuant to Section 4.1 of the Deposit Agreement. The Depositary shall not be responsible for (i) any failure to determine that it may be lawful or practicable to make such Deposited Property available to Holders in general or to any Holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale or (iii) any liability to the purchaser of such Deposited Property.

(20) Exoneration. Notwithstanding anything contained in the Deposit Agreement or this ADR, neither the Depositary nor the Company shall be obligated to do or perform any act or thing which is inconsistent with the provisions of the Deposit Agreement or incur any liability (to the extent not limited by paragraph (25) hereof and Section 7.8(b) of the Deposit Agreement) (i) if the Depositary, the Custodian, the Company or their respective agents shall be prevented or forbidden from, hindered or delayed in, doing or performing any act or thing required or contemplated by the terms of the Deposit Agreement and this ADR, by reason of any provision of any present or future law or regulation of the United States, the Cayman Islands or any other country, or of any other governmental authority or regulatory authority or stock exchange, or on account of potential criminal or civil penalties or restraint, or by reason of any provision, present or future, of the Articles of Association or any provision of or governing any Deposited Securities, or by reason of any act of God or other circumstances beyond its control (including, without limitation, fire, flood, earthquake, tornado, hurricane, tsunami, explosion, or other natural disaster, nationalization, expropriation, currency restriction, work stoppage, strikes, civil unrest, acts of war (whether declared or not) or terrorism, revolution, rebellion, embargo, computer failure, failure of public infrastructure (including communication or utility failure), failure of common carriers, nuclear, cyber or biochemical incident, any pandemic, epidemic or other prevalent disease or illness with an actual or probable threat to human life, any quarantine order or travel restriction imposed by a governmental authority or other competent public health authority, or the failure or unavailability of the United States Federal Reserve Bank (or other central banking system) or DTC (or other clearing system)), (ii) by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement or in the Articles of Association or provisions of or governing Deposited Securities, (iii) for any action or inaction in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Holder, any Beneficial Owner or authorized representative thereof, or any other person believed by it in good faith to be competent to give such advice or information, (iv) for the inability by a Holder or Beneficial Owner to benefit from any distribution, offering, right or other benefit which is made available to holders of Deposited Securities but is not, under the terms of the Deposit Agreement, made available to Holders of ADSs, (v) for any action or inaction of any clearing or settlement system (and any participant thereof) for the Deposited Property or the ADSs, or (vi) for any consequential or punitive damages (including lost profits) for any breach of the terms of the Deposit Agreement. The Depositary, its controlling persons, its agents, any Custodian and the Company, its controlling persons and its agents may rely and shall be protected in acting upon any written notice, request or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(21) Standard of Care. The Company and the Depositary assume no obligation and shall not be subject to any liability under the Deposit Agreement or this ADR to any Holder(s) or Beneficial Owner(s), except that the Company and the Depositary agree to perform their respective obligations specifically set forth in the Deposit Agreement or this ADR without negligence or bad faith. Without limitation of the foregoing, neither the Depositary, nor the Company, nor any of their respective controlling persons, or agents, shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Property or in respect of the ADSs, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expense (including fees and disbursements of counsel) and liability be furnished as often as may be required (and no Custodian shall be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the Depositary).

The Depositary and its agents shall not be liable for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any vote is cast or the effect of any vote, provided that any such action or omission is in good faith and without negligence and in accordance with the terms of the Deposit Agreement. The Depositary shall not incur any liability for any failure to accurately determine that any distribution or action may be lawful or reasonably practicable, for the content of any information submitted to it by the Company for distribution to the Holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the Deposited Property, for the validity or worth of the Deposited Property, for the value of any Deposited Property or any distribution thereon, for any interest on Deposited Property, for any tax consequences that may result from the ownership of ADSs, Shares or other Deposited Property, for the credit-worthiness of any third party, for allowing any rights to lapse upon the terms of the Deposit Agreement, for the failure or timeliness of any notice from the Company, or for any action of or failure to act by, or any information provided or not provided by, DTC or any DTC Participant.

The Depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without negligence or bad faith while it acted as Depositary.

The Depositary shall not be liable for any acts or omissions made by a predecessor depositary whether in connection with an act or omission of the Depositary or in connection with any matter arising wholly prior to the appointment of the Depositary or after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without negligence or bad faith while it acted as Depositary.

(22) Resignation and Removal of the Depositary; Appointment of Successor Depositary. The Depositary may at any time resign as Depositary under the Deposit Agreement by written notice of resignation delivered to the Company, such resignation to be effective on the earlier of (i) the 90th day after delivery thereof to the Company (whereupon the Depositary shall be entitled to take the actions contemplated in Section 6.2 of the Deposit Agreement), or (ii) the appointment by the Company of a successor depositary and its acceptance of such appointment as provided in the Deposit Agreement. The Depositary may at any time be removed by the Company by written notice of such removal, which removal shall be effective on the later of (i) the 90th day after delivery thereof to the Depositary (whereupon the Depositary shall be entitled to take the actions contemplated in Section 6.2 of the Deposit Agreement), or (ii) upon the appointment by the Company of a successor depositary and its acceptance of such appointment as provided in the Deposit Agreement. In case at any time the Depositary acting hereunder shall resign or be removed, the Company shall use its commercially reasonable efforts to appoint a successor depositary, which shall be a bank or trust company having an office in the Borough of Manhattan, the City of New York. Every successor depositary shall be required by the Company to execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such successor depositary, without any further act or deed (except as required by applicable law), shall become fully vested with all the rights, powers, duties and obligations of its predecessor (other than as contemplated in Sections 5.8 and 5.9 of the Deposit Agreement). The predecessor depositary, upon payment of all sums due it and on the written request of the Company shall (i) execute and deliver an instrument transferring to such successor all rights and powers of such predecessor hereunder (other than as contemplated in Sections 5.8 and 5.9 of the Deposit Agreement), (ii) duly assign, transfer and deliver all of the Depositary's right, title and interest to the Deposited Property to such successor, and (iii) deliver to such successor a list of the Holders of all outstanding ADSs and such other information relating to ADSs and Holders thereof as the successor may reasonably request. Any such successor depositary shall promptly provide notice of its appointment to such Holders. Any entity into or with which the Depositary may be merged or consolidated shall be the successor of the Depositary without the execution or filing of any document or any further act.

(23) Amendment/Supplement. Subject to the terms and conditions of this paragraph 23, and Section 6.1 of the Deposit Agreement and applicable law, this ADR and any provisions of the Deposit Agreement may at any time and from time to time be amended or supplemented by written agreement between the Company and the Depositary in any respect which they may deem necessary or desirable without the prior written consent of the Holders or Beneficial Owners. Any amendment or supplement which shall impose or increase any fees or charges (other than charges in connection with foreign exchange control regulations, and taxes and other governmental charges, delivery and other such expenses), or which shall otherwise materially prejudice any substantial existing right of Holders or Beneficial Owners, shall not, however, become effective as to outstanding ADSs until the expiration of thirty (30) days after notice of such amendment or supplement shall have been given to the Holders of outstanding ADSs. Notice of any amendment to the Deposit Agreement or any ADR shall not need to describe in detail the specific amendments effectuated thereby, and failure to describe the specific amendments in any such notice shall not render such notice invalid, provided, however, that, in each such case, the notice given to the Holders identifies a means for Holders and Beneficial Owners to retrieve or receive the text of such amendment (*e.g.*, upon retrieval from the Commission's, the Depositary's or the Company's website or upon request from the Depositary). The parties hereto agree that any amendments or supplements which (i) are reasonably necessary (as agreed by the Company and the Depositary) in order for (a) the ADSs to be registered on Form F-6 under the Securities Act or (b) the ADSs to be settled solely in electronic book-entry form and (ii) do not in either such case impose or increase any fees or charges to be borne by Holders, shall be deemed not to materially prejudice any substantial existing rights of Holders or Beneficial Owners. Every Holder and Beneficial Owner at the time any amendment or supplement so becomes effective shall be deemed, by continuing to hold such ADSs, to consent and agree to such amendment or supplement and to be bound by the Deposit Agreement and this ADR, if applicable, as amended or supplemented thereby. In no event shall any amendment or supplement impair the right of the Holder to surrender such ADS and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law. Notwithstanding the foregoing, if any governmental body should adopt new laws, rules or regulations which would require an amendment of, or supplement to, the Deposit Agreement to ensure compliance therewith, the Company and the Depositary may amend or supplement the Deposit Agreement and this ADR at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the Deposit Agreement and this ADR in such circumstances may become effective before a notice of such amendment or supplement is given to Holders or within any other period of time as required for compliance with such laws, rules or regulations.

(24) Termination. The Depositary shall, at any time at the written direction of the Company, terminate the Deposit Agreement by distributing notice of such termination to the Holders of all ADSs then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination. If (i) ninety (90) days shall have expired after the Depositary shall have delivered to the Company a written notice of its election to resign, or (ii) ninety (90) days shall have expired after the Company shall have delivered to the Depositary a written notice of the removal of the Depositary, and, in either case, a successor depositary shall not have been appointed and accepted its appointment as provided in Section 5.4 of the Deposit Agreement, the Depositary may terminate the Deposit Agreement by distributing notice of such termination to the Holders of all ADSs then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination. The date so fixed for termination of the Deposit Agreement in any termination notice so distributed by the Depositary to the Holders of ADSs is referred to as the "Termination Date". Until the Termination Date, the Depositary shall continue to perform all of its obligations under the Deposit Agreement, and the Holders and Beneficial Owners will be entitled to all of their rights under the Deposit Agreement. If any ADSs shall remain outstanding after the Termination Date, the Registrar and the Depositary shall not, after the Termination Date, have any obligation to perform any further acts under the Deposit Agreement, except that the Depositary shall, subject, in each case, to the terms and conditions of the Deposit Agreement, continue to (i) collect dividends and other distributions pertaining to Deposited Securities, (ii) sell Deposited Property received in respect of Deposited Securities, (iii) deliver Deposited Securities, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any other Deposited Property, in exchange for ADSs surrendered to the Depositary (after deducting, or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Section 5.9 of the Deposit Agreement), and (iv) take such actions as may be required under applicable law in connection with its role as Depositary under the Deposit Agreement. At any time after the Termination Date, the Depositary may sell the Deposited Property then held under the Deposit Agreement and shall after such sale hold un-invested the net proceeds of such sale, together with any other cash then held by it under the Deposit Agreement, in an un-segregated account and without liability for interest, for the pro rata benefit of the Holders whose ADSs have not theretofore been surrendered. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement except (i) to account for such net proceeds and other cash (after deducting, or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Section 5.9 of the Deposit Agreement), and (ii) as may be required at law in connection with the termination of the Deposit Agreement. After the Termination Date, the Company shall be discharged from all obligations under the Deposit Agreement, except for its obligations to the Depositary under Sections 5.8, 5.9 and 7.6 of the Deposit Agreement. The obligations under the terms of the Deposit Agreement of Holders and Beneficial Owners of ADSs outstanding as of the Termination Date shall survive the Termination Date and shall be discharged only when the applicable ADSs are presented by their Holders to the Depositary for cancellation under the terms of the Deposit Agreement (except as specifically provided in the Deposit Agreement).

Notwithstanding anything contained in the Deposit Agreement or any ADR, in connection with the termination of the Deposit Agreement, the Depositary may, independently and without the need for any action by the Company, make available to Holders of ADSs a means to withdraw the Deposited Securities represented by their ADSs and to direct the deposit of such Deposited Securities into an unsponsored American depositary shares program established by the Depositary, upon such terms and conditions as the Depositary may deem reasonably appropriate, subject however, in each case, to satisfaction of the applicable registration requirements by the unsponsored American depositary shares program under the Securities Act, and to receipt by the Depositary of payment of the applicable fees and charges of, and reimbursement of the applicable expenses incurred by, the Depositary.

(25) Compliance with, and No Disclaimer under, U.S. Securities Laws. (a) Notwithstanding any provisions in this ADR or the Deposit Agreement to the contrary, the withdrawal or delivery of Deposited Securities will not be suspended by the Company or the Depositary except as would be permitted by Instruction I.A.(1) of the General Instructions to the Form F-6 Registration Statement, as amended from time to time, under the Securities Act.

(b) Each of the parties to the Deposit Agreement (including, without limitation, each Holder and Beneficial Owner) acknowledges and agrees that no provision of the Deposit Agreement or any ADR shall, or shall be deemed to, disclaim any liability under the Securities Act or the Exchange Act, in each case to the extent established under applicable U.S. laws.

(26) No Third Party Beneficiaries/Acknowledgements. The Deposit Agreement is for the exclusive benefit of the parties hereto (and their successors) and shall not be deemed to give any legal or equitable right, remedy or claim whatsoever to any other person, except to the extent specifically set forth in the Deposit Agreement. Nothing in the Deposit Agreement shall be deemed to give rise to a partnership or joint venture among the parties nor establish a fiduciary or similar relationship among the parties. The parties hereto acknowledge and agree that (i) Citibank and its Affiliates may at any time have multiple banking relationships with the Company, the Holders, the Beneficial Owners, and their respective Affiliates, (ii) Citibank and its Affiliates may own and deal in any class of securities of the Company and its Affiliates and in ADSs, and may be engaged at any time in transactions in which parties adverse to the Company, the Holders, the Beneficial Owners or their respective Affiliates may have interests, (iii) the Depositary and its Affiliates may from time to time have in their possession non-public information about the Company, the Holders, the Beneficial Owners, and their respective Affiliates, (iv) nothing contained in the Deposit Agreement shall (a) preclude Citibank or any of its Affiliates from engaging in such transactions or establishing or maintaining such relationships, or (b) obligate Citibank or any of its Affiliates to disclose such information, transactions or relationships, or to account for any profit made or payment received in such transactions or relationships, (v) the Depositary shall not be deemed to have knowledge of any information any other division of Citibank or any of its Affiliates may have about the Company, the Holders, the Beneficial Owners, or any of their respective Affiliates, and (vi) the Company, the Depositary, the Custodian and their respective agents and controlling persons may be subject to the laws and regulations of jurisdictions other than the U.S. and the Cayman Islands, and the authority of courts and regulatory authorities of such other jurisdictions, and, consequently, the requirements and the limitations of such other laws and regulations, and the decisions and orders of such other courts and regulatory authorities, may affect the rights and obligations of the parties to the Deposit Agreement.

(27) Governing Law / Waiver of Jury Trial. The Deposit Agreement, the ADRs and the ADSs shall be interpreted in accordance with, and all rights hereunder and thereunder and provisions hereof and thereof shall be governed by, the laws of the State of New York without reference to the principles of choice of law thereof. Notwithstanding anything contained in the Deposit Agreement to the contrary, any ADR or any present or future provisions of the laws of the State of New York, the rights of holders of Shares and of any other Deposited Securities and the obligations and duties of the Company in respect of the holders of Shares and other Deposited Securities, as such, shall be governed by the laws of the Cayman Islands (or, if applicable, such other laws as may govern the Deposited Securities).

Holders and Beneficial Owners understand, and by holding an American Depositary Share or an interest therein such Holders and Beneficial Owners each irrevocably agrees, that any legal suit, action or proceeding against or involving the Company or the Depositary, regardless of whether such legal suit, action or proceeding also involves parties other than the Company or the Depositary (including, but not limited to, any underwriters retained by the Company), arising out of or relating in any way to the Deposit Agreement, American Depositary Shares or Receipts, or the transactions contemplated hereby or thereby or by virtue of ownership thereof, including without limitation claims under the Securities Act of 1933, may only be instituted in the United States District Court for the Southern District of New York (or, if the Southern District of New York lacks subject matter jurisdiction over a particular dispute, in the state courts of New York County, New York), and by holding an American Depositary Share or an interest therein each irrevocably waives any objection which it may now or hereafter have to the laying of venue of any such proceeding, and irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding. Holders and Beneficial Owners agree that the provisions of this paragraph shall survive such Holders' and Beneficial Owners' ownership of American Depositary Shares or interests therein.

EACH OF THE PARTIES TO THE DEPOSIT AGREEMENT (INCLUDING, WITHOUT LIMITATION, EACH HOLDER AND BENEFICIAL OWNER) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY ARISING OUT OF, OR RELATING TO, THE DEPOSIT AGREEMENT, ANY ADR AND ANY TRANSACTIONS CONTEMPLATED THEREIN (WHETHER BASED ON CONTRACT, TORT, COMMON LAW OR OTHERWISE).

(ASSIGNMENT AND TRANSFER SIGNATURE LINES)

FOR VALUE RECEIVED, the undersigned Holder hereby sell(s), assign(s) and transfer(s) unto _____ whose taxpayer identification number is _____ and whose address including postal zip code is _____, the within ADR and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney-in-fact to transfer said ADR on the books of the Depositary with full power of substitution in the premises.

Dated:

Name: _____

By:

Title:

NOTICE: The signature of the Holder to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatsoever.

If the endorsement be executed by an attorney, executor, administrator, trustee or guardian, the person executing the endorsement must give his/her full title in such capacity and proper evidence of authority to act in such capacity, if not on file with the Depositary, must be forwarded with this ADR.

_____

SIGNATURE GUARANTEED

All endorsements or assignments of ADRs must be guaranteed by a member of a Medallion Signature Program approved by the Securities Transfer Association, Inc.

Legends

[The ADRs issued in respect of Partial Entitlement American Depositary Shares shall bear the following legend on the face of the ADR: "This ADR evidences ADSs representing 'partial entitlement' Shares of the Company and as such do not entitle the holders thereof to the same per-share entitlement as other Shares (which are 'full entitlement' Shares) issued and outstanding at such time. The ADSs represented by this ADR shall entitle holders to distributions and entitlements identical to other ADSs when the Shares represented by such ADSs become 'full entitlement' Shares."]

EXHIBIT B

Form of Depositary Notice

NOTICE OF ADS RATIO CHANGE

To Holders of American Depositary Shares ("ADSs") of Lufax Holding Ltd

Company:	Lufax Holding Ltd, an exempted company with limited liability incorporated and existing under the laws of the Cayman Islands.
Depositary:	Citibank, N.A.
Custodian:	Citibank, N.A**. -** Hong Kong.
Existing ADS-to-Share Ratio:	Each two (2) ADSs represent one (1) fully paid ordinary share of the Company (the "Share(s)").
New ADS-to-Share Ratio:	One (1) ADS represents two (2) Shares.
Deposit Agreement:	Deposit Agreement, dated as of November 3, 2020, by and among the Company, the Depositary, and the Holders and Beneficial Owners of ADSs issued thereunder (the "Deposit Agreement").
ADS Symbol:	LU.*
Existing ADS ISIN:	US54975P1021.*
New ADS ISIN:	US54975P2011.*
Existing ADS CUSIP:	54975P102.*
New ADS CUSIP:	54975P201.*
Effective Date:	December 15, 2023.
ADS Books Closure to ADS Issuances and Cancellations:	December 11, 2023 (5:00 p.m. New York City time) until December 15, 2023 (5:00 p.m. New York City time).

* ***ADS Symbol, ADS ISINs and ADS CUSIP Nos. are provided as a convenience only and without any liability for accuracy.***

The Company and the Depositary have agreed to change the Existing ADS-to-Share Ratio (the "ADS Ratio Change") as of the Effective Date as follows:

Existing ADS-to-Share Ratio:	Two (2) ADSs to one (1) Share
New ADS-to-Share Ratio:	One (1) ADS to two (2) Shares

Following the Effective Date for the ADS Ratio Change, each ADS will represent two (2) Shares.

As a result of the ADS Ratio Change, the CUSIP number for the ADSs will change as follows:

Existing ADS CUSIP:	54975P102
New ADS CUSIP:	54975P201

In connection with the ADS Ratio Change, Holders of ADSs as of the Effective Date will be charged a Depositary fee of $0.05 per ADS cancelled.

You do not need to take any action for existing ADSs held via the Direct Registration System (the "DRS"). The new ADSs will be issued as "uncertificated ADSs" in DRS form and will be credited to an account in the name of the existing ADS holders on the books of the Depositary. The DRS statements reflecting the exchange of existing ADSs for new ADSs will be mailed to holders of uncertificated ADSs held via the DRS promptly after the Effective Date.

Holders of ADRs are required to surrender their ADRs to receive their new ADSs at the rate of 0.25 ADS for each existing ADS surrendered.

No fractional ADSs will be issued. Cash in lieu of fractional entitlements to ADSs will be distributed at a rate based upon the net proceeds received by the Depositary for the sale of the aggregate of the fractional ADS entitlements.

The Depositary has filed (x) a form of Amendment No. 1 to the Deposit Agreement, and (y) a form of ADR that reflects the new ADS-to-Share ratio with the U.S. Securities and Exchange Commission (the "SEC") under cover of Post-Effective Amendment No. 1 to Registration Statement on Form F-6. A copy of the filing is available from the SEC's website at www.sec.gov under Registration Number 333-256887.

If you have any questions about the above amendment and exchange, please call Citibank ADR Shareholder Services at 1-877-248-4237. Copies of the Deposit Agreement and of Amendment No. 1 to the Deposit Agreement are available at the principal offices of the Depositary at 388 Greenwich Street, New York, NY 10013 and can also be retrieved from the SEC's website at www.sec.gov under Registration Number 333-256887.

Date: [●] Citibank, N.A. as Depositary

Exhibit 2.7

Description of rights of each class of securities
registered under Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act")

American Depositary Shares ("ADSs"), each represents two ordinary shares of Lufax Holding Ltd ("we," "our," "our company," or "us") are listed and traded on the New York Stock Exchange and the shares are registered under Section 12(b) of the Exchange Act. This exhibit contains a description of the rights of (i) the holders of ordinary shares and (ii) ADS holders. Shares underlying the ADSs are held by Citibank, N.A., as depositary, and holders of ADSs will not be treated as holders of the shares. Ordinary shares of our company are listed on the Hong Kong Stock Exchange.

