

## RISK FACTORS

*An [REDACTED] in our H Shares involves significant risks. You should carefully consider all of the information in this Document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the “Financial Information” section, before deciding to [REDACTED] in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such an event, the [REDACTED] of our H Shares could decline, and you may lose all or part of your [REDACTED]. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.*

*These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed “Forward-Looking Statements” in this Document.*

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks related to our business and industry; (ii) risks related to our contractual arrangements; (iii) risks related to conducting business in China; and (iv) risks related to the [REDACTED]. Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also have a material adverse effect on our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

### **Risks Related to Our Business and Industry**

*Our success depends on our ability to develop products and services to address the rapidly evolving markets that we serve, and if we cannot continue to innovate, timely respond or adapt to rapid technological development or other changes, or if our research and development results do not achieve their expected results, our business, financial condition, results of operations, and prospects would be materially and adversely affected.*

The business environment in which we operate, is characterized by rapid technological changes, constantly evolving markets, frequent introduction of new products and services, evolving industry standards and regulations, and increasing customer expectations. Developments in blockchain technologies, machine learning and AI continue to disrupt the industry. Our success has largely been driven by our capability to innovate and introduce new services and products, and identify potential needs even before they are recognized by customers. Failure to continue to innovate, or effectively identify and address new customer needs could severely damage our leading position and erode our market share, which in turn would materially and adversely affect our business, financial condition, results of operations and prospects.

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Technological development and innovation play a crucial role in driving industry growth, and new technologies and methods such as big data, cloud computing, blockchain, AI, and machine learning are evolving at an unprecedented rate. The development and innovation of technology have higher requirements for up-to-date technical capabilities, continuous learning abilities, and innovation capabilities of our Company and technical related personnel. Failure to continue to maintain our technical upgrading and innovation capabilities may result in our inability to effectively compete in the industry and respond to market changes, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Sustained innovation requires us to invest significant resources to identify new opportunities, create new markets and develop new products or services that deliver more value to our customers and our partners. Our investments in innovations, which may be significant, may not enhance our competitiveness or generate financial returns in the short term. We have ongoing research and development projects and studies but there is a high degree of uncertainty around the progress and results of these initiatives. Additionally, there is uncertainty around the commercialization of our technology achievements. If we fail to correctly judge the direction of our research and development efforts, fail to achieve key technological breakthroughs in this process, or are unable to apply our research and development results to practical business scenarios, we may face risks such as unrecoverable research and development investment and unrealized expected benefits. Even if we succeed in identifying new opportunities, creating new markets, innovating new products and services and adopting changes in our strategies and plans, we may nevertheless fail to realize the anticipated benefits of these changes and our financial performance may suffer as a result. Failure to achieve expected results from our research and development efforts could have a material adverse effect on our business, financial condition, results of operations and prospects.

***Any changes in laws, regulations or government policies related to our business may impose additional obligations on us, and if we fail to adapt to such changes, our business, financial condition and results of operations could be materially and adversely affected; and we require various approvals, licenses, permits and qualifications to operate our business globally, any failure to obtain and maintain requisite licenses or permits applicable to our business and operation could have a material and adverse impact on us.***

As a company operating in the digital payment solution industry, we and our subsidiaries, associates, joint ventures and affiliates, as well as our business partners, and other business participants on our platform, are subject to a broad range of laws, regulations or government policies on e-commerce, digital payment, data collection and data security, privacy and consumer protection and are required to obtain and maintain relevant approvals, licenses, permits and qualifications in China and globally. These laws, regulations or government policies are highly complex, continuously evolving and may change. If the interpretation or implementation of existing laws, regulations or government policies, or new regulations come into effect, there can be no assurance that we or parties on whom we rely will successfully comply with such changes.