Description of Ordinary Shares

The following is a summary of material provisions of our currently effective memorandum and articles of association (the "Memorandum and Articles of Association"), as well as the Companies Act (As Revised) of the Cayman Islands insofar as they relate to the material terms of our ordinary shares. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read our Memorandum and Articles of Association, which has been filed with the SEC as an exhibit to our annual report on Form 20-F on April 23, 2024. (File No. 001-39654).

Type and Class of Securities (Item 9.A.5 of Form 20-F)

Each ordinary share has US$0.00001 par value. The number of ordinary shares that have been issued and outstanding as of the last day of each financial year is provided on the cover of the annual report on Form 20-F filed for such financial year (the "Form 20-F").

Preemptive Rights (Item 9.A.3 of Form 20-F)

Our shareholders do not have preemptive rights.

Limitations or Qualifications (Item 9.A.6 of Form 20-F)

Not applicable.

Other Rights (Item 9.A.7 of Form 20-F)

Not applicable.

Rights of the Ordinary Shares (Item 10.B.3 of Form 20-F)

See "Item 10.B. Additional Information—Memorandum and Articles of Association—Shares" of the Form 20-F.

Requirements for Amendments (Item 10.B.4 of Form 20-F)

See "Item 10.B. Additional Information—Memorandum and Articles of Association" of the Form 20-F.

Limitations on the Rights to Own Shares (Item 10.B.6 of Form 20-F)

There are no limitations imposed by our Memorandum and Articles of Association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares.

Provisions Affecting Any Change of Control (Item 10.B.7 of Form 20-F)

See "Item 10.B. Additional Information—Memorandum and Articles of Association" of the Form 20-F.

Ownership Threshold (Item 10.B.8 of Form 20-F)

There are no provisions in our Memorandum and Articles of Association governing the ownership threshold above which shareholder ownership must be disclosed. However, our shareholders may be required to disclose shareholder ownership in accordance with applicable laws and regulations.

Differences Between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)

See "Item 10.B. Additional Information—Memorandum and Articles of Association—Differences in Corporate Law" of the Form 20-F.

Changes in Capital (Item 10.B.10 of Form 20-F)

See "Item 10.B. Additional Information—Memorandum and Articles of Association—Changes in Share Capital" of the Form 20-F.

Debt Securities (Item 12.A of Form 20-F)

Not applicable.

Warrants and Rights (Item 12.B of Form 20-F)

Not applicable.

Other Securities (Item 12.C of Form 20-F)

Not applicable.

American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)

Citibank, N.A. acts as the depositary for the ADSs. Citibank's depositary offices are located at 388 Greenwich Street, New York, New York 10013. ADSs represent ownership interests in securities that are on deposit with the depositary. ADSs may be represented by certificates that are commonly known as "American Depositary Receipts" or "ADRs." The depositary typically appoints a custodian to safekeep the securities on deposit. In this case, the custodian is Citibank, N.A.—Hong Kong, located at 9/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

We appointed Citibank as depositary pursuant to a deposit agreement. We are providing you with a summary description of the material terms of the ADSs and of your material rights as an owner of ADSs. Please remember that summaries by their nature lack the precision of the information summarized and that the rights and obligations of an owner of ADSs will be determined by reference to the terms of the deposit agreement and not by this summary. We urge you to review the deposit agreement, together with the amendment No. 1 to deposit agreement, in their entirety. The deposit agreement has been filed with the SEC as Exhibit 2.3 to our annual report on Form 20-F for the fiscal year ended December 31, 2020 (File No. 001-39654) on March 11, 2021, and the amendment No. 1 to deposit agreement has been filed with the SEC as Exhibit 2.4 to our annual report on Form 20-F for the fiscal year ended December 31, 2023 (File No. 001-39654) on April 23, 2024. The portions of this summary description that are italicized describe matters that may be relevant to the ownership of ADSs but that may not be contained in the deposit agreement.

Each ADS represents the right to receive, and to exercise the beneficial ownership interests in, two ordinary shares that is on deposit with the depositary and/or custodian. An ADS also represents the right to receive, and to exercise the beneficial interests in, any other property received by the depositary or the custodian on behalf of the owner of the ADS but that has not been distributed to the owners of ADSs because of legal restrictions or practical considerations. We and the depositary entered into the amendment No. 1 to deposit agreement to change the ADS-to-share ratio. We and the depositary may agree to change the ADS-to-share ratio by amending the deposit agreement again in the future. The amendment may give rise to, or change, the depositary fees payable by ADS owners. The custodian, the depositary and their respective nominees will hold all deposited property for the benefit of the holders and beneficial owners of ADSs. The deposited property does not constitute the proprietary assets of the depositary, the custodian or their nominees. Beneficial ownership in the deposited property will under the terms of the deposit agreement be vested in the beneficial owners of the ADSs. The depositary, the custodian and their respective nominees will be the record holders of the deposited property represented by the ADSs for the benefit of the holders and beneficial owners of the corresponding ADSs. A beneficial owner of ADSs may or may not be the holder of ADSs. Beneficial owners of ADSs will be able to receive, and to exercise beneficial ownership interests in, the deposited property only through the registered holders of the ADSs, the registered holders of the ADSs (on behalf of the applicable ADS owners) only through the depositary, and the depositary (on behalf of the owners of the corresponding ADSs) directly, or indirectly, through the custodian or their respective nominees, in each case upon the terms of the deposit agreement.

If you become an owner of ADSs, you will become a party to the deposit agreement and therefore will be bound to its terms and to the terms of any ADR that represents your ADSs. The deposit agreement and the ADR specify our rights and obligations as well as your rights and obligations as an owner of ADSs and those of the depositary. As an ADS holder you appoint the depositary to act on your behalf in certain circumstances. The deposit agreement and the ADRs are governed by New York law. However, our obligations to the holders of ordinary shares will continue to be governed by the laws of the Cayman Islands, which may be different from the laws in the United States.

In addition, applicable laws and regulations may require you to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. You are solely responsible for complying with such reporting requirements and obtaining such approvals. Neither the depositary, the custodian, us or any of their or our respective agents or affiliates shall be required to take any actions whatsoever on your behalf to satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

As an owner of ADSs, we will not treat you as one of our shareholders and you will not have direct shareholder rights. The depositary will hold on your behalf the shareholder rights attached to the ordinary shares underlying your ADSs. As an owner of ADSs you will be able to exercise the shareholders rights for the ordinary shares represented by your ADSs through the depositary only to the extent contemplated in the deposit agreement. To exercise any shareholder rights not contemplated in the deposit agreement you will, as an ADS owner, need to arrange for the cancelation of your ADSs and become a direct shareholder.

The manner in which you own the ADSs (e.g., in a brokerage account vs. as registered holder, or as holder of certificated vs. uncertificated ADSs) may affect your rights and obligations, and the manner in which, and extent to which, the depositary's services are made available to you. As an owner of ADSs, you may hold your ADSs either by means of an ADR registered in your name, through a brokerage or safekeeping account, or through an account established by the depositary in your name reflecting the registration of uncertificated ADSs directly on the books of the depositary (commonly referred to as the "direct registration system" or "DRS"). The direct registration system reflects the uncertificated (book-entry) registration of ownership of ADSs by the depositary. Under the direct registration system, ownership of ADSs is evidenced by periodic statements issued by the depositary to the holders of the ADSs. The direct registration system includes automated transfers between the depositary and The Depository Trust Company ("DTC"), the central book-entry clearing and settlement system for equity securities in the United States. If you decide to hold your ADSs through your brokerage or safekeeping account, you must rely on the procedures of your broker or bank to assert your rights as ADS owner. Banks and brokers typically hold securities such as the ADSs through clearing and settlement systems such as DTC. The procedures of such clearing and settlement systems may limit your ability to exercise your rights as an owner of ADSs. Please consult with your broker or bank if you have any questions concerning these limitations and procedures. All ADSs held through DTC will be registered in the name of a nominee of DTC. This summary description assumes you have opted to own the ADSs directly by means of an ADS registered in your name and, as such, we will refer to you as the "holder." When we refer to "you," we assume the reader owns ADSs and will own ADSs at the relevant time.

The registration of the ordinary shares in the name of the depositary or the custodian shall, to the maximum extent permitted by applicable law, vest in the depositary or the custodian the record ownership in the applicable ordinary shares with the beneficial ownership rights and interests in such ordinary shares being at all times vested with the beneficial owners of the ADSs representing the ordinary shares. The depositary or the custodian shall at all times be entitled to exercise the beneficial ownership rights in all deposited property, in each case only on behalf of the holders and beneficial owners of the ADSs representing the deposited property.

Dividends and Other Distributions

As a holder of ADSs, you generally have the right to receive the distributions we make on the securities deposited with the custodian. Your receipt of these distributions may be limited, however, by practical considerations and legal limitations. Holders of ADSs will receive such distributions under the terms of the deposit agreement in proportion to the number of ADSs held as of the specified record date, after deduction of the applicable fees, taxes and expenses.

Distributions of Cash

Whenever we make a cash distribution for the securities on deposit with the custodian, we will deposit the funds with the custodian. Upon receipt of confirmation of the deposit of the requisite funds, the depositary will arrange for the funds received in a currency other than U.S. dollars to be converted into U.S. dollars and for the distribution of the U.S. dollars to the holders, subject to the laws and regulations of the Cayman Islands.

The conversion into U.S. dollars will take place only if practicable and if the U.S. dollars are transferable to the United States. The depositary will apply the same method for distributing the proceeds of the sale of any property (such as undistributed rights) held by the custodian in respect of securities on deposit.

The distribution of cash will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. The depositary will hold any cash amounts it is unable to distribute in a non-interest bearing account for the benefit of the applicable holders and beneficial owners of ADSs until the distribution can be effected or the funds that the depositary holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States.

Distributions of Ordinary Shares

Whenever we make a free distribution of ordinary shares for the securities on deposit with the custodian, we will deposit the applicable number of ordinary shares with the custodian. Upon receipt of confirmation of such deposit, the depositary will either distribute to holders new ADSs representing the ordinary shares deposited or modify the ADS-to-ordinary share ratio, in which case each ADS you hold will represent rights and interests in the additional ordinary shares so deposited. Only whole new ADSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new ADSs or the modification of the ADS-to-ordinary share ratio upon a distribution of ordinary shares will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes or governmental charges, the depositary may sell all or a portion of the new ordinary shares so distributed.

No such distribution of new ADSs will be made if it would violate a law (e.g., the U.S. securities laws) or if it is not operationally practicable. If the depositary does not distribute new ADSs as described above, it may sell the ordinary shares received upon the terms described in the deposit agreement and will distribute the proceeds of the sale as in the case of a distribution of cash.

Distributions of Rights

Whenever we intend to distribute rights to subscribe for additional ordinary shares, we will give prior notice to the depositary and we will assist the depositary in determining whether it is lawful and reasonably practicable to distribute rights to subscribe for additional ADSs to holders.

The depositary will establish procedures to distribute rights to subscribe for additional ADSs to holders and to enable such holders to exercise such rights if we request such rights be made available to holders of ADSs, it is lawful and reasonably practicable to make the rights available to holders of ADSs, and if we provide all of the documentation contemplated in the deposit agreement (such as opinions to address the lawfulness of the transaction). You may have to pay fees, expenses, taxes and other governmental charges to subscribe for the new ADSs upon the exercise of your rights. The depositary is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to subscribe for new ordinary shares other than in the form of ADSs.

The depositary will not distribute the rights to you if:

- We do not timely request that the rights be distributed to you or we request that the rights not be distributed to you; or
- We fail to deliver satisfactory documents to the depositary; or
- It is not reasonably practicable to distribute the rights.

The depositary will sell the rights that are not made available to you or not exercised and appear to be about to lapse if such sale is lawful and reasonably practicable. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the depositary is unable to sell the rights in such circumstances, it will allow the rights to lapse.

Elective Distributions

Whenever we intend to distribute a dividend payable at the election of shareholders either in cash or in additional shares, we will give prior notice thereof to the depositary and will indicate whether we wish the elective distribution to be made available to you. In such case, we will assist the depositary in determining whether such distribution is lawful and reasonably practicable.

The depositary will make the election available to you only if we request, it is reasonably practicable and if we have provided all of the documentation contemplated in the deposit agreement. In such case, the depositary will establish procedures to enable you to elect to receive either cash or additional ADSs, in each case as described in the deposit agreement.

If the election is not made available to you, you will receive either cash or additional ADSs, depending on what a shareholder in the Cayman Islands would receive upon failing to make an election, as more fully described in the deposit agreement.

Other Distributions

Whenever we intend to distribute property other than cash, ordinary shares or rights to subscribe for additional ordinary shares, we will notify the depositary in advance and will indicate whether we wish such distribution to be made to you. If so, we will assist the depositary in determining whether such distribution to holders is lawful and reasonably practicable.

If it is reasonably practicable to distribute such property to you and if we request such distribution be made available to you and provide to the depositary all of the documentation contemplated in the deposit agreement, the depositary will distribute the property to the holders in a manner it deems practicable.

The distribution will be made net of fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes and governmental charges, the depositary may sell all or a portion of the property received.

The depositary will not distribute the property to you and will sell the property if:

- We do not request that the property be distributed to you or if we request that the property not be distributed to you;
- We do not deliver satisfactory documents to the depositary; or
- The depositary determines that all or a portion of the distribution to you is not reasonably practicable.

The proceeds of such a sale will be distributed to holders as in the case of a cash distribution.

Redemption

Whenever we decide to redeem any of the securities on deposit with the custodian, we will notify the depositary in advance. If it is practicable and if we provide all of the documentation contemplated in the deposit agreement, the depositary will provide notice of the redemption to the holders.

The custodian will be instructed to surrender the shares being redeemed against payment of the applicable redemption price. The depositary will convert into U.S. dollars upon the terms of the deposit agreement the redemption funds received in a currency other than U.S. dollars and will establish procedures to enable holders to receive the net proceeds from the redemption upon surrender of their ADSs to the depositary. You may have to pay fees, expenses, taxes and other governmental charges upon the redemption of your ADSs. If less than all ADSs are being redeemed, the ADSs to be retired will be selected by lot or on a pro rata basis, as the depositary may determine.

Changes Affecting Ordinary Shares

The ordinary shares held on deposit for your ADSs may change from time to time. For example, there may be a change in nominal or par value, split-up, cancelation, consolidation or any other reclassification of such ordinary shares or a recapitalization, reorganization, merger, consolidation or sale of assets of our company.

If any such change were to occur, your ADSs would, to the extent permitted by law and the deposit agreement, represent the right to receive the property received or exchanged in respect of the ordinary shares held on deposit. The depositary may in such circumstances deliver new ADSs to you, amend the deposit agreement, the ADRs and the applicable Registration Statement(s) on Form F-6, call for the exchange of your existing ADSs for new ADSs and take any other actions that are appropriate to reflect as to the ADSs the change affecting the Shares. If the depositary may not lawfully distribute such property to you, the depositary may sell such property and distribute the net proceeds to you as in the case of a cash distribution.

Issuance of ADSs upon Deposit of Ordinary Shares

When you make a deposit of ordinary shares, you will be responsible for transferring good and valid title to the depositary. As such, you will be deemed to represent and warrant that:

- The ordinary shares are duly authorized, validly issued, fully paid, non-assessable and legally obtained.
- All preemptive (and similar) rights, if any, with respect to such ordinary shares have been validly waived or exercised.
- You are duly authorized to deposit the ordinary shares.

- The ordinary shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and are not, and the ADSs issuable upon such deposit will not be, "restricted securities" (as defined in the deposit agreement).
- The ordinary shares presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties are incorrect in any way, we and the depositary may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

Transfer, Combination and Split Up of ADRs

As an ADR holder, you will be entitled to transfer, combine or split up your ADRs and the ADSs evidenced thereby. For transfers of ADRs, you will have to surrender the ADRs to be transferred to the depositary and also must:

- ensure that the surrendered ADR is properly endorsed or otherwise in proper form for transfer;
- provide such proof of identity and genuineness of signatures as the depositary deems appropriate;
- provide any transfer stamps required by the State of New York or the United States; and
- pay all applicable fees, charges, expenses, taxes and other government charges payable by ADR holders pursuant to the terms of the deposit agreement, upon the transfer of ADRs.

To have your ADRs either combined or split up, you must surrender the ADRs in question to the depositary with your request to have them combined or split up, and you must pay all applicable fees, charges and expenses payable by ADR holders, pursuant to the terms of the deposit agreement, upon a combination or split up of ADRs.

Withdrawal of Ordinary Shares Upon Cancelation of ADSs

As a holder, you will be entitled to present your ADSs to the depositary for cancelation and then receive the corresponding number of underlying ordinary shares at the custodian's offices. Your ability to withdraw the ordinary shares held in respect of the ADSs may be limited by U.S. and Cayman Islands law considerations applicable at the time of withdrawal. In order to withdraw the ordinary shares represented by your ADSs, you will be required to pay to the depositary the fees for cancelation of ADSs and any charges and taxes payable upon the transfer of the ordinary shares. You assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the ADSs will not have any rights under the deposit agreement.

If you hold ADSs registered in your name, the depositary may ask you to provide proof of identity and genuineness of any signature and such other documents as the depositary may deem appropriate before it will cancel your ADSs. The withdrawal of the ordinary shares represented by your ADSs may be delayed until the depositary receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the depositary will only accept ADSs for cancelation that represent a whole number of securities on deposit.

You will have the right to withdraw the securities represented by your ADSs at any time except for:

- Temporary delays that may arise because (i) the transfer books for the ordinary shares or ADSs are closed, or (ii) ordinary shares are immobilized on account of a shareholders' meeting or a payment of dividends.
- Obligations to pay fees, taxes and similar charges.
- Restrictions imposed because of laws or regulations applicable to ADSs or the withdrawal of securities on deposit.

The deposit agreement may not be modified to impair your right to withdraw the securities represented by your ADSs except to comply with mandatory provisions of law.

Voting Rights

As a holder, you generally have the right under the deposit agreement to instruct the depositary to exercise the voting rights for the ordinary shares represented by your ADSs. The voting rights of holders of ordinary shares are described in "Description of Share Capital."

At our request, the depositary will distribute to you any notice of shareholders' meeting received from us together with information explaining how to instruct the depositary to exercise the voting rights of the securities represented by ADSs. In lieu of distributing such materials, the depositary may distribute to holders of ADSs instructions on how to retrieve such materials upon request.

If the depositary timely receives voting instructions from a holder of ADSs, it will endeavor to vote the securities (in person or by proxy) represented by the holder's ADSs as follows:

- *In the event of voting by show of hands*, the depositary will vote (or cause the custodian to vote) all ordinary shares held on deposit at that time in accordance with the voting instructions received from a majority of holders of ADSs who provide timely voting instructions.
- *In the event of voting by poll*, the depositary will vote (or cause the custodian to vote) the ordinary shares held on deposit in accordance with the voting instructions received from the holders of ADSs.

Securities for which no voting instructions have been received will not be voted (except (a) as set forth above in the case voting is by show of hands, (b) in the event of voting by poll, holders of ADSs in respect of which no timely voting instructions have been received shall be deemed to have instructed the depositary to give a discretionary proxy to a person designated by us to vote the ordinary shares represented by such holders' ADSs; provided, however, that no such discretionary proxy shall be given with respect to any matter to be voted upon as to which we inform the depositary that (i) we do not wish such proxy to be given, (ii) substantial opposition exists, or (iii) the rights of holders of ordinary shares may be adversely affected, and (c) as otherwise contemplated in the deposit agreement). Please note that the ability of the depositary to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to the depositary in a timely manner.

Fees and Charges

As an ADS holder, you will be required to pay the following fees under the terms of the deposit agreement:

Service	Fees
• Issuance of ADSs (e.g., an issuance of ADS upon a deposit of ordinary shares, upon a change in the ADS(s)-to-ordinary shares ratio, or for any other reason, excluding ADS issuances as a result of distributions of ordinary shares)	Up to US$0.05 per ADS issued
• Cancelation of ADSs (e.g., a cancelation of ADSs for delivery of deposited property, upon a change in the ADS(s)-to-ordinary shares ratio, or for any other reason)	Up to US$0.05 per ADS canceled
• Distribution of cash dividends or other cash distributions (e.g., upon a sale of rights and other entitlements)	Up to US$0.05 per ADS held

Service	Fees
• Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs	Up to US$0.05 per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs (e.g., upon a spin-off)	Up to US$0.05 per ADS held
• ADS Services	Up to US$0.05 per ADS held on the applicable record date(s) established by the depositary
• Registration of ADS transfers (e.g., upon a registration of the transfer of registered ownership of ADSs, upon a transfer of ADSs into DTC and vice versa, or for any other reason)	Up to US$0.05 per ADS (or fraction thereof) transferred
• Conversion of ADSs of one series for ADSs of another series (e.g., upon conversion of Partial Entitlement ADSs for Full Entitlement ADSs, or upon conversion of Restricted ADSs (each as defined in the Deposit Agreement) into freely transferable ADSs, and vice versa).	Up to US$0.05 per ADS (or fraction thereof) converted

As an ADS holder you will also be responsible to pay certain charges such as:

- taxes (including applicable interest and penalties) and other governmental charges;
- the registration fees as may from time to time be in effect for the registration of ordinary shares on the share register and applicable to transfers of ordinary shares to or from the name of the custodian, the depositary or any nominees upon the making of deposits and withdrawals, respectively;
- certain cable, telex and facsimile transmission and delivery expenses;
- the fees, expenses, spreads, taxes and other charges of the depositary and/or service providers (which may be a division, branch or affiliate of the depositary) in the conversion of foreign currency;
- the reasonable and customary out-of-pocket expenses incurred by the depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to ordinary shares, ADSs and ADRs; and
- the fees, charges, costs and expenses incurred by the depositary, the custodian, or any nominee in connection with the ADR program.

ADS fees and charges for (i) the issuance of ADSs, and (ii) the cancelation of ADSs are charged to the person for whom the ADSs are issued (in the case of ADS issuances) and to the person for whom ADSs are canceled (in the case of ADS cancelations). In the case of ADSs issued by the depositary into DTC, the ADS issuance and cancelation fees and charges may be deducted from distributions made through DTC, and may be charged to the DTC participant(s) receiving the ADSs being issued or the DTC participant(s) holding the ADSs being canceled, as the case may be, on behalf of the beneficial owner(s) and will be charged by the DTC participant(s) to the account of the applicable beneficial owner(s) in accordance with the procedures and practices of the DTC participants as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are charged to the holders as of the applicable ADS record date. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, holders as of the ADS record date will be invoiced for the amount of the ADS fees and charges and such ADS fees and charges may be deducted from distributions made to holders of ADSs. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC participants in accordance with the procedures and practices prescribed by DTC and the DTC participants in turn charge the amount of such ADS fees and charges to the beneficial owners for whom they hold ADSs. In the case of (i) registration of ADS transfers, the ADS transfer fee will be payable by the ADS Holder whose ADSs are being transferred or by the person to whom the ADSs are transferred, and (ii) conversion of ADSs of one series for ADSs of another series, the ADS conversion fee will be payable by the Holder whose ADSs are converted or by the person to whom the converted ADSs are delivered.

In the event of refusal to pay the depositary fees, the depositary may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder. Certain depositary fees and charges (such as the ADS services fee) may become payable shortly after the closing of the ADS offering. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of such changes. The depositary may reimburse us for certain expenses incurred by us in respect of the ADR program, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary agree from time to time.

Amendments and Termination

We may agree with the depositary to modify the deposit agreement at any time without your consent. We undertake to give holders 30 days' prior notice of any modifications that would materially prejudice any of their substantial rights under the deposit agreement. We will not consider to be materially prejudicial to your substantial rights any modifications or supplements that are reasonably necessary for the ADSs to be registered under the Securities Act or to be eligible for book-entry settlement, in each case without imposing or increasing the fees and charges you are required to pay. In addition, we may not be able to provide you with prior notice of any modifications or supplements that are required to accommodate compliance with applicable provisions of law.

You will be bound by the modifications to the deposit agreement if you continue to hold your ADSs after the modifications to the deposit agreement become effective. The deposit agreement cannot be amended to prevent you from withdrawing the ordinary shares represented by your ADSs (except as permitted by law).

We have the right to direct the depositary to terminate the deposit agreement. Similarly, the depositary may in certain circumstances on its own initiative terminate the deposit agreement. In either case, the depositary must give notice to the holders at least 30 days before termination. Until termination, your rights under the deposit agreement will be unaffected.

After termination, the depositary will continue to collect distributions received (but will not distribute any such property until you request the cancelation of your ADSs) and may sell the securities held on deposit. After the sale, the depositary will hold the proceeds from such sale and any other funds then held for the holders of ADSs in a non-interest bearing account. At that point, the depositary will have no further obligations to holders other than to account for the funds then held for the holders of ADSs still outstanding (after deduction of applicable fees, taxes and expenses).

In connection with any termination of the deposit agreement, the depositary may make available to owners of ADSs a means to withdraw the ordinary shares represented by ADSs and to direct the deposit of such ordinary shares into an unsponsored American depositary share program established by the depositary. The ability to receive unsponsored ADSs upon termination of the deposit agreement would be subject to satisfaction of certain U.S. regulatory requirements applicable to the creation of unsponsored ADSs and the payment of applicable depositary fees and expenses.

Books of Depositary

The depositary will maintain ADS holder records at its depositary office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the deposit agreement.

The depositary will maintain in New York facilities to record and process the issuance, cancelation, combination, split-up and transfer of ADSs. These facilities may be closed from time to time, to the extent not prohibited by law.

Limitations on Obligations and Liabilities

The deposit agreement limits our obligations and the depositary's obligations to you. Please note the following:

- We and the depositary are obligated only to take the actions specifically stated in the deposit agreement without negligence or bad faith.
- The depositary disclaims any liability for any failure to carry out voting instructions, for any manner in which a vote is cast or for the effect of any vote, provided it acts in good faith and in accordance with the terms of the deposit agreement.
- The depositary disclaims any liability for any failure to determine the lawfulness or practicality of any action, for the content of any document forwarded to you on our behalf or for the accuracy of any translation of such a document, for the investment risks associated with investing in ordinary shares, for the validity or worth of the ordinary shares, for any tax consequences that result from the ownership of ADSs, for the credit-worthiness of any third party, for allowing any rights to lapse under the terms of the deposit agreement, for the timeliness of any of our notices or for our failure to give notice.
- We and the depositary also disclaim any liability for any action or inaction of any clearing or settlement system (and any participant thereof) for the ADSs or deposited securities.
- The depositary disclaims any liability for any acts or omissions made by a successor or predecessor depositary, except in certain circumstances described in the deposit agreement.
- We and the depositary will not be obligated to perform any act that is inconsistent with the terms of the deposit agreement.
- We and the depositary disclaim any liability if we or the depositary are prevented or forbidden from or subject to any civil or criminal penalty or restraint on account of, or delayed in, doing or performing any act or thing required by the terms of the deposit agreement, by reason of any provision, present or future of any law or regulation, or by reason of present or future provision of any provision of our articles of association, or any provision of or governing the securities on deposit, or by reason of any act of God or war or other circumstances beyond our control.
- We and the depositary disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for in the deposit agreement or in our articles of association or in any provisions of or governing the securities on deposit.
- We and the depositary further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting Shares for deposit, any holder of ADSs or authorized representatives thereof, or any other person believed by either of us in good faith to be competent to give such advice or information.
- We and the depositary also disclaim liability for the inability by a holder to benefit from any distribution, offering, right or other benefit that is made available to holders of ordinary shares but is not, under the terms of the deposit agreement, made available to you.
- We and the depositary may rely without any liability upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties.

- We and the depositary also disclaim liability for any consequential or punitive damages for any breach of the terms of the deposit agreement.
- No disclaimer of any Securities Act liability is intended by any provision of the deposit agreement.
- Nothing in the deposit agreement gives rise to a partnership or joint venture, or establishes a fiduciary relationship, among us, the depositary and you as ADS holder.
- Nothing in the deposit agreement precludes Citibank (or its affiliates) from engaging in transactions in which parties adverse to us or the ADS owners have interests, and nothing in the deposit agreement obligates Citibank to disclose those transactions, or any information obtained in the course of those transactions, to us or to the ADS owners, or to account for any payment received as part of those transactions.

Taxes

You will be responsible for the taxes and other governmental charges payable on the ADSs and the securities represented by the ADSs. We, the depositary and the custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. You will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The depositary may refuse to issue ADSs, to deliver, transfer, split and combine ADRs or to release securities on deposit until all taxes and charges are paid by the applicable holder. The depositary and the custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the depositary and to the custodian proof of taxpayer status and residence and such other information as the depositary and the custodian may require to fulfill legal obligations. You are required to indemnify us, the depositary and the custodian for any claims with respect to taxes based on any tax benefit obtained for you.

Foreign Currency Conversion

The depositary will arrange for the conversion of all foreign currency received into U.S. dollars if such conversion is practical, and it will distribute the U.S. dollars in accordance with the terms of the deposit agreement. You may have to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

If the conversion of foreign currency is not practical or lawful, or if any required approvals are denied or not obtainable at a reasonable cost or within a reasonable period, the depositary may take the following actions in its discretion:

- Convert the foreign currency to the extent practical and lawful and distribute the U.S. dollars to the holders for whom the conversion and distribution is lawful and practical.
- Distribute the foreign currency to holders for whom the distribution is lawful and practical.
- Hold the foreign currency (without liability for interest) for the applicable holders.

Governing Law/Waiver of Jury Trial

The deposit agreement, the ADRs and the ADSs will be interpreted in accordance with the laws of the State of New York. The rights of holders of ordinary shares (including ordinary shares represented by ADSs) is governed by the laws of the Cayman Islands.

AS A PARTY TO THE DEPOSIT AGREEMENT, YOU IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, YOUR RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF THE DEPOSIT AGREEMENT OR THE ADRs AGAINST US AND/OR THE DEPOSITARY.

The deposit agreement provides that, to the extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to our ordinary shares, the ADSs or the deposit agreement, including any claim under U.S. federal securities laws. The waiver continues to apply to claims that arise during the period when a holder holds the ADSs, whether the ADS holder purchased the ADSs in the offering or secondary transactions, even if the ADS holder subsequently withdraws the underlying ordinary shares. If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable in the facts and circumstances of that case in accordance with applicable case law. However, you will not be deemed, by agreeing to the terms of the deposit agreement, to have waived our or the depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder.

Jurisdiction

We have agreed with the depositary that the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, state courts in New York County, New York) shall have exclusive jurisdiction to hear and determine any dispute arising from or relating in any way to the deposit agreement.

The deposit agreement provides that, by holding an ADS or an interest therein, you irrevocably agree that any legal suit, action or proceeding against or involving us or the depositary arising out of or related in any way to the deposit agreement, the ADSs, American depositary receipts or the transactions contemplated thereby or by virtue of ownership thereof, may only be instituted in the United States District Court for the Southern District of New York (or, if the Southern District of New York lacks subject matter jurisdiction over a particular dispute, in the state courts of New York County, New York), and by holding an ADS or an interest therein you irrevocably waive any objection which you may now or hereafter have to the laying of venue of any such proceeding, and irrevocably submit to the exclusive jurisdiction of such courts in any such suit, action or proceeding. The deposit agreement also provides that the foregoing agreement and waiver shall survive your ownership of ADSs or interests therein.

Conversion between Ordinary Shares Trading in Hong Kong and ADSs (Item 12.D.1 and 12.D.2 of Form 20-F)

See "Item 12. Description of Securities Other than Equity Securities—D. American Depositary Shares—Conversion Between Ordinary Shares and ADSs" of the Form 20-F.

Exhibit 4.29

Execution Version

SHARE PURCHASE AGREEMENT

by and among

LUFAX HOLDING LTD

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

and

PING AN ONECONNECT BANK (HONG KONG) LIMITED

(平安壹賬通銀行（香港）有限公司)

Dated November 13, 2023

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EXHIBITS

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Exhibit 4.29

SHARE PURCHASE AGREEMENT

This SHARE PURCHASE AGREEMENT (this "Agreement"), dated November 13, 2023, is entered into by and among (i) Lufax Holding Ltd, an exempted company incorporated under the laws of the Cayman Islands whose securities are listed on the New York Stock Exchange and the Hong Kong Stock Exchange (the "Purchaser"), (ii) OneConnect Financial Technology Co., Ltd., an exempted company incorporated under the laws of the Cayman Islands whose securities are listed on the New York Stock Exchange and the Hong Kong Stock Exchange (the "Seller"), and (iii) Ping An OneConnect Bank (Hong Kong) Limited (平安壹賬通銀行（香港）有限公司), a company incorporated under the laws of Hong Kong (the "Company").

W I T N E S S E T H:

WHEREAS, the Seller holds 100% of the issued share capital in Jin Yi Tong Limited 金亿通有限公司 (the "BVI Holdco"), a British Virgin Islands company and the BVI Holdco holds 100% of the issued share capital in Jin Yi Rong Limited 金億融有限公司, a Hong Kong company (the "HK Holdco") that holds 100% of the issued share capital in the Company.

WHEREAS, the Purchaser desires to purchase from the Seller, and the Seller desires to sell to the Purchaser, the Purchased Share (as defined below) in exchange for the Purchase Price, resulting in the BVI Holdco, the HK Holdco and the Company to become wholly-owned subsidiaries of the Purchaser.

WHEREAS, each party hereto intends to set out in this Agreement certain of its rights and obligations upon the sale and purchase of the Purchased Share as contemplated above.

NOW, THEREFORE, in consideration of the promises and the mutual covenants and agreements hereinafter contained, and intending to be legally bound, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Certain Definitions. For purposes of this Agreement, the following terms shall have the meanings specified in this Section 1.1:

"Affiliate" means, in relation to a Person, any other Person that directly or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, such Person, including without limitation, with respect to any Person that is an individual, his or her immediate family members, which includes (a) such Person's spouse, parents, parents-in-law, grandparents, children, grandchildren, siblings and siblings-in-law (in each case whether adoptive or biological), (b) spouses of such Person's children, grandchildren and siblings (in each case whether adoptive or biological) and (c) estates, trusts, partnerships and other Persons which directly or indirectly through one or more intermediaries are Controlled by the foregoing. Notwithstanding anything to the contrary, none of the Seller or, at any time prior to the Closing, any Group Company, shall be deemed an Affiliate of the Purchaser, and none of the Purchaser or any Person that is directly or indirectly Controlled by the Purchaser shall be deemed an Affiliate of the Seller or, at any time prior to the Closing, any Group Company.

"Agreed Board Composition" has the meaning ascribed to it in Section 6.10.

"Aggregate Purchase Price" as the meaning ascribed to it in Section 2.2.

"Agreement" has the meaning ascribed to it in the Preamble.

"Anti-Bribery Laws" has the meaning ascribed to it in Section 3.16(a).

"Anti-Money Laundering Laws" as the meaning ascribed to it in Section 3.16(c).

"Applicable Accounting Standard" means the Hong Kong Financial Reporting Standards or other accounting standards adopted by the Company and applied consistently throughout the Financial Statements.

"Audited Financial Statements" has the meaning ascribed to it in Section 3.7(a).

"Balance Sheet Date" means June 30, 2023.

"Benefit Plan" has the meaning ascribed to it in Section 3.17.

"Board" means the board of directors of the Company.

"Business" means, in respect of a Group Company, the business as it currently conducts and, in respect of the Group Companies, the business as the Group Companies, taken as a whole, currently conduct.

"Business Day" means a day that is not a Saturday or Sunday or another day on which banks in Hong Kong, the PRC, the British Virgin Islands or the Cayman Islands are required or authorized to be closed.

"BVI Holdco" has the meaning ascribed to it in the Preamble.

"Closing" has the meaning ascribed to it in Section 2.3.

"Closing Date" has the meaning ascribed to it in Section 2.3.

"Closing Financial Statements Day" has the meaning ascribed to it in Section 6.11(a).

"Company" has the meaning ascribed to it in the Preamble.

"Company Fundamental Warranties" means the representations and warranties set forth in Section 3.1, Section 3.2, Section 3.3, Section 3.4 and Section 3.5.

"Company Incentive Plan" means all employee share incentive plan or similar plan of the Company, or any arrangement pursuant to which any director, officer, employee or consultant of any Group Company may receive any equity incentive (whether in the form of options, restricted shares, restricted shares units or otherwise) from any Group Company.

"Contract" means any written contract, agreement, indenture, note, bond, mortgage, loan, instrument, lease, franchise or license.

"Control" of a given Person means the power or authority, whether exercised or not, to direct the business, management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, which power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty percent (50%) of the votes entitled to be cast at a meeting of the members or shareholders of such Person or power to control the composition of a majority of the board of directors (or similar governing body) of such Person; the term "Controlled" has the meaning correlative to the foregoing.

"Director Change Approval" has the meaning ascribed to it in Section 6.10.

"Disclosure Schedule" means the disclosure schedule prepared by the Seller and delivered to the Purchaser on the date hereof.

"Due Diligence Materials" means any and all materials provided by or on behalf of the Seller or any Group Company to the Purchaser or its representatives by emails during the Purchaser's due diligence process with respect to the Seller or any Group Company. The Seller has prepared a complete list of such Due Diligence Materials, which was delivered to the Purchaser on or prior to the date hereof.

"Enforceability Limitations" has the meaning ascribed to it in Section 3.2.

"Equity Securities" means, with respect to any Person, such Person's capital stock, membership interests, partnership interests, registered capital, joint venture or other ownership interests or any options, warrants or other securities that are directly or indirectly convertible into, or exercisable or exchangeable for, such capital stock, membership interests, partnership interests, registered capital, joint venture or other ownership interests (whether or not such derivative securities are issued by such Person).

"Existing Articles" means the memorandum and articles of association of the BVI Holdco adopted on November 1, 2018, the articles of association of the HK Holdco adopted on November 30, 2018, and the articles of association of the Company adopted on April 21, 2020.

"FCPA" has the meaning ascribed to it in Section 3.16(a).

"Financial Statements" has the meaning ascribed to it in Section 3.7(a).

"Government Authority" means supranational, national, federal, state, municipal or local court, administrative body or other governmental or quasi-governmental entity or authority with competent jurisdiction exercising legislative, judicial, regulatory or administrative functions of or pertaining to supranational, national, federal, state, municipal or local government, including any department, commission, board, agency, bureau, subdivision, instrumentality or other regulatory, administrative, judicial or arbitral authority, and any securities exchange on which the securities of any Party or its Affiliates are listed.

"Group Companies" means the BVI Holdco, the HK Holdco, the Company and any Person (other than a natural person) that is directly or indirectly Controlled by the Company.

"HK Holdco" has the meaning ascribed to it in the Preamble.

"HKIAC Rules" has the meaning ascribed to it in Section 10.3(a).

"HK$" means Hong Kong dollars, the lawful currency of Hong Kong;

"Hong Kong Listing Rules" means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

"Hong Kong Stock Exchange" means The Stock Exchange of Hong Kong Limited.

"Indebtedness" of any Person means, without duplication, (a) the principal, accreted value, accrued and unpaid interest, prepayment, breakage and redemption costs, premiums or penalties, unpaid fees or expenses and other monetary obligations in respect of (i) indebtedness of such Person for borrowed money and (ii) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable; (b) all obligations (contingent or otherwise) of such Person issued or assumed as the deferred purchase price of property or services, all conditional sale obligations of such Person and all obligations of such Person under any title retention; (c) all capitalized lease obligations; (d) all obligations and Liabilities payable upon termination of interest rate protection agreements, foreign currency exchange agreements or other interest rate or exchange rate hedging or swap arrangements; (e) all obligations of the type referred to in clauses (a) through (d) of any Persons the payment of which such Person is responsible or liable, directly or indirectly, as obligor, guarantor, surety or otherwise; and (f) all obligations of the type referred to in clauses (a) through (e) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person). Notwithstanding anything to the contrary, the "Indebtedness" of any Person shall not include any obligation or Liability incurred or arising in the ordinary course of business of such Person.

"Intellectual Property" means all U.S. and non-U.S. intellectual property, including (a) all intellectual property rights in inventions, discoveries, and processes, and all patents, and patent disclosures, (b) all trademarks, service marks, trade names, brand names, trade dress rights, logos, Internet domain names and corporate names, and, to the extent recognized under applicable Law, other source indicators, and the goodwill of the business symbolized thereby, (c) all copyrights and works of authorship in any media, including all designs, (d) all computer software, databases and programs, (e) all trade secrets, know-how, and other proprietary or confidential information and (f) all applications, registrations, renewals, foreign counterparts, extensions, continuations, continuations-in-part, re-examinations, reissues, and divisionals of the foregoing.

"Knowledge of the Purchaser" means the knowledge actually possessed, or should have been possessed after due inquiry, by the Chief Executive Officer and the Chief Financial Officer of the Purchaser.

"Knowledge of the Seller" means the knowledge actually possessed, or should have been possessed after due inquiry, by the Chief Executive Officer and the Chief Financial Officer of the Seller.

"Knowledge of the Warrantors" means the knowledge actually possessed, or should have been possessed after due inquiry, by any executive director of each of the Company or the Seller.

"Law" means any foreign, federal, state, municipal or local law, statute, code, ordinance, rule, decree, regulation or any common law of any Government Authority or jurisdiction.

"Legal Proceeding" means any judicial, administrative or arbitral actions, suits, proceedings or investigations (whether civil or criminal, judicial or administrative, at law or in equity, or public or private) by or before a Government Authority.

"Liability" means any indebtedness, liability or obligation (whether direct or indirect, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, or due or to become due), including those arising under any Law, Order, Legal Proceeding or Contract and including all costs and expenses relating thereto.

"Lien" means any lien (including, without limitation, tax lien), encumbrance, pledge, mortgage, deed of trust, security interest, claim, lease, charge, option, restrictive covenant, right of first refusal, right of first offer, easement, servitude or other restriction having similar effect.

"Long Stop Date" means the first anniversary of the date of this Agreement.

"Losses" has the meaning ascribed to it in Section 9.2(a).

"Material Adverse Effect" means any change, circumstance, event or effect that, individually or in the aggregate, is or would be materially adverse to (a) the business, operations, assets, financial condition or results of operations of the Group Companies, taken as a whole; or (b) the ability of any Party other than the Purchaser to consummate the transactions contemplated by this Agreement and to perform its obligations hereunder and under any other Transaction Documents, provided, however, that none of the following, and no event, occurrence, fact, condition, change or development arising out of or resulting from the following, shall constitute or be taken into account in determining whether a "Material Adverse Effect" has occurred or may, would or could occur: (i) changes in general economic or business conditions in Hong Kong, PRC, the United States or elsewhere in the world; (ii) changes in the credit, debt, financial or capital markets or changes in interest or exchange rates, in each case, in Hong Kong, PRC, the United States or elsewhere in the world; (iii) changes in conditions generally affecting the industry in which any of the Group Companies operates; (iv) any outbreak or escalation of any military conflict, declared or undeclared war, armed hostilities, or acts of foreign or domestic terrorism, including any cyber-terrorism or cyber-attack, or any changes in political conditions; (v) any hurricane, flood, tornado, earthquake, epidemic, pandemic or disease outbreak or other natural disasters; (vi) changes or proposed changes in applicable Law or Applicable Accounting Standards or in the interpretation or enforcement thereof; (vii) the public announcement of this Agreement or any other Transaction Documents, the identity of (or any actions taken by) the Purchaser or the pendency or consummation of the transactions contemplated hereby or by any other Transaction Documents, including any impact arising out of actions of competitors, customers, suppliers, distributors, joint venture partners, employees (including losses of employees) or labor unions in connection therewith; or (viii) any action or inaction taken by the Seller or the Group Companies pursuant to this Agreement or any other Transaction Documents or at the request or with the consent of Purchaser; provided, further, that, with respect to clauses (i), (ii), (iii), (iv), (v), and (vi) any such event, occurrence, fact, condition, change or development shall be taken into account in determining whether a Material Adverse Effect has occurred, or would reasonably be expected to, occur, to the extent it materially disproportionately adversely affects the Group, taken as a whole, relative to other participants in the industries or markets in which they operate.