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We have from time to time been subject, and continue to be subject to, inquiries, inspections and investigations, from PRC and foreign government authorities that relate to cross-border payments, trade, tax, data security and privacy, cybersecurity, foreign exchange control, consumer protection, advertising and content control, AML, anti-terrorist financing, sanctions, anti-bribery, anticorruption and allegedly fraudulent or other criminal transactions. We may also face protectionist policies and regulatory scrutiny, on national security grounds or for other reasons, in foreign jurisdictions in which we conduct business or investment activities. As we continue to grow in scale and significance, we expect to face increased scrutiny, which will, at a minimum, result in the need to increase our investment in legal and compliance and related capabilities and systems. If we are unable to comply with the applicable laws, regulations and government policies, or to address concerns raised by regulatory authorities, such actual or alleged failure could damage our reputation, deter current and potential customers from using our products and services, and subject us to significant legal, financial and operational consequences and as a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, our business and operation is supported by our global license layout, and we are required to obtain and maintain various approvals, licenses, permits and qualifications in order to operate our business in the jurisdictions where we operate, including, among others, licenses and permits for providing digital payment solutions to customers, approvals and filings for establishing and operating subsidiaries in relevant jurisdictions, and approvals, filings and reporting for overseas direct investments to be obtained from PRC regulatory authorities. These approvals, licenses, permits and qualifications are granted upon satisfactory compliance with, among other things, the applicable laws, regulations and government policies. In some cases, these approvals, licenses, permits and qualifications are subject to examinations or verifications by the relevant authorities and may only be valid for a fixed period of time subject to renewal. We have experienced and may experience in the future challenges, difficulties, delays or failures in obtaining or maintaining the various approvals, licenses, permits and qualifications. As of the Latest Practicable Date, we had built a license portfolio of 64 payment licenses and relevant qualifications. In addition, we collaborate with business partners holding payment service licenses and relevant qualifications to serve customers in other markets. Given the strict regulatory environment in the digital payment solution industry worldwide and the fact that our business spans across many jurisdictions with varying currency controls, we may face potential risks such as fines, license revocations, business restrictions, or asset seizures due to various factors. We cannot guarantee that we will be able to maintain our existing permits and licenses. If we fail to obtain and maintain the approvals, licenses and permits required for our business in the future, we could be subject to liabilities, penalties and operational disruptions. For a detailed discussion of certain licenses and permits relevant to our business, see “Business – Licenses and Permits.”

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Moreover, we cannot guarantee that we and our partners, including banks, payment service providers and other financial institutions will be able to maintain or renew existing licenses and permits or obtain additional licenses and permits required to expand our and their businesses. If we or our partner financial institutions are unable to maintain and renew one or more of the current licenses and permits, or obtain such renewals or additional licenses requisite for future business expansion, the operations and prospects of our business could be materially disrupted. Furthermore, newly promulgated PRC regulations may require additional licenses or permits in order to continue to conduct our business operations and maintain the cooperation between us and our partner financial institutions. However, we can give no guarantee that we and our partner financial institutions would be able to obtain such licenses or permits in a timely fashion, or at all. If any of the foregoing were to occur, our business, financial condition and prospects would be materially and adversely affected.

***Substantial and increasingly intense competition may harm our business. If we are unable to compete effectively, our business, financial condition, results of operations and prospects would be materially and adversely affected.***

We face intense competition in the PRC and internationally in the digital payment solution industry. The market we operate in is characterized by vigorous competition, changing technology, changing customer needs, evolving industry standards and frequent introductions of new services and products. In the PRC, we primarily compete with payment service providers and fintech-focused digital solution providers who offer digitalization services. According to Frost & Sullivan, there are more than 190 third-party payment providers that have obtained payment business licenses from the PBOC, of which more than 100 third-party payment providers have payment business licenses for digital payment business and more than 30 third-party payment providers have received approval for cross-border foreign exchange payment business pilot issued by the SAFE. Meanwhile, internationally, we also compete with other parties who provide cross-border and local digital payment solutions. As we expand our operations into an increasing number of international markets, we increasingly face competition from players operating in these markets.

Some of our competitors have strong brand recognition, robust technological capabilities, significant financial resources, and established customer bases. They are continuously investing to innovate, grow their businesses, and enhance user engagement, and can outcompete us in any of these areas. Additionally, some of our PRC and international competitors may obtain certain licenses or permits that we are unable to obtain, which would hinder our ability to offer certain products or services.

Increased investments, lower prices, or innovative products and services offered by our competitors may require us to divert significant managerial, financial, and human resources to remain competitive. Our ability to compete effectively also depends on factors beyond our control, including alliances, acquisitions, or consolidations within our industries that may result in stronger competitors, and changes in the regulatory environment in the markets we operate in. Mergers and acquisitions in the industry may lead to even larger competitors with more resources and integrated solutions.

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We expect competition to intensify in the future as existing and new competitors introduce new services or enhance existing services. If we are unable to compete effectively, we may not be able to attract and retain customers and partners, and our market share, revenue growth, profitability and reputation may be negatively affected, which could materially and adversely affect our business, financial condition, results of operations and prospects.

*We have incurred net losses in the past, and we may continue to incur losses in the future.*

For the years ended December 31, 2020, 2021 and 2022, we incurred net losses of RMB368.7 million, RMB746.8 million and RMB916.9 million, respectively, primarily attributable to our operating loss and share of loss from our investment in LianTong for the respective years. We anticipate that our cost of sales and operating expenses will further increase in the foreseeable future as we continue to grow our business, expand geographically, invest and innovate our technology infrastructure, and further broaden our service offerings. Our future profitability will depend on a variety of factors, including the expansion and performances of our existing business, competitive landscape, customer preference and macroeconomic and regulatory environment. Our revenues may not grow at the rate we expect and it may not increase sufficiently to offset the increase in our costs and expenses. We may continue to incur losses in the future and we cannot assure you that we will eventually achieve our intended profitability.

*We are subject to certain risks relating to LianTong.*

We face certain risks in relation to LianTong, our joint venture with affiliates of American Express established in 2017 which we do not control. LianTong received its bankcard clearing business license from the PBOC in June 2020 and officially commenced its operations in August 2020. For details on LianTong, see “Business – Business Partners – LianTong.” According to our joint venture agreement, we hold 50% of the equity interests in LianTong but we do not consolidate LianTong into our financial statement, and we do not have control over LianTong. In particular, day-to-day and operational management of LianTong rest with representatives nominated by American Express (with approval by the LianTong board), who controls LianTong. LianTong experienced losses during the Track Record Period, and as we account for LianTong using the equity method of accounting, such losses have had an adverse impact on our financial results. Further, as of the Latest Practicable Date, the total registered capital of LianTong is RMB5,060 million of which we are obliged to pay RMB2,530 million. As of the same date, we had paid up to RMB2,400 million of such registered capital with the remainder of RMB130 million required to be paid in 2023. In addition, we may invest additional amounts in the future. In the event that LianTong is unable to achieve its business strategies or if any dispute arises with American Express with respect to LianTong and its operations or strategic directions, we may not be able to recoup our investment in LianTong and may lose our entire investment. Moreover, our shareholding percentage in LianTong may be diluted, and our influence over LianTong through board representation may be reduced. Furthermore, LianTong’s future operations and success may be affected by general Sino-U.S. relationship. For further details, see “– Adverse changes in the economic, geopolitical and social conditions, as well as government policies, could have a material adverse effect on our business and prospects”.

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*Adverse changes in the economic, geopolitical and social conditions, as well as government policies, could have a material adverse effect on our business and prospects.*

Operating in or providing services to customers in different countries or regions, subjects us to multiple risks. The overall economic conditions in the countries or regions we operate in, or connect with, influence the success of our global operation. Any slowdown in the macro economy could significantly impact our business, financial condition and results of operations. Factors such as decrease in overall consumption level liquidity of the global financial markets, level and volatility of debt and equity prices, interest rates, currency and commodities prices, investor sentiment, inflation and the availability and cost of capital and credit have affected and will continue to affect the countries or regions where we operate. Any declines in e-commerce utilization, and any factors that limit e-commerce activities for customers, whether due to changes in customer preferences, macroeconomic factors, regulatory factors, trade tensions, geopolitical instability or other causes, could also adversely effect our business and results of operations as a significant part of our business relates to the e-commerce industry. The stress experienced by the global financial markets in 2020 due to the COVID-19 pandemic, the series of measures taken by major economies in response and the consequences of such measures continue to impact the global economy in varying degrees in different regions over the years. The financial markets continue to be impacted by general uncertainty, and growth rates have declined recently. These developments may adversely impact global liquidity, heighten market volatility and increase funding costs resulting in tightened global financial conditions and fears of a recession. A prolonged period of extremely volatile and unstable market conditions would likely increase our funding costs and could also adversely affect the countries or regions where we operate, which could in turn affect our business.