"Material Contract" means each Contract (other than the Transaction Documents) to which a Group Company is a party or otherwise bound that (a) involves payments (or a series of payments), contingent or otherwise, of HK$3,000,000 (or the equivalent thereof in another currency) or more individually, in cash, property or services, or extends for more than one year beyond the date of this Agreement; (b) is with a Government Authority; (c) limits or restricts any Group Company's ability to compete or otherwise conduct the Business in any manner, time or place, or that contains any exclusivity or change in control provision, (d) grants a power of attorney, agency or similar authority; (e) relates to Indebtedness, provides for an extension of credit, provides for indemnification or any guaranty, or provides for a "keep well" or other agreement to maintain any financial statement condition of another Person, (f) relates to any Intellectual Property, other than "shrink-wrap" or "off-the-shelf" commercially available software, (g) is a Related Party Contract, (h) is a lease on real or personal property, (i) is an insurance policy, (j) is outside the ordinary course of business of any Group Company, or (k) is otherwise material to any Group Company or is a Contract on which any Group Company is substantially dependent. Notwithstanding anything to the contrary, the "Material Contract" shall not include any Contracts entered into in the ordinary course of business of the Group Companies.

"Material License" means all franchises, permits, licenses, approvals, authorizations and any similar document issued or granted by any Government Authority that are, individually or in the aggregate, material for the conduct of the Business of the Group Companies, taken as a whole.

"Order" means any written order, injunction, judgment, decree, legally binding notice, ruling, writ, assessment or arbitration award of a Government Authority.

"Ordinary Share" or "Share" means the ordinary share of the BVI Holdco, with no par value.

"Outgoing Directors" means (a) Jie Li, who serves as the sole director of the BVI Holdco, and (b) Rong Chen, who serves as a member of the board of directors of the HK Holdco and as a member of the Board of the Company as of the date of this Agreement.

"Party" means a party to this Agreement.

"Permit" means any approval, authorization, consent, license, permit or certificate of or issued by a Government Authority.

"Person" means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Government Authority or other entity.

"PRC" or "China" means the People's Republic of China, excluding, for purposes of this Agreement, Hong Kong, Macau and Taiwan.

"Purchased Share" means one Ordinary Share of the BVI Holdco, with no par value, held by the Seller, representing 100% of the issued share of the BVI Holdco.

"Purchaser" has the meaning ascribed to it in the Preamble.

"Purchaser Fundamental Warranties" means the representations and warranties set forth in Section 5.1, Section 5.2 and Section 5.3.

"Purchaser Indemnitee" has the meaning ascribed to it in Section 9.2(a).

"Purchaser Material Adverse Effect" means change, circumstance, event or effect that, individually or in the aggregate, is or would be materially adverse to the ability of the Purchaser to consummate the transactions contemplated by this Agreement and to perform its obligations hereunder and under any other Transaction Documents.

"Related Party" means (a) any member, shareholder or equity interest holder who, together with its Affiliates, directly or indirectly holds no less than 5% of the total outstanding share capital of any Group Company, (b) any director or officer of any Group Company, and (c) the Affiliates of the Persons enumerated under (a) and (b), in each case of (a), (b) and (c), excluding any Group Company.

"Related Party Contracts" has the meaning ascribed to it in Section 3.18(a).

"Release" has the meaning ascribed to it in Section 6.9(a).

"Released Claims" has the meaning ascribed to it in Section 6.9(a).

"Released Persons" has the meaning ascribed to it in Section 6.9(a).

"Releasing Persons" has the meaning ascribed to it in Section 6.9(a).

"Representatives" has the meaning ascribed to it in Section 3.16(a).

"Resignation and Release Letters" has the meaning ascribed to it in Section 2.4(h).

"Sanctions Laws" has the meaning ascribed to it in Section 3.16(b).

"Seller" has the meaning ascribed to it in the Preamble.

"Seller Bank Account" means the bank account notified by the Seller to the Purchaser in writing at least five (5) Business Days prior to the Closing Date.

"Seller Fundamental Warranties" means the representations and warranties set forth in Section 4.1, Section 4.2, Section 4.3, Section 4.4 and Section 4.5.

"Seller Indemnification Threshold" has the meaning ascribed to it in Section 9.3(a).

"Straddle Period" means any taxable period that begins on or prior to and ends after the Closing Date.

"Tax" or "Taxes" means (a) in the PRC: (i) any national, provincial, municipal, or local taxes, charges, fees, levies, or other assessments, including, without limitation, all net income (including enterprise income tax and individual income withholding tax), turnover (including value-added tax, business tax, and consumption tax), resource (including urban and township land use tax), special purpose (including land value-added tax, urban maintenance and construction tax, and additional education fees), property (including urban real estate tax and land use fees), documentation (including stamp duty and deed tax), filing, recording, social insurance (including pension, medical, unemployment, and other social insurance withholding), housing funds and tariffs (including import duty and import value-added tax), and other taxes, charges, fees, levies, or other assessments of any kind whatsoever as applicable, (ii) all interest, penalties (administrative, civil or criminal), or additional amounts imposed by any Government Authority in connection with any item described in clause (i) above, and (iii) any form of transferor liability imposed by any Government Authority in connection with any item described in clauses (i) and (ii) above, and (b) in any jurisdiction other than the PRC: all similar liabilities as described in clause (a) above.

"Tax Return" means any return, report or statement required to be filed with respect to any Tax (including any attachments thereto, and any amendment thereof), including any information return, claim for refund, amended return or declaration of estimated Tax, and including, where permitted or required, combined, consolidated or unitary returns for any group of entities that includes any Group Company.

"Third Party Claim" has the meaning ascribed to it in Section 9.2(b)(ii).

"Third Party Consents" has the meaning ascribed to it in Section 6.4.

"Third Party Payments" has the meaning ascribed to it in Section 9.3(e).

"Transaction Documents" means this Agreement and other agreements or documents required to be executed or delivered by any Party in connection with the consummation of the transactions contemplated by this Agreement.

"Transaction Expenses" has the meaning ascribed to it in Section 10.1.

"Transfer" means, with respect to any Equity Securities of any Person, (i) when used as a verb, to sell, assign, dispose of, exchange, pledge, encumber, hypothecate or otherwise transfer such Equity Securities or any participation or interest therein, whether directly or indirectly (including pursuant to a derivative transaction), or to agree or commit to do any of the foregoing, and, (ii) when used as a noun, a direct or indirect sale, assignment, disposition, exchange, pledge, encumbrance, hypothecation or other transfer of such Equity Securities or any participation or interest therein or any agreement or commitment to do any of the foregoing.

"Unaudited Financial Statements" has the meaning ascribed to it in Section 3.7(a).

"Warrantors" means, collectively, the Company and the Seller.

Section 1.2 Interpretation and Rules of Construction.

(a) Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply:

(i) the provision of a Table of Contents, the division of this Agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in construing or interpreting this Agreement;

(ii) any reference in this Agreement to an Article, Section, Exhibit, such reference is to an Article or Section of, or an Exhibit to, this Agreement, unless otherwise indicated. All Exhibits hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein;

(iii) any reference in this Agreement to gender shall include all genders, and words imparting the singular number only shall include the plural and *vice versa*;

(iv) the word "including" or any variation thereof means (unless the context of its usage otherwise requires) "including, without limitation" and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it;

(v) words such as "herein," "hereinafter," "hereof" and "hereunder" refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires;

(vi) when calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded;

(vii) the term "non-assessable," when used with respect to any Shares, means that no further sums are required to be paid by the holders thereof in connection with the issue thereof; and

(viii) except as otherwise provided herein, any reference in this Agreement to $ or US$ means U.S. dollars, the lawful currency of the United States.

(b) In the event an ambiguity or question of intent or interpretation arises, no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement.

ARTICLE II
SALE AND PURCHASE

Section 2.1 Sale and Purchase of Shares. On the terms and subject to the conditions set forth in this Agreement, at the Closing, the Seller shall sell to the Purchaser, and the Purchaser shall purchase from the Seller, the Purchased Share, at the Aggregate Purchase Price, free and clear of all Liens.

Section 2.2 Purchase Price. The aggregate purchase price for all Purchased Share (the "Aggregate Purchase Price") shall be HK$933,000,000 in cash.

Section 2.3 Closing Date. Subject to the terms and conditions of this Agreement, the sale and purchase of all Purchased Share as contemplated by this Agreement (the "Closing") shall take place via the remote exchange of electronic documents and signatures on a date that is no later than the fifth (5th) Business Day after the satisfaction or valid waiver of each of the conditions set forth in Article VII (other than conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions at such time) (the date on which the Closing occurs, the "Closing Date"), unless another time, date or place is agreed to in writing by the Purchaser and the Seller. All transactions occurring at the Closing shall be deemed to be taken and all documents to be executed and delivered by all parties at the Closing shall be deemed to have been taken and executed concurrently, and no proceedings shall be deemed taken nor any document executed or delivered until all have been taken, executed and delivered.

Section 2.4 Closing Deliveries by the Seller and the Company. At the Closing, the Seller shall deliver or cause to be delivered to the Purchaser, and the Company shall deliver and the Seller shall cause the Company to deliver to the Purchaser:

(a) an instrument of transfer and sold note in the form of Exhibit A hereto with respect to the Purchased Share, duly executed by the Seller;

(b) a copy of the resolutions or other internal authorizations duly and validly adopted by the board of directors and the shareholders of the Seller and certified by a duly authorized signatory of the Seller, evidencing its authorization of the execution and delivery of this Agreement and other Transaction Documents and the consummation of the transactions contemplated hereby and thereby;

(c) a copy of the register of members of the BVI Holdco, dated the Closing Date and duly certified by the registered agent of the BVI Holdco, evidencing the ownership by the Purchaser of all of the Purchased Share free and clear of all Liens;

(d) the original share certificate(s) representing the Purchased Share (such share certificate(s) to be voided by the BVI Holdco) or, if such original share certificate(s) could not be returned to the BVI Holdco at the Closing, an indemnity letter for lost share certificate in form and substance acceptable to the registered agent of the BVI Holdco and the Purchaser in respect of the Purchased Share;

(e) a copy of share certificate in the name of the Purchaser, dated the Closing Date and duly executed by the director of the BVI Holdco, evidencing the ownership by the Purchaser of all of the Purchased Share free and clear of all Liens, with the original of such share certificate to be delivered to the Purchaser within twenty Business Days after the Closing Date;

(f) a copy of the register of directors of the BVI Holdco, dated the Closing Date and duly certified by the registered office provider of the BVI Holdco, evidencing the sole director of the BVI Holdco to be consistent with the Agreed Board Composition;

(g) only if the applicable Director Change Approval has been obtain before the Closing Date, a copy of the register of directors of the HK Holdco, dated the Closing Date and duly certified by the registered office provider of the HK Holdco, evidencing the composition of the board of directors of the HK Holdco to be consistent with the Agreed Board Composition;

(h) only if the applicable Director Change Approval has been obtain before the Closing Date, a copy of the register of directors of the Company, dated the Closing Date and duly certified by the registered office provider of the Company, evidencing the composition of the Board to be consistent with the Agreed Board Composition;

(i) duly executed resignation and release letters, dated the Closing Date and in the form of Exhibit B hereto, of each of the Outgoing Directors evidencing their resignation as members of the board of directors of the BVI Holdco, the HK Holdco or the Company, as applicable, which shall become effective immediately upon the Closing;

(j) a copy of the resolutions duly and validly adopted by the sole director or the board of directors of the BVI Holdco, the HK Holdco and the Company, as the case may be, prior to the Closing Date, evidencing the authorization by the sole director or the board of directors of the BVI Holdco, the HK Holdco and the Company, as the case may be, of the execution and delivery of this Agreement and other Transaction Documents to which the relevant Group Company is a party and the consummation of the transactions contemplated hereby and thereby, including (i) the acknowledgement of receipt of the resignation letters from the Outgoing Directors; (ii) the Agreed Board Composition including the appointment of the directors nominated by the Purchaser; and (iii) in terms of the resolutions adopted by the sole director of the BVI Holdco, the transfer of the Purchased Share as contemplated by this Agreement;

(k) a copy of the resolutions duly and validly adopted by the shareholder(s) of each of the BVI Holdco, the HK Holdco and the Company prior to the Closing Date, evidencing the shareholder's authorization of the execution and delivery of this Agreement and other Transaction Documents to which any relevant Group Company is a party and the consummation of the transactions contemplated hereby and thereby, including (i) the acknowledgement of receipt of the resignation letters from the Outgoing Directors; (ii) the Agreed Board Composition including the appointment of the directors of the BVI Holdco, the HK Holdco and the Company as nominated by the Purchaser; and (iii) for the resolutions adopted by the shareholder of the BVI Holdco, the transfer of the Purchased Share as contemplated by this Agreement; and

(l) the closing certificate of the Company and the Seller as contemplated by Section 7.2(h).

Section 2.5 Closing Deliveries by the Purchaser. At the Closing, the Purchaser shall deliver or cause to be delivered to the Seller, against and upon the Purchaser's receipt of all the applicable closing deliverables set forth in this Article II:

(a) an amount equal to the Aggregate Purchase Price, by wire transfer of immediately available funds in Hong Kong dollars to the Seller Bank Account, such payment to be evidenced by an irrevocable instruction of payment (e.g., MT-103);

(b) a copy of the resolutions duly and validly adopted by the board of directors of the Purchaser prior to the Closing Date, evidencing the authorization by the board of directors of the Purchaser of the execution and delivery of this Agreement and other Transaction Documents to which the Purchaser is a party and the consummation of the transactions contemplated hereby and thereby, including the purchase of the Purchased Share as contemplated by this Agreement;

(c) an instrument of transfer and bought note in the form of Exhibit A hereto with respect to the Purchased Share, duly executed by the Purchaser; and

(d) the closing certificate of the Purchaser as contemplated by Section 7.3(e).

ARTICLE III
REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE GROUP COMPANIES

Except for information as set forth in the Disclosure Schedule and as contained in the Due Diligence Materials, the Warrantors jointly and severally represent and warrant to the Purchaser that the statements contained in this Article III are true and correct as of the date hereof and as of the Closing Date (unless any representations and warranties expressly relate to another date, in which case as of such other date).

Section 3.1 Organization; Good Standing. Each Group Company is duly organized, validly existing and in good standing (or equivalent status in the relevant jurisdiction) under, and by virtue of, the Laws of the place of its incorporation or establishment and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now conducted. Each Group Company is duly qualified or authorized to do business as now conducted and is in good standing under the laws of each jurisdiction in which such qualification or authorization is required. True and complete copies of the Existing Articles, which are in full force and effect as of the date hereof and as of immediately prior to the Closing, have been made available to the Purchaser.

Section 3.2 Authorization. Each Group Company has all requisite corporate power and authority to execute and deliver this Agreement and other Transaction Documents to which it is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and other Transaction Documents to which any Group Company is a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate or other similar action on the part of such Group Company. This Agreement has been, and each of other Transaction Documents to which any Group Company is a party will be at or prior to the Closing, duly and validly executed and delivered by such Group Company and, assuming the due authorization, execution and delivery by the other parties hereto and thereto, this Agreement constitutes, and other Transaction Documents to which any Group Company is a party will constitute, legal, valid and binding obligations of such Group Company, enforceable against it in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium or similar Laws affecting creditors' rights generally and by general equity principles (the "Enforceability Limitations").

Section 3.3 Conflicts; Consents of Third Parties.

(a) None of the execution, delivery and performance by any Group Company of this Agreement or other Transaction Documents to which such Group Company is a party, the consummation of the transactions contemplated hereby or thereby, or compliance by such Group Company with any of the provisions hereof or thereof will breach or conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) or loss of a benefit under, or give rise to a right of termination, consent or cancellation or increase in any fee, liability or obligation under, any provision of (i) the Existing Articles or the memorandum and articles of association or comparable organizational documents of any other Group Company, (ii) any Material Contract or Material License, (iii) any Order applicable to any Group Company or by which any of the properties or assets of any Group Company are bound; or (iv) any applicable Law, in each case of (i), (ii), (iii) and (iv), except as would not, individually or in the aggregate, materially and adversely affect the ability of the Group Companies to carry out its obligations hereunder and under the other Transactions Documents to which it is a party and to consummate the transactions contemplated hereby and thereby.

(b) Other than (i) the approval to be obtained from the Hong Kong Monetary Authority for the authorization for change of controllers of the Company, the Director Change Approvals and any other approvals, authorizations or consents as may be requested by the Hong Kong Monetary Authority in connection with the consummation of the transactions contemplated hereby, (ii) the approval from the independent shareholders of the Seller as required under the Hong Kong Listing Rules in connection with this Agreement and other Transaction Documents and the consummation of the transactions contemplated hereby and thereby and (iii) the Third Party Consents, to the Knowledge of the Warrantors, no consent, waiver, approval, Order, Permit or authorization of, or declaration or filing with, or notification to, any Government Authority or any other Person is required by or with respect to the Company in connection with the execution and delivery of this Agreement or other Transaction Documents or the compliance by any Group Company with any of the provisions hereof or thereof, or the consummation of the transactions contemplated hereby or thereby, except where the failure to make or obtain such consent, waiver, approval, Order, Permit or authorization, declaration, filing or notification would not reasonably be expected to have a Material Adverse Effect.

Section 3.4 Capitalization.

(a) The entire issued and outstanding share of the BVI Holdco consists of one Ordinary Share, which is duly authorized, validly issued, fully paid and non-assessable. The Purchased Share constitute 100% of the issued and outstanding share of the BVI Holdco.

(b) A complete and current list of the Group Companies, and for each Group Company, its name, the jurisdiction in which it is incorporated or organized and all shareholders, option holders and other security holders of such Group Company indicating the type and number of shares, options or other securities held by each such shareholder, option holder or other security holder is set forth in Section 3.4(b) of the Disclosure Schedule.

(c) No Company Incentive Plan exists. Except as contemplated by this Agreement, there are no outstanding shares or equity of any Group Company, or any securities convertible into or exercisable or exchangeable for any of the foregoing, or any other options, warrants, rights (including conversion or preemptive rights and rights of first refusal), subscriptions, or other rights, proxy or shareholders agreements or Contracts of any kind, either directly or indirectly, entitling the holder thereof to purchase or otherwise acquire or to compel such Group Company to issue, repurchase or redeem any share or other securities of such Group Company. None of the Group Companies is under any obligation to register any of its currently outstanding securities or any securities issuable upon exercise or conversion of its currently outstanding securities under the Securities Act of 1933, as amended, of the United States, nor is any Group Company obligated to register or qualify any such securities under the securities laws of any state of the United States or to list any of such securities in the Cayman Islands, Hong Kong or any other jurisdiction, and none of the Group Companies is a party or subject to any Contract that affects or relates to the voting or giving of consents with respect to, its currently outstanding securities or any securities issuable upon exercise or conversion of its currently outstanding securities.

Section 3.5 Group Companies.

(a) None of the Group Companies is a participant in any joint venture, partnership or other similar arrangement, or otherwise owns or Controls (directly or indirectly) any share or interest in any Person (other than another Group Company).

(b) All the outstanding share capital or other equity interest of each Group Company is validly issued, fully paid and non-assessable and are owned free and clear of all Liens.

(c) Except as contemplated under the Existing Articles, no Person is entitled to serve or appoint any Person to serve as a director or an observer on the board of any Group Companies.

Section 3.6 Corporate Books and Records. Each Group Company has provided to the Purchaser or its counsel a copy of its minute books. Such copy is true, correct and complete in all material respects, and contains all amendments and all minutes of meetings and actions taken by the applicable Group Company's shareholders and directors in all material respects since the time of incorporation through the date hereof, and reflects all transactions referred to in such minutes accurately in all material respects. All board and shareholder resolutions, charter documents (and any amendments thereto) and any other filings of the Group Companies, if required to be filed under applicable Law, have been duly filed with the relevant Government Authority within the required deadlines.

Section 3.7 Financial Statements.