The majority of our revenue is derived from our global payment business, which is subject to regulatory and compliance risks. The regulatory and compliance environment in the countries or regions where we operate is constantly evolving, and we may face challenges in complying with local requirements, which could impact our business operations. In addition, changes in political or social environment or government policies, including unfriendly foreign affair policies, trade barriers, or other limitations, may also directly or indirectly impact our business and future expansion plans. Such changes may lead to increased costs, negatively affect our relationships with customers and partners, and create uncertainty in the Cross-border transactions. In addition, the perception of our Company by the governments and the public in the jurisdictions where we operate may also have a significant impact on our business. Negative public perception or government scrutiny could lead to reputational damage, loss of customers or business partners as well as increased regulatory scrutiny. These matters can be politicized and be driven by public opinion, which we cannot predict or control. If we are unable to successfully manage our international operations, we may not be able to maintain or grow our market share, which may have a material and adverse effect on our business, financial condition, and results of operations.

Moreover, any future occurrence of force majeure events such as natural disasters, terrorism, war or outbreaks of contagious diseases which result in a widespread health crisis and restrict the level of business activities in affected areas, may materially and adversely



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affect our business, financial condition and results of operations. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases will not seriously disrupt our operations or those of our partners and customers, which may materially and adversely affect our business, financial condition and results of operations.

*If we are unable to successfully manage the complexity of our global operations and deal with the challenges and risks related to our overseas expansion, especially potential expansion into certain overseas markets where we may have limited or no experience, our business, financial condition and results of operations could be adversely affected.*

In addition to doing business in Mainland China, we have established 13 overseas offices in eight countries and regions and we plan to keep expanding our operations into global markets. We therefore face risks in managing our existing global operations and we face risks associated with expanding into markets in which we have limited or no experience and in which our Company may be less well known. If we fail to attract sufficient customers, fail to anticipate competitive conditions or fail to deploy, manage, or oversee our operations successfully in existing markets we operate in and these new markets, our business and financial results could be materially and adversely affected. In addition, our success in expanding our business and providing products and services internationally, and competing in international markets is subject to our ability to manage various risks and difficulties, including, but not limited to:

- difficulties in gaining an in-depth understanding of local markets and cultures;
- higher levels of payment fraud, legal and compliance risks;
- adapt to possible import and export controls, sanctions, trade embargoes, and other heightened regulatory requirements, which may cause us to lose access to global payment infrastructure;
- challenges and increased expenses associated with staffing and managing international and cross-border operations and managing an organization spread over various jurisdictions;
- ability to recruit international talent and challenges in replicating or adapting our policies and procedures to operate in new markets;
- difficulties of integrating any foreign acquisitions, strictly complying with all procedures prescribed under foreign laws and regulations in respect of foreign acquisition and investments, and managing our foreign operations;
- ability to provide sufficient levels of technical support in different locations or provide sufficient oversight over the management of our overseas subsidiaries;

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- difficulties in establishing cooperative relationships with international partners, including local financial institutions;
- ability to develop and maintain relationships with customers and other local stakeholders; and
- potential damage to our brand and reputation if we are unable to provide optimal products and services to our customers or properly oversee the management of our operations in such local markets.

As we expand further into new regions and markets, these risks could intensify. If one or more of these factors were to materialize, it could adversely impact our international operations, and our efforts to expand our operations internationally may not be successful.

***If we are unable to retain existing customers, acquire new customers, and increase revenue from our customer base, our financial condition and results of operations would be materially and adversely affected.***

Our customers primarily include Chinese cross-border merchants and enterprises, overseas merchants and enterprises, and domestic enterprises. Our ability to retain existing customers, attract new ones, and expand the scope, and increase the volume, of digital payment and value-added services that our customers utilize is critical to our revenue growth. Our customer engagement may decrease for a variety of reasons, including their level of satisfaction with our products and services, our pricing and the pricing and quality of competing products or services, the effects of the PRC and global economic conditions, or reductions in the level of transactions between our customers and their end-buyers. If we are unable to encourage customers to contract and use our services and products, anticipate changing industry trends, enhance our infrastructure, innovate and develop new services that meet our customers’ evolving needs or preferences, and expand our operations into new markets, we may not be able to attract more customers and acquire new customers. The loss of a significant number of customers, or a decline in their growth rate, could have a material adverse effect on our business, financial condition, results of operations and prospects.