(a) Copies of (i) the audited balance sheet of the Company for each of the three fiscal years ended December 31, 2020, 2021 and 2022 and the related audited statements of income, cash flows and changes in equity of the Company, the audited consolidated balance sheet of the Group Companies for each of the three fiscal years ended December 31, 2020, 2021 and 2022, and the related audited consolidated statements of income, cash flows and changes in equity of the Group Companies, and the audited consolidated balance sheet of the Group Companies as of June 30, 2023 and the related audited consolidated statements of income, cash flows and changes in equity of the Group Companies for the six-month period ended June 30, 2023, together with all related notes and schedules thereto (collectively the "Audited Financial Statements"), and (ii) the unaudited balance sheet of each of the BVI Holdco and the HK Holdco for each of the three fiscal years ended December 31, 2020, 2021 and 2022 and the related unaudited statements of income, cash flows and changes in equity of each of the BVI Holdco and the HK Holdco, and the unaudited balance sheet of each of the BVI Holdco, the HK Holdco and the Company as of June 30, 2023, and the corresponding unaudited statements of income, cash flows and changes in equity of each of the BVI Holdco, the HK Holdco and the Company, together with all related notes and schedules thereto (the "Unaudited Financial Statements," collectively with the Audited Financial Statements, the "Financial Statements") have been delivered by the Company to the Purchaser. The Financial Statements (i) were prepared in accordance with the books of account and other financial records of the relevant Group Company or the Group Companies in all material respects, and (ii) have been prepared in accordance with the Applicable Accounting Standard applied on a basis consistent with the past practices of the Group Companies, except in the case of the Audited Financial Statements, as set forth in the notes thereto and subject, in the case of the Unaudited Financial Statements, to normal and recurring year-end adjustments and the absence of notes. The Audited Financial Statements give a true and fair view of the state of affairs and balance sheet of the Group Companies or the Company as at the dates thereof and of profits and losses for the financial period to which they relate. The Unaudited Financial Statements show a reasonable representation of the state of affairs and balance sheet of the relevant Group Company at the respective cut-off day, and of the profits and losses of the relevant Group Company for the financial period ended on the respective cut-off day.

(b) All of the accounts receivable owing to any Group Company as set forth on the Financial Statements, constitute valid and enforceable claims and are good and collectible in the ordinary course of business in all material respects, subject to the Enforceability Limitations, and reserves therefor shown on the Financial Statements are adequate and on a basis consistent with the Applicable Accounting Standard.

(c) No Group Company has any Liabilities other than (i) Liabilities reflected or reserved in the Financial Statements, and (ii) Liabilities incurred in the ordinary course of business after the Balance Sheet Date; (iii) Liabilities of a type or nature not required under the Applicable Account Standard to be reflected in the financial statements of the Company (iv) in relation to future performance under existing Contracts to which any Group Company is a party or otherwise bound or (v) that are not, individually or in the aggregate, material to the Group Companies, taken as a whole.

Section 3.8 Sufficiency; Relevant Business. The Group Companies are carrying out the Business in the ordinary course of business, except to the extent the Group Companies perform any of its obligations under this Agreement. The Business is a going concern. The businesses and assets that are held by the Group Companies and will remain held by the Group Companies upon the Closing constitute all of the assets, businesses, rights, Permits, Intellectual Property, data and Contracts necessary and sufficient to conduct the Business in the same manner in all material respects as conducted as of the date hereof.

Section 3.9 Absence of Certain Changes. Except as specifically contemplated by the Transaction Documents or as agreed upon by the Purchaser with the prior written consent, since the Balance Sheet Date, each Group Company has operated its businesses and assets in the ordinary course of business in all material respects. Without limitation to the generality of the foregoing, no Group Company has, since the Balance Sheet Date:

(a) incurred any single transaction or any series of transactions that involved any payment (or a series of payments), contingent or otherwise, in excess of HK$3,000,000 (or the equivalent thereof in another currency) in cash, property or services, except for any transactions incurred in the ordinary course of business of the Group Companies;

(b) incurred any equity investment or debt offering; or

(c) agreed, whether in writing or otherwise, to take any of the actions specified in this Section 3.9 or granted any options to purchase, rights of first refusal, rights of first offer or any other similar rights or commitments with respect to any of the actions specified in this Section 3.9, except as expressly contemplated by this Agreement and other Transaction Documents.

Section 3.10 Legal Proceedings. Except as disclosed in Section 3.10 of the Disclosure Schedule, to the Knowledge of the Warrantors, there is no Legal Proceeding against any Group Company, or against any officer or director of any Group Company in connection with their relationship with the Group Companies, pending or, to the Knowledge of the Warrantors, threatened in writing, including but not limited to any Legal Proceeding that questions the validity of the Transaction Documents, the right of the Company to enter into any Transaction Document to which it is a party, the rights and obligations of the Company to consummate the transactions contemplated by any Transaction Document to which it is a party, that, if determined adversely to the relevant Group Company or director of such Group Company, would have a Material Adverse Effect. To the Knowledge of the Warrantors, there is no Order in effect against any Group Company that would or would reasonably be expected to restrict the Company from performing its obligations under any Transaction Document or consummating the transactions contemplated under any Transaction Document. To the Knowledge of the Warrantors, there is no Legal Proceedings initiated by any Group Company pending, or which any of them intends to initiate, which if determined adversely to the relevant Group Company, would have a Material Adverse Effect.

Section 3.11 Title to Properties; Liens and Encumbrances. Each Group Company solely owns or leases all material properties and assets necessary to conduct the Business, and none of such leased material properties or assets are owned by any other Related Party, except as disclosed in Section 3.11 of the Disclosure Schedule. Each Group Company has good and marketable title to all its material properties and assets, both real and personal, including without limitation all properties and assets set forth on the Financial Statements, and has good title to all its leasehold interests, in each case not being subject to any Liens. With respect to material leased properties and assets, each Group Company is in compliance with all applicable leases in all material respects. All material properties and assets of each Group Company are in a good state of repair and in good working condition other than any normal wear and tear. None of the representations and warranties contained in this Section 3.11 shall be deemed to relate to any Intellectual Property or interest in any Intellectual Property (such matters being the subject of Section 3.12).

Section 3.12 Intellectual Property.

(a) Each Group Company owns, has the sufficient rights (including but not limited to the rights of development, maintenance, licensing and sale) to, or otherwise has the licenses to use all material Intellectual Property necessary to conduct the Business without any material conflict with or infringement of the rights of any other Person. To the Knowledge of the Warrantors, no claims have been asserted against any Group Company and remain unresolved, nor is any Group Company aware of any threatened claim or demand in writing, by any other Person (i) challenging or questioning such Group Company's validity, enforceability, ownership, right to, or use of any material Intellectual Property owned or used by any Group Company, or in which any Group Company possess legal rights, or the validity or effectiveness of any license or similar agreement with respect thereto, (ii) alleging any material interference, infringement, misappropriation or other violation of the Intellectual Property rights of other Persons, or (iii) alleging any unfair competition or trade practices. To the Knowledge of the Warrantors, no Group Company has received any written communication alleging that such Group Company has violated or, by conducting its business as proposed, would violate any intellectual property rights of other Persons.

(b) Section 3.12(b) of the Disclosure Schedule sets forth a complete list of all material registered Intellectual Property of each Group Company. All of such material registered Intellectual Property are owned by, registered or applied for solely in the name of the Group Companies.

(c) Each Group Company has taken reasonable steps and measures to establish and preserve ownership of, or legally sufficient right to, all Intellectual Property material to the Business; and each Group Company has taken reasonable steps to register, protect, maintain, and safeguard the Intellectual Property material to the Business, including any Intellectual Property for which improper or unauthorized disclosure would impair its value or validity, and had executed appropriate nondisclosure and confidentiality agreements and made all appropriate filings, registrations and payments of fees in connection with the foregoing, except where the failure to do so would not be reasonably expected to have a Material Adverse Effect. To the Knowledge of the Warrantors, there is no infringement, misappropriation or other violation by any other Person of any material Intellectual Property of any Group Company.

(d) Each Group Company owns all rights in and to any and all material Intellectual Property used or planned to be used by such Group Company, or covering or embodied in any past, current or planned material activity, service or product of such Group Company, which Intellectual Property was made, developed, conceived, created or written by any consultant retained, or any employee employed, at any time on or prior to the date of this Agreement, by such Group Company. No former or current employee, and no former or current consultant, of any Group Company has any material rights in any of the Group Companies' Intellectual Property. Each current and former employee employed, or current and former consultant engaged, by any Group Company as of the Closing has executed a confidential information, invention assignment, non-compete and non-solicitation agreement in a form which has been provided to the Purchaser, and to the Knowledge of the Warrantors, none of the employees, or consultants, currently or formerly employed or otherwise engaged by any Group Company, is in material violation thereof. Each consultant of any Group Company has executed a consultant contract in substantially the form provided to the Purchaser. To the Knowledge of the Warrantors, no Group Company is using or plans to use, nor any Group Company believes it is or will be necessary to utilize, any inventions of any of its employees (or Persons it currently intends to hire) made prior to or outside the scope of their employment by any Group Company.

(e) No Intellectual Property owned by any Group Company, or in which any Group Company possesses legal rights, and material to the operation of the Business is the subject of any security interest, lien, license or other Contract granting rights therein to any other Person. No Group Company has (i) transferred or assigned, (ii) granted a license to, or (iii) provided or licensed in source code form, any Intellectual Property material to the Business and owned by any Group Company, or in which any Group Company possesses legal rights, to any Person.

Section 3.13 Taxes.

(a) Each Group Company has duly and timely filed all material Tax Returns as required by Law to have been filed by it and all such material Tax Returns are true, correct, and complete in all respects. Each Group Company has paid in full all Taxes required to be paid by it and no Tax Liens (other than for current Taxes not yet due or payable) are currently in effect against any of the material assets of any Group Company. The provisions for Taxes in the Financial Statements accurately reflect all unpaid Taxes of each Group Company, whether or not assessed or disputed as of the date of the applicable Financial Statements in all material respects.

(b) To the Knowledge of the Warrantors, no examination or audit of any Tax Returns of any Group Company by any Government Authority is currently in progress or has been threatened in writing. To the Knowledge of the Warrantors, no assessment of Tax has been proposed in writing against any Group Company or any of their assets or properties. To the Knowledge of the Warrantors, none of the Group Companies is subject to any waivers or extensions of applicable statutes of limitations with respect to Taxes for any year. Since the Balance Sheet Date, none of the Group Companies has incurred any Taxes other than in the ordinary course of business or where the incurrence of such Taxes would not be reasonably expected to have a Material Adverse Effect. To the Knowledge of the Warrantors, none of the Group Companies has received any written claim from a Government Authority in a jurisdiction where a Group Company does not file Tax Returns that such Group Company is or may be subject to taxation by that jurisdiction. To the Knowledge of the Warrantors, none of the Group Companies is treated as a resident for Tax purposes of, or is otherwise subject to income Tax in, a jurisdiction other than the jurisdiction in which it has been established, except where such treatment would not be reasonably expected to have a Material Adverse Effect.

(c) Each Group Company has withheld and paid all Taxes required to have been withheld and paid in connection with any amounts due, owing to or paid to any Person in all material respects.

(d) Each Group Company is in compliance in all material respects with all terms, conditions and formalities necessary for the continuance of any Tax exemption, Tax holiday, Tax credit, Tax incentive, Tax refund or other Tax reduction agreement or order available under any applicable Tax Law. Each such Tax exemption, Tax holiday, Tax credit, Tax incentive, Tax refund or other Tax reduction agreement or order enjoyed by any Group Company has been made or granted, in compliance with all applicable Laws in all material respects and is expected to remain in full effect in all material respects throughout the current effective period thereof after the Closing Date and no Group Company has received any notice to the contrary. Each Group Company is in compliance with transfer pricing requirements in all material respects in all jurisdictions in which they are required to comply with applicable transfer pricing regulations, and all the material transactions between any Group Company and other related Persons (including any Group Company) have been effected on an arm's length basis. All exemptions, reductions and rebates of Taxes which are material to the Business and granted to any Group Company by a Government Authority are in full force and effect and have not been terminated. To the Knowledge of the Warrantors, none of the Group Companies is responsible for Taxes of any other Person by reason of contract, successor liability, operation of Law or otherwise.

(e) No Group Company will be required to include material amounts in income, or exclude material items of deduction, or qualification for Tax exemption, Tax holiday, Tax credit, Tax incentive or Tax refund, in a taxable period beginning after the Closing Date as a result of a change in method of accounting occurring prior to the Closing Date. The transactions contemplated under this Agreement and other Transaction Documents to which a Group Company is a party are not in material violation of any applicable Law regarding Tax, and will not result in any Tax exemption, Tax holiday, Tax credit, Tax incentive, Tax refund being revoked, cancelled or terminated or trigger any Tax liability for the Group Companies.

Section 3.14 Material Contracts.

(a) Section 3.14(a) of the Disclosure Schedule contains a true and complete list of all Material Contracts.

(b) As of the date hereof and subject to the Enforceability Limitations, each Material Contract is a valid and binding agreement of the Group Company that is a party thereto, the performance of which does not and will not violate any applicable Law or Order in any material respect, and is in full force and effect and enforceable in accordance with its terms. Such Group Company has duly performed all of its material obligations under each Material Contract to the extent that such obligations to perform have accrued, and to the Knowledge of the Warrantors, no breach or default, alleged breach or default, or event which would (with the passage of time, notice or both) constitute a material breach or default thereunder by such Group Company or any other party or obligor with respect thereto, has occurred, or as a result of the execution, delivery, and performance of the Transaction Documents will occur. To the Knowledge of the Warrantors, no Group Company has given written notice that any other party thereto has breached, violated or defaulted under any Material Contract. No Group Company has received any notice (whether written or not) that it has breached, violated or defaulted under any Material Contract or that any other party thereto intends to terminate such Material Contract as a result of any breach, violation or default thereunder by such Group Company.

Section 3.15 Compliance with Laws.

(a) To the Knowledge of the Warrantors, each Group Company is, and at all times has been, in compliance in all material respects with all Laws and Orders that are applicable to it or to the conduct or operation of the Business or the ownership or use of any of its properties, assets and Intellectual Property.

(b) To the Knowledge of the Warrantors, no event has occurred or circumstances exist that (with or without notice or lapse of time) may (i) constitute or result in a violation by any Group Company of, or a failure on the part of such Group Company to comply with, any Law or Order in any material respect or (ii) give rise to any obligation on the part of any Group Company to undertake, or to bear all or any portion of the cost of, any material remedial action of any nature.

(c) None of the Group Companies has received any notice or other written communication from any Government Authority regarding (i) any actual, alleged, possible, or potential violation of, or failure to comply with, any Law or Order in any material respect or (ii) any actual, alleged, possible, or potential obligation on the part of such Group Company to undertake, or to bear all or any portion of the cost of, any material remedial action of any nature.

(d) None of the Group Companies is in violation of its business license, memorandum of association or articles of association, as appropriate, or equivalent constitutive documents as in effect in any material respect.

(e) Except as disclosed in Section 3.15 of the Disclosure Schedule, the execution, delivery, and performance of the Transaction Documents by any Group Companies do not and will not (i) accelerate the maturity of any such Indebtedness or to increase the rate of interest presently in effect with respect to such Indebtedness; (ii) cause any Group Company to be in default of its obligations under any Contract evidencing; or (iii) result in the creation of any encumbrance upon any of the properties or assets of any Group Company, except where the failure to do so would not be reasonably expected to have a Material Adverse Effect.

(f) The Group Companies have obtained all approvals and authorizations (including any and all amendments to such approvals and authorizations) from the relevant Government Authorities and have fulfilled any and all filings and registration requirements (including any and all amendment requirements) with the relevant Government Authorities required for the operations of the Group Companies, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect. All filings and registrations with the relevant Government Authorities required in respect of the Group Companies have been duly completed in accordance with the relevant Laws, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect. No Group Company has received any letter or notice from any relevant Government Authority notifying it of the revocation of any material authorization of any Government Authority, material permit or license issued to it for non-compliance or the need for compliance or remedial actions in respect of the activities carried out directly or indirectly by any Group Company. Each Group Company has been conducting its business activities within the permitted scope of business and is operating its businesses in compliance with all relevant Laws and Orders in all material respects. None of the Group Companies has reason to believe that any material authorization of any Government Authority, material license or permit requisite for the conduct of any part of its business which is subject to periodic renewal will not be granted or renewed by the relevant Government Authorities.

Section 3.16 Anti-bribery, Anti-corruption, Anti-money Laundering and Sanctions.

(a) Each of the Group Companies, the Seller and, to the Knowledge of the Warrantors, their respective directors, officers and employees, independent contractors, representatives, agents and other Persons acting on their behalf (collectively, the "Representatives"), is and has been in compliance with all applicable Laws relating to anti-bribery, anti-corruption, anti-corruption-related record keeping and internal control Laws (collectively, the "Anti-Bribery Laws"). Without limiting the foregoing, none of the Group Companies and, to the Knowledge of the Warrantors, their Representatives has: directly or indirectly, offered, authorized, promised, condoned, participated in, consummated, or received notice of any allegation or request for information of (i) the making of any gift or payment of anything of value to any public official by any Person to obtain any improper advantage, affect or influence any act or decision of any such public official, or assist any Group Company in obtaining or retaining business for, or with, or directing business to, any Person; (ii) the taking of any action by any Person which (A) would violate the United States Foreign Corrupt Practices Act of 1977, as amended ("FCPA"), if taken by an entity subject to the FCPA, (B) would violate the U.K. Bribery Act 2010, if taken by an entity subject to the U.K. Bribery Act 2010, or (C) could constitute a violation of any applicable Anti-Bribery Laws; (iii) the making of any false or fictitious entries in the books or records of any Group Company; or (iv) the using of any assets of any Group Company for the establishment of any unlawful or unrecorded fund of monies or other assets, or the making of any unlawful or undisclosed payment. The Group Companies have established or is subject to adequate internal controls and procedures intended to ensure compliance with the Anti-Bribery Laws.

(b) None of the Group Companies, the Seller and, to the Knowledge of the Warrantors, their respective Representatives is owned or Controlled by a Person that is targeted by or the subject of any sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury, or by the U.S. Department of State, or any sanctions imposed by the European Union (including under Council Regulation (EC) No. 194/2008), the United Nations Security Council, His Majesty's Treasury or any other relevant Governmental Authority or has engaged in any activities that would be in violation of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, as amended or the Iran Sanctions Act, as amended, or sanctions and measures imposed by the United Nations or any other relevant Governmental Authority (collectively, the "Sanctions Laws"). None of the Group Companies, the Seller and, to the Knowledge of the Warrantors, any of their respective Representatives, has been investigated or is being investigated or is subject to a pending or threatened investigation in relation to any Sanctions Laws by any law enforcement, regulatory or other Governmental Authority or any customer or supplier, or has admitted to, or been found by a court in any jurisdiction to have engaged in any violation of any applicable Sanctions Laws or been debarred from bidding for any contract or business relating to Sanctions Laws, and there are no circumstances which are likely to give rise to any such investigation, admission, finding or disbarment.

(c) The operations of the Group Companies are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements, including those of the applicable anti-money laundering statutes of all jurisdictions where the Group Companies conduct business, the rule and regulations thereunder and any related or similar applicable rules, regulations or guidelines, issued, administered or enforced by the relevant Governmental Authorities (including, to the extent applicable, the United State Currency and Foreign Transactions Reporting Act of 1970) (collectively, the "Anti-Money Laundering Laws"). The Group Companies have instituted, maintained and enforced adequate policies and procedures to ensure compliance with Anti-Money Laundering Laws to the extent required by applicable Law. None of the Group Companies has been penalized for or threatened to be charged with, or given notice of any violation of, or under investigation with respect to, any Anti-Money Laundering Laws, and no Action by or before any court, Governmental Authority or any arbitrator involving any alleged violation of applicable Anti-Money Laundering Laws by any Group Company is pending or threatened.

Section 3.17 Employee Matters. To the Knowledge of the Warrantors, no employee of any Group Company is in violation of any Law or Order, or any provision of any Contract relating to such employee's relationship with the Group Company or any prior employer which would have a Material Adverse Effect. Except as required by applicable Law, none of the Group Companies has any Benefit Plan. For purposes hereof, "Benefit Plan" means any plan, Contract or other arrangement, formal or informal, whether oral or written, providing any benefit to any present or former officer, director or employee, or dependent or beneficiary thereof, including any employment agreement or profit sharing, deferred compensation, share option, performance share, employee share purchase, severance, retirement, health or insurance plan. To the Knowledge of the Warrantors, no officer or key and senior employee intends to terminate their employment with the Group Company as a result of the execution of this Agreement and the consummation of the transactions contemplated hereby, and none of the Group Companies has a present intention to terminate the employment of any of the foregoing. To the Knowledge of the Warrantors, there is no labor strike, labor slow down, labor claim, labor dispute or labor union organization activities pending or threatened in writing between any Group Company and its employees. Each Group Company has (a) complied with all applicable Laws related to employment and related to the Benefit Plans, and the terms and conditions of employment in all material respects, in each case, with respect to its employees; (b) has paid all wages, benefits and other required payments in the ordinary course of business; (c) is not liable for any arrears of wages or any Taxes or any penalty for failure to comply with any of the foregoing; and (d) other than as required by applicable Law, is not liable for any payment to any trust or other fund governed by or maintained by or on behalf of any Government Authority, with respect to unemployment compensation benefits, social security or other benefits or obligations for employees, in each case, in all material respects. No complaint or grievance relating to the labor practices of any of the Group Companies is pending or, to the Knowledge of the Warrantors, threatened in writing against any of the Group Companies, and no charges are pending or, to the Knowledge of the Warrantors, threatened in writing before any Government Authority responsible for the prevention of unlawful employment practices with respect to any of the Group Companies.

Section 3.18 Transactions with Related Parties.

(a) All Contracts (other than (i) the Transaction Documents, (ii) the employment agreements, (iii) the confidential information, invention assignment, non-compete and non-solicitation agreements and (iv) Contracts entered into in the ordinary course of business of the Group Companies) to or by which any Group Company, on the one hand, and any Related Party, on the other hand, are or have been a party or otherwise bound or affected (the "Related Party Contracts") are set forth on Section 3.18(a) of the Disclosure Schedule. Each Related Party Contract was made on an arm's-length basis.