The growth of our business depends in part on existing customers keeping or expanding their use of our services and products. However, our customers have no obligation to continue to use our services and products, and we cannot assure you that they will. In addition, we have invested and will continue to invest in improving our platform in order to offer better features, services and products, but they may not be adopted by our customers. If we are unable to retain customers and keep them continue using or broadening their use of our services and products, or if there is a decline in our customers’ business performance, our growth may slow or decline, and our business may be materially and adversely affected.



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***We rely on business partners primarily including e-commerce platforms, commercial banks, clearing institutions and third-party service providers, for a variety of services and support from their infrastructure to carry out and grow our business. Any failure by these business partners to perform their obligations or services adequately or on acceptable terms, or any failure of maintaining our cooperation could materially and adversely affect our business.***

Our success in providing reliable and satisfactory products and services to our customers is dependent on our ability to manage various partners, including e-commerce platforms, commercial banks, clearing institutions and third-party service providers. Our partnership with these entities is critical to providing our products and services to our customers. In certain circumstances, the cooperation may give them substantial discretion in approving certain aspects of our business practices, including our application and qualification procedures for customers and may require us to comply with certain legal requirements. Any failure to comply with these requirements could prompt our partners to suspend or terminate their cooperation, adversely affecting our business. Any inability on our part to manage these partners effectively or to retain them on commercially acceptable terms could severely limit our ability to attract, engage, and retain customers, which may have a material and adverse effect on our business, financial condition, and results of operations. Furthermore, our financial results could be adversely affected if other costs associated with such partnerships materially change or if any penalty or claim for damages is imposed as a result of our breach of the agreement with them or their other requirements. If we are unable to resolve any conflicts with our business partners or find alternative partnerships, our operations, expansion strategies and results may be suffering significantly.

In particular, to provide our digital payment services, we rely on commercial banks and clearing institutions to facilitate fund settlement and other services. If these business partners fail to provide services adequately, including as a result of system errors, human errors or events beyond their control, or they refuse to provide these services on terms acceptable to us or at all, and we are not able to find suitable alternatives, our business may be materially and adversely affected.

***The financial institutions that we collaborate with are highly regulated. Failures or disruptions of their operation may adversely affect our business, results of operations and reputation.***

Our success depends on our ability to collaborate with financial institutions that are highly regulated. We rely on these institutions to provide various financial services to our customers, including, among others, payment processing, foreign exchange service, settlement and clearing services. Our partner financial institutions are subject to evolving and extensive regulations of the financial service industry and close scrutiny by the regulators, which may be difficult for our partners to comply with or affect their cooperation with us. In addition, recent developments in the banking industry, such as the failure of Silicon Valley Bank, potential scrutiny includes more stringent capital requirements, risk weighting requirements, data security and privacy requirements, limitation on reliance on any single platform, tighter operational standards and other measures may be imposed. As a result, any changes in the

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regulatory environment or any failure by our financial institution partners to comply with applicable laws and regulations could result in significant operational disruptions to them, which may adversely affect our business and results of operations indirectly.

***Our business is subject to complex and evolving laws, regulation and oversight in China and other jurisdictions relating to cybersecurity, privacy and data protection. Failure to comply with applicable cybersecurity and data protection laws and regulations could subject us to fines and reputational harm.***

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

As part of our business operations, we collect certain personal data or personal information, and other potentially sensitive and/or regulated data from our employees, customers and the partners we work with. There are extensive laws and regulations adopted by different jurisdictions concerning how personal information is collected, processed, stored, transferred, used and disclosed. In addition, there may be further requirements on data security and privacy practices. There may also be stringent requirements regarding the use, disclosure and sale of one’s protected personal information.