(b) No Related Party has any direct or indirect ownership in any Person with which any Group Company has a business relationship, or any Person that competes with or would reasonably be expected to compete with any Group Company, except for ownership of less than five percent (5%) of any class or other equity of publicly traded companies. Except for transactions in the ordinary course of the business of a Group Company on terms and conditions as favorable to the Group Companies as would have been obtainable by them at the time in a comparable arm's-length transaction with an unrelated party, no Related Party has any Contract, understanding, business relationship with, proposed transaction with, or is indebted to, any Group Company, nor is any Group Company indebted (or committed to make loans or extend or guarantee credit) to any of them (other than for accrued salaries, reimbursable expenses or other standard employee benefits). No Related Party has had, either directly or indirectly, a material interest in (a) any Person which purchases from or sells, licenses or furnishes to a Group Company any goods, property, intellectual or other property rights or services, or (b) any Contract to which a Group Company is a party or by which it may be bound or affected.

Section 3.19 Material Licenses. Each Group Company has all the Material Licenses for the conduct of the Business as now being conducted, and the Group Companies are able to maintain without hardship all the Material Licenses for the conduct of Business as currently proposed to be conducted. Section 3.19 of the Disclosure Schedule contains a complete and correct list of all Material Licenses held by each Group Company and the termination date of each such Material License. The Material Licenses currently held by the Group Companies as of the date hereof are, and will remain, in full force and effect on or prior to the Closing Date. No other Material License is necessary for, or otherwise material to, the conduct of the Business by the Group Companies. The consummation of the transactions contemplated under the Transaction Documents will not result in the termination or revocation of any of the Material Licenses. None of the Group Companies is in default under any of its Material Licenses and has not received any notice (whether written or not) relating to the suspension, revocation or modification of any such Material Licenses.

Section 3.20 Entire Business. No facilities, services, assets or properties used in connection with the Business of the Group Companies are shared with any other Person.

Section 3.21 Office or Branch Locations. Except as disclosed in Section 3.21 of the Disclosure Schedule, the Group Companies do not maintain any office or branch.

Section 3.22 Full Disclosure. Neither this Agreement nor any Exhibit or Schedule hereto contains any untrue statement of any material fact or omits to state any material fact necessary in order to make the statements contained herein or therein, in light of the circumstances in which they were made, not misleading.

Section 3.23 Brokers. No broker, finder or investment banker is entitled to receive from any Group Company any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of any Group Company.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller represents and warrants to the Purchaser that the statements contained in this Article IV are true and correct as of the date hereof and as of the Closing Date (unless any representations and warranties expressly relate to another date, in which case as of such other date).

Section 4.1 Organization and Good Standing. The Seller is duly incorporated, validly existing and in good standing under the laws of the Cayman Islands, and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now conducted.

Section 4.2 Authorization. Subject to the approval from the independent shareholders of the Seller as required under the Hong Kong Listing Rules in connection with this Agreement and other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, the Seller has all requisite power and authority to execute and deliver this Agreement and other Transaction Documents to which the Seller is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and other Transaction Documents to which the Seller is a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of the Seller, other than the approval from the independent shareholders of the Seller as required under the Hong Kong Listing Rules in connection with this Agreement and other Transaction Documents and the consummation of the transactions contemplated hereby and thereby. This Agreement has been, and each of other Transaction Documents to which the Seller is a party will be at or prior to the Closing, duly and validly executed and delivered by the Seller and (assuming the due authorization, execution and delivery by the other parties hereto and thereto) this Agreement constitutes, and other Transaction Documents to which the Seller is a party will constitute, the legal, valid and binding obligations of the Seller, enforceable against it in accordance with their respective terms, subject to the Enforceability Limitations.

Section 4.3 Conflicts; Consents of Third Parties.

(a) None of the execution, delivery and performance by the Seller of this Agreement or other Transaction Documents to which the Seller is a party, the consummation of the transactions contemplated hereby or thereby, or compliance by the Seller with any of the provisions hereof or thereof will breach or conflict with, or result in any violation of or default under (with or without notice or lapse of time, or both), any provision of (i) the memorandum and articles of association of the Seller or (ii) any Law or Order applicable to the Seller, in each case of (i) and (ii), except as would not, individually or in the aggregate, materially and adversely affect the ability of the Seller to carry out its obligations hereunder and under the other Transactions Documents to which it is a party and to consummate the transactions contemplated hereby and thereby.

(b) Other than (i) the approval to be obtained from the Hong Kong Monetary Authority for the authorization for change of controllers of the Company, the Director Change Approvals and any other approvals, authorizations or consents as may be requested by the Hong Kong Monetary Authority in connection with the consummation of the transactions contemplated hereby, (ii) approval from the independent shareholders of the Seller as required under the Hong Kong Listing Rules in connection with the consummation of the transactions contemplated hereby and (iii) the Third Party Consents, no consent, waiver, approval, Order, Permit or authorization of, or declaration or filing with, or notification to, any Government Authority or any other Person is required by or with respect to the Seller in connection with the execution and delivery of this Agreement or other Transaction Documents or the compliance by the Seller with any of the provisions hereof or thereof, or the consummation of the transactions contemplated hereby or thereby, except where the failure to make or obtain such consent, waiver, approval, Order, Permit or authorization, declaration, filing or notification would not reasonably be expected to have a Material Adverse Effect.

Section 4.4 Title to Purchased Share. The Seller is the sole record and beneficial owner of and has good and valid title to the Purchased Share, free and clear of all Liens. The Seller has the full corporate power to sell, transfer, assign and deliver its Purchased Share as provided in this Agreement and, upon transfer and delivery of the Purchased Share to the Purchaser and payment therefor in accordance with this Agreement and entry of the name of the Purchaser as the holder of the Purchased Share in the register of members of the BVI Holdco, such transfer and delivery will convey to the Purchaser good, valid and marketable title to the Purchased Share, free and clear of all Liens. The Purchased Share is duly authorized, validly issued, fully paid and non-assessable. Except for this Agreement , the Purchased Share is not subject to any option, warrant, purchase right or other contract or commitment that would require the Seller to sell, transfer or otherwise dispose of any of the Purchased Share.

Section 4.5 Cancellation of Indebtedness. As of the Closing Date, any and all Liens granted by any Group Company in favor of the Seller shall be unconditionally and irrevocably released and discharged, such that no issued and outstanding shares of the Company nor any assets of any Group Company will be subject to or burdened by any Lien in favor of the Seller or any Affiliate of the Seller.

Section 4.6 Legal Proceedings. To the Knowledge of the Seller, there is no Legal Proceeding against the Seller, or against any employee, officer or director or Affiliate of the Seller in connection with its relationship with the Group Companies, pending or threatened in writing, including but not limited to any Legal Proceeding that questions the validity of the Transaction Documents to which it is a party, the right of the Seller to enter into any Transaction Document, the rights and obligations of the Seller to consummate the transactions contemplated by any Transaction Document to which it is a party, that, if determined adversely to the Seller or director of the Seller, would have a Material Adverse Effect.

Section 4.7 Brokers. No broker, finder or investment banker is entitled to receive from any Group Company any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of the Seller.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF PURCHASER

The Purchaser represents and warrants to the Seller that the statements contained in this Article V are true and correct as of the date hereof and as of the Closing Date (unless any representations and warranties expressly relate to another date, in which case as of such other date):

Section 5.1 Organization and Good Standing. The Purchaser is duly incorporated, validly existing and in good standing under the laws of the Cayman Islands, and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now conducted.

Section 5.2 Authorization. The Purchaser has all requisite corporate power and authority to execute and deliver this Agreement and other Transaction Documents to which the Purchaser is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and other Transaction Documents to which the Purchaser is a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate or other similar action on the part of the Purchaser. This Agreement has been, and each of other Transaction Documents to which the Purchaser is a party will be at or prior to the Closing, duly and validly executed and delivered by the Purchaser and (assuming the due authorization, execution and delivery by the other parties hereto and thereto) this Agreement constitutes, and other Transaction Documents to which the Purchaser is a party will constitute, the legal, valid and binding obligations of the Purchaser, enforceable against it in accordance with their respective terms, subject to the Enforceability Limitations.

Section 5.3 Conflicts.

(a) None of the execution, delivery and performance by the Purchaser of this Agreement or other Transaction Documents to which the Purchaser is a party, the consummation of the transactions contemplated hereby or thereby, or compliance by the Purchaser with any of the provisions hereof or thereof will breach or conflict with, or result in any violation of or default under (with or without notice or lapse of time, or both), any provision of (i) the memorandum and articles of association of the Purchaser; or (ii) any Order or Law applicable to the Purchaser, in each case of (i) and (ii), except as would not, individually or in the aggregate, materially and adversely affect the ability of the Purchaser to carry out its obligations hereunder and under the other Transactions Documents to which it is a party and to consummate the transactions contemplated hereby and thereby.

(b) Other than the approval to be obtained from the Hong Kong Monetary Authority for the authorization for change of controllers of the Company, the Director Change Approvals and any other approvals, authorizations or consents as may be requested by the Hong Kong Monetary Authority in connection with the consummation of the transactions contemplated hereby, no consent, waiver, approval, Order, Permit or authorization of, or declaration or filing with, or notification to, any Government Authority or any other Person is required by or with respect to the Purchaser in connection with the execution and delivery of this Agreement or other Transaction Documents or the compliance by the Purchaser with any of the provisions hereof or thereof, or the consummation of the transactions contemplated hereby or thereby, except where the failure to make or obtain such consent, waiver, approval, Order, Permit or authorization, declaration, filing or notification would not reasonably be expected to have a Purchaser Material Adverse Effect.

Section 5.4 Sufficiency of Funds; Solvency.

(a) The Purchaser currently has and will have on the Closing Date sufficient funds available to consummate the transactions contemplated hereby, including to pay the Aggregate Purchase Price and its Transaction Expenses.

(b) Immediately after giving effect to the transactions contemplated hereby, the Purchaser shall be solvent and shall have adequate capital to carry on its businesses.

Section 5.5 Legal Proceedings. To the Knowledge of the Purchaser, there is no Legal Proceeding against the Purchaser, or against any employee, officer or director or Affiliate of the Purchaser in connection with its relationship with the Group Companies, pending or threatened in writing, that questions the validity of the Transaction Documents to which it is a party, the right of the Purchaser to enter into any Transaction Document, the rights and obligations of the Purchaser to consummate the transactions contemplated by any Transaction Document to which it is a party, that, if determined adversely to the Purchaser, would have a Purchaser Material Adverse Effect.

Section 5.6 Brokers. No broker, finder or investment banker is entitled to receive from any Group Company any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of the Purchaser.

ARTICLE VI
COVENANTS

Section 6.1 Access to Information. Following the date hereof until the Closing, subject to compliance with all applicable Laws, the Purchaser shall be entitled to make such commercially reasonable investigation of the properties, assets, businesses and operations of the Group Companies and such examination of the books and records of the Group Companies as it may request from time to time and to make extracts and copies of such books and records. The Warrantors shall cause the Group Companies and each of the Group Companies' respective officers, directors, employees, consultants, agents, accountants, attorneys and other representatives to use commercially reasonable efforts to: (a) afford the officers, employees, agents, accountants, attorneys and other representatives of the Purchaser access, during regular business hours, to the offices, properties, facilities, books and records of each Group Company, and (b) furnish to the officers, employees, agents, accountants, attorneys and other representatives of the Purchaser such additional financial and operating data and other information regarding the assets, properties, liabilities and goodwill of each Group Company as the Purchaser may from time to time request. All access and investigation pursuant to this Section 6.1 shall be (a) conducted during normal business hours upon reasonable advance notice to Seller and the Company, and (b) conducted in such a manner as not to interfere with the normal operations of the Seller or the Group Companies. Notwithstanding anything to the contrary contained herein, between the date hereof and the time of the Closing, neither Seller nor any Group Company shall be required to provide access or disclose information where such access or disclosure would, in Seller's reasonable judgment, (a) jeopardize the attorney-client privilege or other immunity or protection from disclosure of Seller or any Group Company, or (b) conflict with any Law or Order applicable to Seller or any Group Company or other obligation of confidentiality; provided, however, that, in such instances, the Seller shall inform the Purchaser of the general nature of the information being withheld and, upon the Purchaser's request and at the Purchaser's sole cost and expense, reasonably cooperate with the Purchaser to provide such information, in whole or in part, in a manner that would not result in any of the outcomes described in the foregoing clauses (a) and (b).

Section 6.2 Notice of Developments. Prior to the Closing, (a) each Party shall promptly notify the other Parties in writing or by email of all events, circumstances, facts and occurrences arising subsequent to the date of this Agreement which could result in any breach of a representation or warranty or covenant or agreement of such Party in this Agreement, and (b) the Warrantors shall promptly notify the Purchaser in writing or by email of all other material developments affecting the assets, Liabilities, business, financial condition, operations, result of operations, client relationships, employee relations, projections or prospects of any Group Company.

Section 6.3 Conduct of the Business in the Interim Period. Between the date hereof and the time of the Closing, except (A) as required by applicable Law, (B) as expressly required by this Agreement, or (C) as agreed upon by the Purchaser with the prior written consent, the Company and the other Group Companies shall and the Warrantors shall cause the Company and the other Group Companies to:

(a) not incur any single transaction or any series of transactions that involves any payment (or a series of payments), contingent or otherwise, in excess of HK$3,000,000 (or the equivalent thereof in another currency) in cash, property or services, except for any transactions incurred in the ordinary course of business of the Group Companies;

(b) not incur any equity investment or debt offering; and

(c) take all actions reasonably necessary to consummate the transactions contemplated by this Agreement promptly, including the taking of all reasonable acts necessary to cause all of the conditions precedent to the transactions contemplated by this Agreement set forth in Article VII to be satisfied.

Section 6.4 Third Party Consents. No later than the Closing, the Warrantors shall cause all applicable Group Companies to give promptly all such notices to third parties and use commercially reasonable best efforts to obtain all such third party consents as necessary for the change of control of the Company and give such other notices and use commercially reasonable best efforts to obtain such other consents as the Purchaser and the Seller may determine to be necessary in connection with the transactions contemplated by this Agreement, in each case except for the notices or consents the failure to give or obtain which would or would not would be expected to have a Material Adverse Effect (such notices and consents required to be given or obtained, the "Third Party Consents").

Section 6.5 Further Assurances. Each Party shall use, and the Warrantors shall cause each Group Company to use, its reasonable efforts to (a) take all actions necessary or appropriate and do all things necessary, proper or advisable to consummate the transactions contemplated by this Agreement and (b) cause the fulfillment at the earliest practicable date of all of the conditions to their respective obligations to consummate the transactions contemplated by this Agreement. Nothing in this Section 6.5 is meant to obligate any Party from waiving any applicable closing conditions set forth in Article VII. Without limiting the generality of the foregoing, the Parties acknowledge that each of the Parties may be required to provide requested information to the Hong Kong Monetary Authority regarding the transactions contemplated by the Transaction Documents, and the other Parties shall provide all reasonable cooperation in that regard.

Section 6.6 Confidentiality and Publicity.

(a) Each Party agrees to, and shall cause its agents, representatives, Affiliates, employees, officers and directors to (i) treat and hold as confidential (and not disclose or provide access to any Person to) all confidential or proprietary information with respect to the other Parties or relating to the transactions contemplated hereby, (ii) in the event that any Party or any such agent, representative, Affiliate, employee, officer or director becomes legally compelled to disclose any such information, provide the other Parties with prompt written notice of such requirement so that the other Parties or the applicable Group Company may seek a protective order or other remedy or waive compliance with this Section 6.6(a), and (iii) in the event that such protective order or other remedy is not obtained, or the other Parties waive compliance with this Section 6.6(a), furnish only that portion of such confidential information which is legally required to be provided and exercise its commercially reasonable efforts to obtain assurances that confidential treatment will be accorded such information; provided, however, that this Section 6.6(a) shall not apply to (A) any information that, at the time of disclosure, is in the public domain and was not disclosed in breach of this Agreement by the Seller or any of its agents, representatives, Affiliates, employees, officers or directors, (B) any information with respect to the Business or Group Companies disclosed to the Seller or the Purchaser in the ordinary course of business of the Group Companies or (C) any information as required by Law or Government Authority.

(b) No Party shall make, or cause to be made, any press release or public announcement in respect of this Agreement or the transactions contemplated hereby or otherwise communicate with any news media without the prior written consent of the Purchaser (in the case of a proposed release or announcement by any Seller or the Company) or of the Seller (in the case of a proposed release or announcement by the Purchaser), unless otherwise required by Law or Government Authority; provided, that such consent shall not be unreasonably withheld, conditioned or delayed. The Parties acknowledge that each of the Purchaser and the Seller, as a publicly traded company, may be required to issue a press release or otherwise publicly disseminate certain information regarding the transactions contemplated by the Transaction Documents, and the other Parties shall provide all reasonable cooperation in that regard and shall take such steps as may be reasonable and practicable to agree the contents of the announcement or press release with the other Party before making the announcement or press release.

Section 6.7 Exclusivity. Between the date of this Agreement and the earlier of (a) the Closing and (b) the termination of this Agreement pursuant to Section 8.1, none of the Warrantors or any of their respective Affiliates, officers, directors, representatives or agents shall, and the Warrantors shall cause the other Group Companies and their respective Affiliates, officers, directors, representatives and agents to not, (i) solicit, initiate, consider, encourage or accept any other proposals or offers from any Person (A) relating to any acquisition or purchase of all or any portion of the equity interests in the Company or any other Group Company or all or any portion of the assets of any Group Company, or (B) to enter into any merger, consolidation, business combination, recapitalization, reorganization or other extraordinary business transaction involving or otherwise relating to any Group Company, or (ii) participate in any discussions, conversations, negotiations and other communications regarding, or furnish to any other Person any information with respect to, or otherwise cooperate in any way, assist or participate in, facilitate or encourage any effort or attempt by any other Person to seek to do any of the foregoing. The Warrantors immediately shall, and the Warrantors immediately shall cause the other Group Companies to, cease and cause to be terminated all existing discussions, conversations, negotiations and other communications with any Persons conducted heretofore with respect to any of the foregoing. The Warrantors shall notify the Purchaser promptly if any such proposal or offer, or any inquiry or other contact with any Person with respect thereto, is made and shall, in any such notice to the Purchaser, indicate in reasonable detail the identity of the Person making such proposal, offer, inquiry or contact and the terms and conditions of such proposal, offer, inquiry or other contact. The Warrantors agree not to, and the Warrantors shall cause the other Group Companies not to, prior to the Closing, without the prior written consent of the Purchaser, release any Person from, or waive any provision of, any confidentiality or standstill agreement to which any Warrantor or Group Company is a party.

Section 6.8 Tax; Stamp Duty. The Purchaser and the Seller acknowledge, covenant and agree that each Party shall have no obligation to pay any Tax of any nature that is required by applicable Law to be paid by the other Party or its Affiliates or their respective direct and indirect partners, members and shareholders arising out of the transactions contemplated by this Agreement and other Transaction Documents; and that such other Party will bear and pay any Tax of any nature that is required by applicable Laws to be paid by it arising out of the transactions contemplated by this Agreement and other Transaction Documents.

Section 6.9 Release and Discharge.

(a) Effective as of and contingent on the Closing, to the fullest extent permitted by applicable Law, the Seller, on behalf of itself and on behalf of its shareholders or members, as applicable, assigns and beneficiaries and, to the extent acting in a representative capacity, its creditors, directors, officers, managers, employees, investors, Affiliates, representatives (including any investment banking, legal or accounting firm retained), successors and assigns of any of them (collectively, the "Releasing Persons"), hereby knowingly, voluntarily, unconditionally and irrevocably waives, fully and finally releases, acquits and forever discharges each Group Company and its shareholders or members, as applicable, assigns and beneficiaries, creditors, directors, officers, managers, employees, investors, Affiliates, representatives (including any investment banking, legal or accounting firm retained by any of them), successors and assigns of any of them, Affiliates and predecessors, successors and assigns of any of them (collectively, the "Released Persons") from any and all actions, causes of action, suits, debts, accounts, bonds, bills, covenants, contracts, controversies, obligations, claims, counterclaims, debts, demands, damages, costs, expenses, compensation or liabilities of every kind and any nature whatsoever, in each case whether absolute or contingent, liquidated or unliquidated, known or unknown, direct or derivative on behalf of any Person, and whether arising under any agreement or understanding or otherwise at Law or equity ("Released Claims"), which such Releasing Persons, or any of them, had, has, or may have had arising from, connected or related to, or caused by any event, occurrence, cause or thing, of any type whatsoever, or otherwise, arising or existing, or occurring, in whole or in part, at any time in the past until and including the Closing against any of the Released Persons with respect to any Group Company, including any Releasing Person's investment in securities in any Group Company or arising out of, relating to or in connection with the Existing Articles (the "Release"); provided, that the Parties acknowledge and agree that this Section 6.9 does not apply to and shall not constitute a release of any rights or obligations to the extent arising under (i) this Agreement, any other Transaction Document or any certificate or other instrument delivered by or on behalf of any Party pursuant to this Agreement, and/or (ii) any Contract entered into by and among the Seller and/or its subsidiaries (other than any Group Companies), on one hand, and any Group Company, on the other hand, prior to the Closing. The Release shall be effective as a full, final and irrevocable accord and satisfaction and release of all of the Released Claims.

(b) Effective as of and contingent on the Closing, the Seller hereby irrevocably and unconditionally covenants to refrain from, directly or indirectly, asserting any claim or demand, or commencing, instituting or causing to be commenced, any proceeding of any kind against any Released Person, based upon the Release or to seek to recover any amounts in connection therewith or thereunder from and after the Closing. Any Released Person may plead this Release as a complete bar to any Released Claims brought in derogation of this covenant not to sue.

(c) The Seller agrees that if it violates any provision of this Section 6.9, it will pay the costs and expenses of defending against any related or resulting Legal Proceedings incurred by the Released Persons, including attorney's fees.

Section 6.10 Agreed Board Composition. No later than the Closing, the Purchaser, the Company, the BVI Holdco and the HK Holdco shall submit the application for necessary regulatory approval or make required notification for the appointment of new directors as follows (the "Director Change Approval"): (i) David Siu Kam Choy shall serve as the sole director of the BVI Holdco; (ii) the board of directors of the HK Holdco shall consist of four (4) directors, including David Siu Kam Choy; and (iii) the Board shall consist of nine (9) directors, including two (2) executive directors, three (3) non-executive directors, including David Siu Kam Choy (unless approval from the Hong Kong Monetary Authority is not yet granted, in such case David Siu Kam Choy shall be appointed as a consultant until such approval is granted), and four (4) independent non-executive directors. The agreements reflected in this Section 6.10 are collectively referred to as the "Agreed Board Composition." All Parties shall take all necessary steps as the Purchaser may request so that the Agreed Board Composition is in effect as soon as practicable. The Parties acknowledge that each of the Parties may be required to provide personal particulars and background of the new directors and any other requested information to the Hong Kong Monetary Authority as part of the Director Change Approval, and the other Parties shall provide all reasonable cooperation in that regard.

Section 6.11 Closing Financial Statements.

(a) For the purpose of this section, the "Closing Financial Statements Day" means (i) the last day of the month immediately before the month in which the Closing occurs if the Closing occurs on or before the fifteenth (15th) day of such month, and (ii) the last day of the month in which the Closing occurs if the Closing occurs after the fifteenth (15th) day of such month.

(b) The Company shall deliver to the Purchaser the unaudited consolidated balance sheet of the Company as of the Closing Financial Statements Day, and the corresponding unaudited consolidated statements of income and cash flows of the Company, together with all related notes and schedules thereto. The delivery date of such unaudited financial statements depends on the timing of the Closing. If the Closing occurs on or before the fifteenth (15th) day of the month, such unaudited financial statements should be delivered to the Purchaser by the later of the Closing Date or the third (3rd) day of the same month in which the Closing occurs. If the Closing occurs after the fifteenth (15th) day of the month, such unaudited financial statements should be delivered to the Purchaser no later than the third (3rd) day of the following month.

(c) No later than the Closing, the Group Companies shall deliver to the Purchaser the unaudited balance sheet of each of the BVI Holdco and the HK Holdco for the fiscal year ended December 31, 2023 and the related unaudited statements of income, cash flows and changes in equity of each of the BVI Holdco and the HK Holdco, together with all related notes and schedules thereto.

(d) No later than April 30, 2023, the Group Companies shall also deliver to the Purchaser (i) the audited consolidated balance sheet of the Group Companies for the fiscal year ended December 31, 2023, and the related audited consolidated statements of income, cash flows and changes in equity of the Group Companies, together with all related notes and schedules thereto, and (ii) the audited balance sheet of the Company for the fiscal year ended December 31, 2023, and the related audited statements of income, cash flows and changes in equity of the Company , together with all related notes and schedules thereto.

(e) All unaudited and audited financial statements provided to the Purchaser under Section 6.11 shall be (i) prepared in accordance with the books of account and other financial records of the relevant Group Company or the Group Companies in all material respects, and (ii) prepared in accordance with the Applicable Accounting Standard applied on a basis consistent with the past practices of the Group Companies, except in the case of such unaudited financial statements, to normal and recurring year-end adjustments and the absence of notes, and in the case of such audited financial statements, as set forth in the notes thereto and subject. Such unaudited financial statements must show a reasonable representation of the state of affairs and balance sheet of the relevant Group Company or the Group Companies at the respective cut-off day, and of the profits and losses of the relevant Group Company or the Group Companies for the financial period ended on the respective cut-off day. Such audited financial statements must give a true and fair view of the state of affairs and balance sheet of the Group Companies or the Company as at the dates thereof and of profits and losses for the financial period to which they relate.

ARTICLE VII
CONDITIONS TO CLOSING

Section 7.1 Conditions Precedent to Obligations of Each Party. The respective obligations of each Party to consummate the transactions contemplated by this Agreement is subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived by such Party, in its sole discretion, in whole or in part to the extent permitted by applicable Law):

(a) (i) the approval from the Hong Kong Monetary Authority for the authorization for change of controllers of the Company and any other approvals, authorizations or consents as may be requested by the Hong Kong Monetary Authority in connection with the consummation of the transactions contemplated hereby (other than the Director Change Approval), (ii) the approval from the independent shareholders of the Seller as required under the Hong Kong Listing Rules in connection with this Agreement and other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, and (iii) the Third Party Consents, if required, shall have been obtained and remained to be effective; and

(b) there shall not be in effect any Law or Order by a Government Authority of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby.

Section 7.2 Conditions Precedent to Obligations of the Purchaser. The obligation of the Purchaser to consummate the transactions contemplated by this Agreement is subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived by the Purchaser, in its sole discretion, in whole or in part):

(a) each of the parties to the Transaction Documents, other than the Purchaser, shall have executed and delivered to the Purchaser the Transaction Documents;

(b) there shall have been no change, event, effect or circumstance that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect in the Business, results of operations or condition (financial or otherwise) of the Group Companies, taken as a whole;

(c) (i) the representations and warranties in the Company Fundamental Warranties and the Seller Fundamental Warranties shall be true and correct in all respects when made and as of the Closing with the same force and effect as if made as of the Closing, except to the extent such representations and warranties relate to another date (in which case such representations and warranties shall be true and correct in all respects as of such other date with the same force and effect as if made as of such other date), and (ii) the representations and warranties set forth in Article III and Article IV (other than the Company Fundamental Warranties and the Seller Fundamental Warranties) (A) that are not qualified by "materiality", "Material Adverse Effect" or similar qualifiers shall have been true and correct in all respects when made and shall be true and correct in all material respects as of the Closing with the same force and effect as if made as of the Closing, and (B) that are qualified by "materiality", "Material Adverse Effect" or similar qualifiers shall have been true and correct in all respects when made and as of the Closing with the same force and effect as if made as of the Closing, in each case of (A) and (B), other than such representations and warranties that relate to another date (in which case such representations and warranties shall be true and correct in all respects as of such other date with the same force and effect as if made as of such other date);

(d) the Parties other than the Purchaser shall have performed and complied with, in all material respects, each of the obligations and agreements required by this Agreement to be performed or complied with by them on or prior to the Closing Date;

(e) there shall have been no Legal Proceeding pending against the Seller or any Group Company, which may prohibit or restrict the transaction contemplated under this Agreement or have any Material Adverse Effect on the Business or any Group Company;

(f) no Group Company shall have been an obligor under any Indebtedness other than any indebtedness incurred or arising in the ordinary course of Business;

(g) each of the Outgoing Directors shall have delivered to the board of the directors of the BVI Holdco, the HK Holdco or the Company, as applicable, the signed but undated Resignation and Release Letter; and

(h) the Purchaser shall have received a certificate jointly signed by the Parties other than the Purchaser, dated the Closing Date, certifying that the conditions set forth in Section 7.2(a), Section 7.2(b), Section 7.2(c), Section 7.2(d), Section 7.2(e), Section 7.2(f) and Section 7.2(g) have been satisfied.

Section 7.3 Conditions Precedent to Obligations of the Seller and the Company. The obligations of the Seller and the Company to consummate the transactions contemplated by this Agreement are subject to the fulfillment, prior to or on the Closing Date, of each of the following conditions (any or all of which may be waived by the Seller in its sole discretion in whole or in part):

(a) each of the parties to the Transaction Documents, other than the Seller and the Company, shall have executed and delivered to the Company the Transaction Documents;

(b) the representations and warranties in the Purchaser Fundamental Warranties shall be true and correct in all respects when made and as of the Closing with the same force and effect as if made as of the Closing, except to the extent such representations and warranties relate to another date (in which case such representations and warranties shall be true and correct in all respects as of such other date with the same force and effect as if made as of such other date), and (ii) the representations and warranties set forth in Article V (other than the Purchaser Fundamental Warranties) (A) that are not qualified by "materiality", "Material Adverse Effect" or similar qualifiers shall have been true and correct in all respects when made and shall be true and correct in all material respects as of the Closing with the same force and effect as if made as of the Closing, and (B) that are qualified by "materiality", "Material Adverse Effect" or similar qualifiers shall have been true and correct in all respects when made and as of the Closing with the same force and effect as if made as of the Closing, in each case of (A) and (B), other than such representations and warranties that relate to another date (in which case such representations and warranties shall be true and correct in all respects as of such other date with the same force and effect as if made as of such other date);

(c) the Purchaser shall have performed and complied with, in all material respects, each of the obligations and agreements required by this Agreement to be performed or complied with by the Purchaser on or prior to the Closing Date;

(d) there shall have been no Legal Proceeding pending against the Purchaser, which may prohibit or restrict the transaction contemplated under this Agreement; and

(e) the Seller shall have received a certificate signed by the Purchaser, dated the Closing Date, certifying that the conditions set forth in Section 7.3(a), Section 7.3(b), Section 7.3(c) and Section 7.3(d) have been satisfied.

ARTICLE VIII
TERMINATION

Section 8.1 Termination of Agreement. This Agreement may be terminated at any time prior to the Closing as follows:

(a) by the Purchaser if, between the date hereof and the Closing, (i) there is a breach of any representation or warranty or failure to perform any covenant or agreement set forth in this Agreement on the part of the Company or any Seller set forth in this Agreement and (ii) such breach or failure to perform would cause any of the conditions set forth in Section 7.1 and Section 7.2 not to be satisfied and cannot be cured, or if curable, is not cured within thirty (30) days after written notice of such breach is given to the Company or the Seller by the Purchaser;

(b) by the Seller if, between the date hereof and the Closing, there is a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Purchaser set forth in this Agreement, which breach or failure to perform would cause any of the conditions set forth in Section 7.1 and Section 7.3 not to be satisfied and cannot be cured, or if curable, is not cured within thirty (30) days after written notice of such breach is given to the Purchaser by the Seller;

(c) by the Purchaser after the Long Stop Date if the Closing shall not have occurred on or prior to the Long Stop Date, provided that the right to terminate this Agreement pursuant to this Section 8.1(c) shall not be available to the Purchaser if its failure to perform any of its obligations under this Agreement shall have resulted in the failure of the Closing to be consummated by the Long Stop Date;

(d) by the Seller after the Long Stop Date if the Closing shall not have occurred on or prior to the Long Stop Date, provided that the right to terminate this Agreement pursuant to this Section 8.1(d) shall not be available to the Seller if the failure by the Seller to perform any of its obligations under this Agreement shall have resulted in the failure of the Closing to be consummated by the Long Stop Date; or

(e) by mutual written consent of the Seller and the Purchaser.

Section 8.2 Procedure Upon Termination. In the event of termination of this Agreement pursuant to Section 8.1 hereof, written notice of such termination shall forthwith be given to the other Parties, and this Agreement shall thereupon terminate without further action by any Party.

Section 8.3 Effect of Termination. In the event that this Agreement is validly terminated in accordance with Section 8.1 and Section 8.2, each of the Parties shall be relieved of their duties and obligations arising under this Agreement after the date of such termination and such termination shall be without liability to any Party; provided, that no such termination shall relieve any Party hereto from liability for a breach of any of its covenants or agreements or its representations and warranties contained in this Agreement prior to the date of termination, and provided, further, that Section 6.6, this Section 8.3, and Article X shall survive any such termination.

ARTICLE IX
INDEMNIFICATION

Section 9.1 Survival of Representations, Warranties and Covenants. The representations and warranties of the Warrantors set forth in Article III, the representations and warranties of the Seller set forth in Article IV and the representations and warranties of the Purchaser set forth in Article V shall survive the Closing until the second (2nd) anniversary of the Closing Date; provided, that the Company Fundamental Warranties, the Seller Fundamental Warranties and the Purchaser Fundamental Warranties shall survive the Closing indefinitely, and the representations and warranties set forth in Section 3.13 (Taxes) shall survive the Closing until sixty (60) days after the applicable statute of limitations governing claims arising thereunder. The covenants or other agreements contained in this Agreement that by their terms or nature are to be performed after the Closing shall survive the Closing in accordance with their terms. If written notice of a claim for indemnification has been given in accordance with Section 9.2 prior to the expiration of the applicable representations, warranties or covenants, then the relevant representations, warranties or covenants shall survive as to such claim, until such claim has been finally resolved.

Section 9.2 Indemnification.

(a) Indemnification by the Seller. From and after the Closing, the Seller shall indemnify, defend and hold harmless the Purchaser and its Affiliates (including, for the avoidance of doubt, the Group Companies from and after the Closing) and their respective officers, directors, employees, agents, successors and permitted assigns (collectively, the "Purchaser Indemnitees") from and against all Liabilities, losses, damages, diminution in value, claims, costs and expenses (including reasonable attorneys' fees and expenses incurred in connection with the investigation or defense of any of the same or in responding to or cooperating with any governmental investigation), interest, awards, judgments, fines and penalties suffered or incurred by the Purchaser Indemnitees (in each case, whether absolute, accrued, conditional or otherwise and whether or not resulting from Third Party Claims) (hereinafter "Losses") arising out of or relating to:

(i) any inaccuracy in or breach of any representation or warranty set forth in Article IV;

(ii) any breach or non-fulfillment of any covenant or obligation to be performed by the Seller under this Agreement;

(iii) any Tax obligations of the Group Companies arising from any failure by any Group Company to properly withhold and pay to any Tax authority amounts required to be withheld and paid pursuant to applicable Laws before the Closing;

(iv) any Tax obligations of the Group Companies for all taxable periods ending on or before the Closing Date and the portion of any Straddle Period through the end of the Closing Date;

(v) any payments required to be made after the Closing Date under any Tax sharing, Tax indemnity, Tax allocation or similar Contracts to which any Group Company was obligated, or was a party, on or prior to the Closing Date; and

(vi) any Tax obligations of the Purchaser, its Affiliates or the Group Companies arising from the failure of the Seller to comply with its obligations under Section 6.8; and

(vii) any Liability incurred by any Group Company arising in respect of its failure to, on or prior to the Closing Date, maintain the Material Licenses held by any Group Company as of the date hereof.

The Seller shall not be liable for any Loss arising out of or relating to Items (i), (ii) and (vii) above to the extent that the facts and circumstances giving rise to such Loss are disclosed in the Disclosure Schedule and the Due Diligence Materials.

(b) Procedures Relating to Indemnification.

(i) The Purchaser shall promptly give the Seller notice of any matter which the Purchaser has determined has given or would reasonably be expected to give rise to a right of indemnification under this Agreement stating in reasonable detail the nature of the claim, and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises; provided, however, that the failure to provide such notice shall not release the Seller from any of its obligations under this Section 9.2 except to the extent the Seller is materially prejudiced by such failure. With respect to any recovery or indemnification sought by the Purchaser from the Seller that does not involve a Third Party Claim, if the Seller does not notify the Purchaser within ninety (90) days from its receipt of the notice from the Purchaser that the Seller disputes such claim, the Seller shall be deemed to have accepted and agreed with such claim. If the Seller has disputed a claim for indemnification (including any Third Party Claim), the Seller and the Purchaser shall proceed in good faith to negotiate a resolution to such dispute. If the Seller and the Purchaser cannot resolve such dispute in one hundred and eighty (180) days after delivery of the dispute notice by the Seller, such dispute shall be resolved by arbitration pursuant to Section 10.3.

(ii) If the Purchaser shall receive notice of any Legal Proceeding, audit, demand or assessment (each, a "Third Party Claim") against it or which may give rise to a claim for Loss under this Section 9.2, within thirty (30) days of the receipt of such notice, the Purchaser shall give the Seller notice of such Third Party Claim; provided, however, that the failure to provide such notice shall not release the Seller from any of its obligations under this Section 9.2 except to the extent that the Seller is materially prejudiced by such failure. If the Seller acknowledges in writing its obligation to indemnify the Purchaser hereunder against any Losses that may result from such Third Party Claim, the Seller shall be entitled to assume and control the defense of such Third Party Claim at its expense and through counsel of its choice if it gives notice of its intention to do so to the Purchaser within ninety (90) days of the receipt of such notice from the Purchaser. Similarly, in the event the Purchaser is, directly or indirectly, conducting the defense against any such Third Party Claim, the Seller shall cooperate with the Purchaser in such defense and make available to the Purchaser, at the Seller's expense, all such witnesses, records, materials and information in the Seller's possession or under the Seller's control relating thereto as is reasonably required by the Purchaser, if such Third Party Claim arises out of or in connection with any reason incurred before the date of this Agreement.

Section 9.3 Limitations Relating to Indemnification.

(a) The Seller shall not be required to indemnify, defend, hold harmless, pay or reimburse the Purchaser Indemnitees under this Agreement, unless and until the aggregate amount of all Losses in respect of indemnification under Section 9.2 exceeds HK$4,500,000 (the "Seller Indemnification Threshold"), and once the Seller Indemnification Threshold has been exceeded, the Seller shall only be required to indemnify, defend, hold harmless, pay and reimburse for Losses in excess of the Seller Indemnification Threshold (subject to the limitations set forth in Section 9.3(b)).

(b) The maximum aggregate liability of the Seller in respect of all claims by the Purchaser Indemnitees under this Agreement shall not exceed the Aggregate Purchase Price.

(c) Notwithstanding anything to the contrary, claims for seeking indemnification under this Section 9.2 must be initiated by the Purchaser pursuant to Section 9.2(b)(i) within three (3) years from the Closing Date. The Seller shall not be required to indemnify, defend, hold harmless, pay or reimburse the Purchaser Indemnitees under this Agreement for any Losses, if the procedures relating to indemnification as required under Section 9.2(b)(i) was initiated after the third (3rd) anniversary of the Closing Date.

(d) Notwithstanding anything to the contrary, in no event shall the Seller be required to indemnify, defend, hold harmless, pay or reimburse any Purchaser Indemnitee under this Agreement or otherwise be liable in connection with this Agreement, the negotiation, execution or performance of this Agreement, or the transactions contemplated hereby, for any Losses that are punitive, incidental, consequential, special or indirect, including loss of future revenue or income, loss of business reputation or opportunity relating to the breach or alleged breach of this Agreement and any damages based on any type of multiple, in each case, in any way arising out of or relating to this Agreement or the transactions contemplated hereby (whether at law or in equity, and whether in contract or in tort or otherwise).

(e) The amount of any Losses that are subject to indemnification under this Article IX shall be reduced by the amount of any insurance proceeds and any indemnity, contribution or other similar payment actually received by the Purchaser in respect of such Losses or any of the events, conditions, facts or circumstances resulting in or relating to such Losses ("Third Party Payments"). If the Purchaser receives any Third Party Payment with respect to any Losses for which it has previously been indemnified (directly or indirectly) by the Seller, the Purchaser shall promptly (and in any event within thirty (30) Business Days after receiving such Payment) pay to the Seller an amount equal to such Third Party Payment or, if it is a lesser amount, the amount of such previously indemnified Losses.

Section 9.4 Materiality and Other Matters. The indemnification provided for in Section 9.2 shall be subject to the following:

(a) Notwithstanding anything in this Agreement to the contrary, for the sole purpose of determining the amount of Losses (and not for determining whether any breaches of representations or warranties have occurred), the representations and warranties contained in Article III and Article IV shall be deemed to have been made without being qualified by "materiality" or "Material Adverse Effect" or similar qualifications, except to the extent such "materiality" qualifier or word of similar import is used for the express purpose of listing any information on the Disclosure Schedule rather than qualifying a statement.

(b) The Seller shall not be entitled to claim against any Group Company for contribution, reimbursement, indemnification or other participation in respect of or arising out of any indemnification obligation of the Seller hereunder, and the Seller hereby irrevocably and unconditionally waives any such claim it may have against the Group Companies.

(c) Notwithstanding anything in this Agreement to the contrary, the limitations on indemnification and liability set forth in Section 9.3 shall not apply to a claim for Losses arising out of fraud or willful misconduct.

ARTICLE X
MISCELLANEOUS

Section 10.1 Expenses. Except as otherwise provided in this Agreement, each Party shall bear its own costs and expenses (including fees and expenses of its legal counsel, accountants and other representatives or consultants) incurred in connection with the negotiation and execution of this Agreement and each other Transaction Document and the consummation of the transactions contemplated hereby and thereby (the "Transaction Expenses").

Section 10.2 Governing Law. This Agreement will be governed by and construed in accordance with the laws of Hong Kong without giving effect to any choice or conflict of law provision or rule thereof.

Section 10.3 Arbitration.

(a) Any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration in Hong Kong in accordance with the Hong Kong International Arbitration Center Administered Arbitration Rules (the "HKIAC Rules") in force when the notice of arbitration is submitted in accordance with the HKIAC Rules. The HKIAC Rules are deemed to be incorporated by reference to this clause. The tribunal shall be comprised of three (3) arbitrators. The Purchaser and the Seller shall each nominate one arbitrator and the third, who shall serve as president of the tribunal, shall be nominated by the first two arbitrators. The arbitration shall be conducted in English. Each Party irrevocably and unconditionally consents to such arbitration as the sole and exclusive method of resolving any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, other than any proceedings to seek the remedies of specific performance as contemplated by Section 10.7.

(b) The award of the arbitral tribunal shall be final and binding on the Parties. The Parties agree that they will not have recourse to any judicial proceedings, in any jurisdiction whatsoever, for the purpose of seeking appeal, annulment, setting aside, modification or any diminution or impairment of its terms or effect insofar as such exclusion can validly be made. Judgment upon any award rendered may be entered in any court having jurisdiction thereof, or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be.

Section 10.4 Entire Agreement. This Agreement (including the exhibits hereto) and other Transaction Documents represent the entire understanding and agreement between the Parties with respect to the subject matter hereof and thereof.

Section 10.5 Amendments; Waivers. Any term of this Agreement may be amended only with the written consent of all the Parties. Any term of this Agreement may be waived only with the written consent of the party against whom such waiver is effective.

Section 10.6 Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party hereto, upon any breach or default of any other party hereto under this Agreement, shall impair any such right, power or remedy of such party, nor shall it be construed to be a waiver of any such breach or default, or of an acquiescence therein, or of any similar breach or default thereafter occurring; nor shall it be construed to be any waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party hereto of any breach or default under this Agreement or any waiver on the part of any party hereto of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party hereto, shall be cumulative and not alternative.

Section 10.7 Specific Performance. The Parties acknowledge and agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that, prior to the termination of this Agreement in accordance with Article VIII, each Party shall be entitled to specific performance of the terms hereof. It is accordingly agreed that prior to such termination, each Party shall be entitled to an injunction or injunctions to prevent such breaches of this Agreement and to enforce specifically (without proof of actual damages or harm, and not subject to any requirement for the securing or posting of any bond in connection therewith) such terms and provisions of this Agreement, this being in addition to any other remedy to which each Party is entitled at law or in equity.

Section 10.8 Notices. Except as may be otherwise provided herein, all notices, requests, waivers and other communications made pursuant to this Agreement shall be in writing and shall be deemed to have been duly given (a) when hand-delivered to the other party, upon delivery; (b) when sent by email, upon receipt of confirmation of error-free transmission; (c) five (5) Business Days after deposit in the mail as air mail or certified mail, receipt requested, postage prepaid and addressed to the other party as set forth below; or (d) two (2) Business Days after deposit with an overnight delivery service, postage prepaid, addressed to the party as set forth below with next-business-day delivery guaranteed, provided that the sending party receives a confirmation of delivery from the delivery service provider. Each party communicating hereunder by email shall promptly confirm by telephone with the party to whom such communication was addressed the receipt of each communication made by it by email pursuant hereto but the absence of such confirmation shall not affect the validity of any such communication. A party may change or supplement the addresses given herein, or designate additional addresses, for purposes of this Section 10.8, by giving the other party written notice of the new address in the manner set forth above:

If to the Purchaser, to:

Address: Building No. 6, Lane 2777, Jinxiu East Road, Pudong New District, Shanghai, the People's Republic of China

If to the Seller, to:

Address: 14F, Block A, Bo Jin international Building, Tai Ran 7th Rd, Futian District, Shenzhen, the People's Republic of China

If to the Company, to:

Address: Room 1903-1904, NEO, 123 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong

Section 10.9 Severability. If any provision of this Agreement is found to be invalid or unenforceable, then such provision shall be construed, to the extent feasible, so as to render the provision enforceable and to provide for the consummation of the transactions contemplated hereby on substantially the same terms as originally set forth herein, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement, which shall remain in full force and effect unless the severed provision is essential to the rights or benefits intended by the parties. In such event, the parties shall use their best efforts to negotiate, in good faith, a substitute, valid and enforceable provision or agreement which most closely reflects the parties' intent in entering into this Agreement.

Section 10.10 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. Except as provided in Section 9.2 hereof, a Person who is not a party to this Agreement shall not have any right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce any term of this Agreement. No assignment of this Agreement or of any rights or obligations hereunder may be made by any Party, directly or indirectly (by operation of law or otherwise), without the prior written consent of the other Parties, and any attempted assignment in violation of this Section 10.10 shall be void.

Section 10.11 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. Facsimile and e-mailed copies of signatures in portable document format (PDF) shall be deemed to be originals for purposes of executing this Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed on the date first written above.

PURCHASER:

LUFAX HOLDING LTD

By: /s/ Gregory Dean Gibb
Name: Gregory Dean Gibb
Title: Director

[SIGNATURE PAGE TO SHARE PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed on the date first written above.

SELLER:

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

By: /s/ Chongfeng Shen
Name: Chongfeng Shen
Title: Director

[SIGNATURE PAGE TO SHARE PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed on the date first written above.

COMPANY:

PING AN ONECONNECT BANK (HONG KONG) LIMITED
平安壹賬通銀行（香港）有限公司

By: /s/ Fei Yiming & /s/ Lui Yuk Lan
Name: Fei Yiming / Lui Yuk Lan
Title: Executive Director / Executive Director

[SIGNATURE PAGE TO SHARE PURCHASE AGREEMENT]

EXHIBIT A

Form of Instrument of Transfer and Bought and Sold Notes

INSTRUMENT OF TRANSFER

Jin Yi Tong Limited (金亿通有限公司)
(BVI company number 1996848)

We, **OneConnect Financial Technology Co., Ltd.** (the "**Transferor**"), at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, in consideration of the sum of HK$933,000,000 paid to us in full by **Lufax Holding Ltd** (the "**Transferee**") of PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands do hereby transfer to the said Transferee the one ordinary share with no par value standing in our name in the Register of Members of:-

Jin Yi Tong Limited (金亿通有限公司)

to hold unto the said Transferee, its executors, administrators or assigns, subject to the several conditions upon which we hold the same at the time of execution hereof. And we, the said Transferee, do hereby agree to take the said shares subject to the same conditions.

Witness our hands the ____ day of _____ 2023 in _____.

Witness to the signature(s) of the Transferor-	)	For and on behalf of
	)	**OneConnect Financial**
	)	**Technology Co., Ltd.**
_____	)	
Witness' name:	)	
Witness' address:	)	
	)	_____
		Director(s) / Authorized Signatory(ies)
		(Transferor)
Witness to the signature(s) of the Transferee-	)	For and on behalf of
	)	**Lufax Holding Ltd**
	)	
_____	)	
Witness' address:	)	
Witness' name:	)	
	)	_____
		Director(s) / Authorized Signatory(ies)
		(Transferee)

BOUGHT NOTE

Name of Vendor (Transferor): OneConnect Financial Technology Co., Ltd.
Address: The offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Occupation: Corporation
Name of Company in which the share(s) to be transferred:

Jin Yi Tong Limited (金亿通有限公司)

Number of Share(s): one ordinary share of no par value
Consideration: HK$933,000,000

For and on behalf of:
Lufax Holding Ltd
as Transferee

By:
Title:

Dated _____ 2023
Executed in _____

SOLD NOTE

Name of Purchaser (Transferee): Lufax Holding Ltd
Address: PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Occupation: Corporation
Name of Company in which the share(s) to be transferred:

Jin Yi Tong Limited (金亿通有限公司)

Number of Share(s): one ordinary share of no par value
Consideration: HK$933,000,000

For and on behalf of:
OneConnect Financial Technology Co., Ltd.
as Transferor

By:
Title:

Dated _____ 2023
Executed in _____

EXHIBIT B

Form of Resignation and Release Letter

_____, 2024

To: _____

Dear Sirs/Madams:

I hereby resign as a director of _____ (the "**Company**"), with immediate effect from the date hereof (the "**Resignation**").

I confirm that with this Resignation from the position as a director of the Company, all authority granted by and to me in my capacity as a director of the Company is hereby terminated. I confirm further that my Resignation is not related to any conflict or disagreement with the Company or its subsidiaries, regarding any of their business, finance, accounting and/or any other affairs.

I further irrevocably confirm that (i) I will not raise any claims, actions, proceedings, demands or costs whether under statute, common law or otherwise, (including, without limitation, for wrongful or unfair dismissal, compensation for loss of office or redundancy) whether monetary or otherwise or institute any actions against the Company in relation to my service with, or my Resignation from, the Company; and (ii) no agreement or arrangement is outstanding under which the Company has or could have any obligation to me.

Yours faithfully,

_____

Name:

Exhibit 8.1

Principal Subsidiaries and Consolidated Affiliated Entities of the Registrant

Subsidiaries	Place of Incorporation
Gem Blazing Limited	Cayman Islands
Wincon Hong Kong Investment Company Limited	Hong Kong
Lufax Holding (Shenzhen) Technology Service Co., Ltd.	PRC
Weikun (Shanghai) Technology Service Co., Ltd.	PRC
Jinjiong (Shenzhen) Technology Service Limited	PRC
Gem Alliance Limited	Cayman Islands
Harmonious Splendor Limited	Hong Kong
Ping An Puhui Enterprises Management Co., Ltd.	PRC
Ping An Puhui Financing Guarantee Co., Ltd.	PRC
Chongqing Jin'an Microloan Co., Ltd.	PRC
Ping An Puhui Investment & Consulting Co., Ltd.	PRC
Ping An Puhui Information Service Co., Ltd.	PRC
Ping An Consumer Finance Co., Ltd.	PRC

Consolidated Affiliated Entities	Place of Incorporation
Shenzhen Lufax Holding Enterprise Management Co., Ltd.	PRC
Shanghai Xiongguo Corporation Management Co., Ltd.	PRC
Shanghai Lufax Information Technology Co., Ltd.	PRC

Exhibit 12.1

Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Yong Suk Cho, certify that:

1. I have reviewed this annual report on Form 20-F of Lufax Holding Ltd (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 23, 2024

By: /s/ Yong Suk Cho
Name: Yong Suk Cho
Title: Chief Executive Officer

Exhibit 12.2

Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David Siu Kam Choy, certify that:

1. I have reviewed this annual report on Form 20-F of Lufax Holding Ltd (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 23, 2024

By: /s/ David Siu Kam Choy
Name: David Siu Kam Choy
Title: Chief Financial Officer

Exhibit 13.1

Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Lufax Holding Ltd (the "Company") on Form 20-F for the fiscal year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yong Suk Cho, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 23, 2024

By: /s/ Yong Suk Cho
Name: Yong Suk Cho
Title: Chief Executive Officer

Exhibit 13.2

Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Lufax Holding Ltd (the "Company") on Form 20-F for the fiscal year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Siu Kam Choy, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 23, 2024

By: /s/ David Siu Kam Choy
Name: David Siu Kam Choy
Title: Chief Financial Officer

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-258286 and 333-271220) and the Registration Statement on Form F-3 (No. 333-271209) of Lufax Holding Ltd of our report dated April 23, 2024 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Zhong Tian LLP
PricewaterhouseCoopers Zhong Tian LLP

Shanghai, The People's Republic of China
April 23, 2024

Exhibit 15.2

April 23, 2024

To: Lufax Holding Ltd
Building No. 6
Lane 2777, Jinxiu East Road
Pudong New District, Shanghai
People's Republic of China

Dear Sir/Madam,

We hereby consent to the references to our firm's name under the headings "Item 3. Key Information—Permissions Required from the PRC Authorities for Our Operations," "Item 3. Key Information—Enforceability of Civil Liabilities," "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure," and "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with the Principal Consolidated Affiliated Entities" in Lufax Holding Ltd's annual report on Form 20-F for the year ended December 31, 2023 (the "**Annual Report**"), which will be filed with the Securities and Exchange Commission (the "**SEC**") on the date hereof, and further consent to the incorporation by reference of the summaries of our opinions under these headings into Lufax Holding Ltd's registration statements on Form S-8 (No. 333-258286 and 333-271220) and Lufax Holding Ltd's registration statement on Form F-3 (No. 333-271209). We also consent to the filing of this consent letter with the SEC as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours sincerely,

/s/ Haiwen & Partners
Haiwen & Partners

Exhibit 15.3

Lufax Holding Ltd
陆金所控股有限公司
Building No. 6
Lane 2777, Jinxiu East Road
Pudong New District, Shanghai 200120
People's Republic of China

April 18, 2024

Dear Sir or Madam

Re: Lufax Holding Ltd 陆金所控股有限公司

We have acted as legal advisers as to the laws of the Cayman Islands to Lufax Holding Ltd 陆金所控股有限公司, an exempted company with limited liability incorporated in the Cayman Islands (the "**Company**"), in connection with the filing by the Company with the United States Securities and Exchange Commission (the "**SEC**") of an annual report on Form 20-F for the year ended December 31, 2023 (the "**Annual Report**"), which will be filed with the SEC in the month of April 2024. We hereby consent to the references to our firm's name under the heading "Item 3. Key Information—Enforceability of Civil Liabilities" in the Annual Report.

We consent to the incorporation by reference of our opinion regarding the legality of certain ordinary shares being registered into the Company's registration statements on Form S-8 (No. 333-258286 and 333-271220) and the Company's registration statement on Form F-3 (No. 333-271209). We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully

/s/ Maples and Calder (Hong Kong) LLP
Maples and Calder (Hong Kong) LLP

Exhibit 97.1

LUFAX HOLDING LTD

CLAWBACK POLICY

The Nomination and Remuneration Committee (the "Committee") of the Board of Directors (the "Board") of Lufax Holding Ltd (the "Company") believes that it is appropriate for the Company to adopt this Clawback Policy (the "Policy") to be applied to the Executive Officers of the Company and adopts this Policy to be effective as of the Effective Date.

1. Definitions

For purposes of this Policy, the following definitions shall apply:

a) "Company Group" means the Company and each of its subsidiaries or consolidated affiliated entities, as applicable.

b) "Covered Compensation" means any Incentive-Based Compensation granted, vested or paid to a person who served as an Executive Officer at any time during the performance period for the Incentive-Based Compensation and that was Received (i) on or after October 2, 2023 (*i.e.*, the effective date of the NYSE listing standards), (ii) after the person became an Executive Officer, and (iii) at a time that the Company had a class of securities listed on a national securities exchange or a national securities association such as the NYSE.

c) "Effective Date" means December 1, 2023.

d) "Erroneously Awarded Compensation" means the amount of Covered Compensation granted, vested or paid to a person during the fiscal period when the applicable Financial Reporting Measure relating to such Covered Compensation was attained that exceeds the amount of Covered Compensation that otherwise would have been granted, vested or paid to the person had such amount been determined based on the applicable Restatement, computed without regard to any taxes paid (*i.e.*, on a pre-tax basis). For Covered Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in a Restatement, the Committee will determine the amount of such Covered Compensation that constitutes Erroneously Awarded Compensation, if any, based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Covered Compensation was granted, vested or paid and the Committee shall maintain documentation of such determination and provide such documentation to the NYSE.

e) "Exchange Act" means the U.S. Securities Exchange Act of 1934.

f) "Executive Officer" means the Company's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person (whether or not an officer or employee of the Company) who performs similar policy-making functions for the Company. "Policy-making function" does not include policy-making functions that are not significant. Both current and former Executive Officers are subject to the Policy in accordance with its terms.

g) "Financial Reporting Measure" means (i) any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures derived wholly or in part from such measures and may consist of IFRS/U.S. GAAP or non-IFRS/non-U.S. GAAP financial measures (as defined under Regulation G of the Exchange Act and Item 10 of Regulation S-K under the Exchange Act), (ii) stock price or (iii) total shareholder return. Financial Reporting Measures need not be presented within the Company's financial statements or included in a filing with the SEC.

h) "Home Country" means the Company's jurisdiction of incorporation, *i.e.*, the Cayman Islands.

i) "Incentive-Based Compensation" means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

j) "Lookback Period" means the three completed fiscal years (plus any transition period of less than nine months that is within or immediately following the three completed fiscal years and that results from a change in the Company's fiscal year) immediately preceding the date on which the Company is required to prepare a Restatement for a given reporting period, with such date being the earlier of: (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare a Restatement. Recovery of any Erroneously Awarded Compensation under the Policy is not dependent on whether or when the Restatement is actually filed.

k) "NYSE" means the New York Stock Exchange.

l) "Received": Incentive-Based Compensation is deemed "Received" in the Company's fiscal period during which the Financial Reporting Measure specified in or otherwise relating to the Incentive-Based Compensation award is attained, even if the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.

m) "Restatement" means a required accounting restatement of any Company financial statement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including (i) to correct an error in previously issued financial statements that is material to the previously issued financial statements (commonly referred to as a "Big R" restatement) or (ii) to correct an error in previously issued financial statements that is not material to the previously issued financial statements but that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (commonly referred to as a "little r" restatement). Changes to the Company's financial statements that do not represent error corrections under the then-current relevant accounting standards will not constitute Restatements. Recovery of any Erroneously Awarded Compensation under the Policy is not dependent on fraud or misconduct by any person in connection with the Restatement.

n) "SEC" means the U.S. Securities and Exchange Commission.

2. Recovery of Erroneously Awarded Compensation

In the event of a Restatement, any Erroneously Awarded Compensation Received during the Lookback Period prior to the Restatement (a) that is then-outstanding but has not yet been paid shall be automatically and immediately forfeited and (b) that has been paid to any person shall be subject to reasonably prompt repayment to the Company Group in accordance with Section 3 of this Policy. The Committee must pursue (and shall not have the discretion to waive) the forfeiture and/or repayment of such Erroneously Awarded Compensation in accordance with Section 3 of this Policy, except as provided below.

Notwithstanding the foregoing, the Committee (or, if the Committee is not a committee of the Board responsible for the Company's executive compensation decisions and composed entirely of independent directors, a majority of the independent directors serving on the Board) may determine not to pursue the forfeiture and/or recovery of Erroneously Awarded Compensation from any person if the Committee determines that such forfeiture and/or recovery would be impracticable due to any of the following circumstances: (i) the direct expense paid to a third party (for example, reasonable legal expenses and consulting fees) to assist in enforcing the Policy would exceed the amount to be recovered, including the costs that could be incurred if pursuing such recovery would violate local laws other than the Company's Home Country laws (following reasonable attempts by the Company Group to recover such Erroneously Awarded Compensation, the documentation of such attempts, and the provision of such documentation to the NYSE), (ii) pursuing such recovery would violate the Company's Home Country laws adopted prior to November 28, 2022 (provided that the Company obtains an opinion of Home Country counsel acceptable to the NYSE that recovery would result in such a violation and provides such opinion to the NYSE), or (iii) recovery would likely cause any otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company Group, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

3. Means of Repayment

In the event that the Committee determines that any person shall repay any Erroneously Awarded Compensation, the Committee shall provide written notice to such person by email or certified mail to the physical address on file with the Company Group for such person, and the person shall satisfy such repayment in a manner and on such terms as required by the Committee, and the Company Group shall be entitled to set off the repayment amount against any amount owed to the person by the Company Group, to require the forfeiture of any award granted by the Company Group to the person, or to take any and all necessary actions to reasonably promptly recover the repayment amount from the person, in each case, to the fullest extent permitted under applicable law, including without limitation, Section 409A of the U.S. Internal Revenue Code and the regulations and guidance thereunder. If the Committee does not specify a repayment timing in the written notice described above, the applicable person shall be required to repay the Erroneously Awarded Compensation to the Company Group by wire, cash, cashier's check or other means as agreed by the Committee no later than thirty (30) days after receipt of such notice.

4. No Indemnification

No person shall be indemnified, insured or reimbursed by the Company Group in respect of any loss of compensation by such person in accordance with this Policy, nor shall any person receive any advancement of expenses for disputes related to any loss of compensation by such person in accordance with this Policy, and no person shall be paid or reimbursed by the Company Group for any premiums paid by such person for any third-party insurance policy covering potential recovery obligations under this Policy. For this purpose, "indemnification" includes any modification to current compensation arrangements or other means that would amount to *de facto* indemnification (for example, providing the person a new cash award which would be cancelled to effect the recovery of any Erroneously Awarded Compensation). In no event shall the Company Group be required to award any person an additional payment if any Restatement would result in a higher incentive compensation payment.

5. Miscellaneous

This Policy generally will be administered and interpreted by the Committee, provided that the Board may, from time to time, exercise discretion to administer and interpret this Policy, in which case, all references herein to "Committee" shall be deemed to refer to the Board. Any determination by the Committee with respect to this Policy shall be final, conclusive and binding on all interested parties. Any discretionary determinations of the Committee under this Policy, if any, need not be uniform with respect to all persons, and may be made selectively among persons, whether or not such persons are similarly situated.

This Policy is intended to satisfy the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as it may be amended from time to time, and any related rules or regulations promulgated by the SEC or the NYSE, including any additional or new requirements that become effective after the Effective Date which upon effectiveness shall be deemed to automatically amend this Policy to the extent necessary to comply with such additional or new requirements.

The provisions in this Policy are intended to be applied to the fullest extent of the law. To the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to applicable law. The invalidity or unenforceability of any provision of this Policy shall not affect the validity or enforceability of any other provision of this Policy. Recovery of Erroneously Awarded Compensation under this Policy is not dependent upon the Company Group satisfying any conditions in this Policy, including any requirements to provide applicable documentation to the NYSE.

The rights of the Company Group under this Policy to seek forfeiture or reimbursement are in addition to, and not in lieu of, any rights of recovery, or remedies or rights other than recovery, that may be available to the Company Group pursuant to the terms of any law, government regulation or stock exchange listing requirement or any other policy, code of conduct, employee handbook, employment agreement, equity award agreement, or other plan or agreement of the Company Group.

6. Amendment and Termination

To the extent permitted by, and in a manner consistent with applicable law, including SEC and NYSE rules, the Committee may terminate, suspend or amend this Policy at any time in its discretion.

7. Successors

This Policy shall be binding and enforceable against all persons and their respective beneficiaries, heirs, executors, administrators or other legal representatives with respect to any Covered Compensation granted, vested or paid to or administered by such persons or entities.

LUFAX HOLDING LTD

CLAWBACK POLICY

ACKNOWLEDGMENT, CONSENT AND AGREEMENT

I acknowledge that I have received and reviewed a copy of the Lufax Holding Ltd Clawback Policy (as may be amended from time to time, the "Policy") and I have been given an opportunity to ask questions about the Policy and review it with my counsel. I knowingly, voluntarily and irrevocably consent to and agree to be bound by and subject to the Policy's terms and conditions, including that I will return any Erroneously Awarded Compensation that is required to be repaid in accordance with the Policy. I further acknowledge, understand and agree that (i) the compensation that I receive, have received or may become entitled to receive from the Company Group is subject to the Policy, and the Policy may affect such compensation and (ii) I have no right to indemnification, insurance payments or other reimbursement by or from the Company Group for any compensation that is subject to recovery and / or forfeiture under the Policy. Capitalized terms used but not defined herein have the meanings set forth in the Policy.

Signed: _____

Print Name: _____

Date: _____