In the PRC, the PRC government has started to tighten the regulation of the storage, sharing, use, disclosure and protection of personal information and general data and outbound data transfer. The Cybersecurity Law became effective in June 2017 and requires network operators to follow the principles of legitimacy in collecting and using personal information. The Data Security Law became effective in September 2021, which provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed, and prohibits any individual or entity in China from providing data stored in China to foreign judicial or law enforcement departments without the approval of competent authorities in China. Moreover, the Personal Information Protection Law (PIPL) became effective on November 1, 2021, which regulates data processing in China, and the protection of the privacy and personal information of Chinese citizens. The PIPL applies to Chinese organizations, as well as foreign organizations engaging with customers from China, and requires such organizations to take necessary measures, as applicable, in order to ensure compliance. In principle, the PIPL only applies to the personal information processing activities in Mainland China. In accordance with Article 3 of the PIPL, however, the PIPL also applies to the personal information processing activities outside Mainland China if it meets certain circumstances. On July 7, 2022, the Cyberspace Administration of China issued the Security Assessment Measures for Outbound Data Transfers (《數據出境安全評估辦法》), which became effective from September 1, 2022. To provide data abroad under certain circumstances, a data processor shall declare security assessment for its outbound data transfer to the Cyberspace Administration of China through the local cyberspace administration at the provincial level. As of the Latest Practicable Date, we have submitted a Security Assessment Report for Outbound Data Transfers regarding cross-border payment and foreign exchange

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services, which was accepted by the Cyberspace Administration of China. For further details, see “Regulatory Overview – Laws and Regulations Related to Our Business in the PRC – Regulations in Relation to Information Security and Data Privacy.” In addition, for a detailed description of laws and regulations with respect to data privacy in certain of our material markets, see “Regulatory Overview.”

As these and other laws and regulations may continue to evolve and be enacted, or new interpretation of existing laws and regulations apply, it may require us to modify our data processing practices, agreements and policies and to incur substantial costs in order to comply with this ever-evolving regulatory landscape. Restrictions on the collection, use, sharing or disclosure of personal data and information or additional requirements and liability for security and data integrity could require us to modify our product solutions and offerings. Such changes may limit our ability to develop new products and services which could adversely affect our business expansion. We take a variety of technical and organizational security measures and other measures to protect the data we process, including data pertaining to our customers, employees and business partners.

Despite the measures we have implemented, we may be unable to anticipate or prevent unauthorized access to such data. Non-compliance with data protection and privacy requirements may result in regulatory fines, regulatory investigations, reputational damage, orders to cease/change our processing of our data, enforcement notices, and/or assessment notices (for a compulsory audit). We may also face civil claims. If we are unable to prevail in these proceedings, we may be subject to significant financial liabilities and reputational harm.

***Our business generates and processes a large amount of data, and we face risks relating to data security and privacy. Any improper collection, use or disclosure of data could harm our reputation and have a material adverse effect on our business and prospects.***

Our business generates and processes a large amount of data. We have adopted policies to regulate the collection, use and disclosure of data in accordance with relevant requirements. However, we face risks inherent to handling and protecting a large volume of data. In particular, we face a number of challenges relating to data security and privacy, including but not limited to:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties, data leakage or fraudulent behavior or improper use by our employees or business partners;
- addressing concerns, challenges, negative publicity and litigation related to data security and privacy, collection, use and actual or perceived sharing (including sharing among our own businesses, with business partners or regulators), safety, security and other factors that may arise from our existing businesses or new businesses and technology; and

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- complying with applicable laws and regulations relating to the collection, use, storage, transfer, disclosure and security of personal data, including requests from data subjects and compliance requirements in accordance with applicable laws and regulations.

These challenges are heightened as we expand our business into jurisdictions with different legal and regulatory regimes. There have been reports of a number of incidents relating to data security and unauthorized use of customer data by other high-profile internet and technology companies and their business partners. Any improper collection, use or disclosure of our customer data could result in loss of customers and business partners, loss of confidence or trust in our platform, litigation, regulatory investigations, penalties or actions against us, significant damage to our reputation, and have a material adverse effect on our business, financial condition, results of operations and prospects.

Moreover, we share a limited amount of customer data with our business partners in accordance with applicable laws and regulations and subject to stringent data security and privacy requirements. If our business partners engage in activities that are negligent, fraudulent, illegal or otherwise harm the trustworthiness and security of our platform, including improper disclosure or use of customer data, or if our business partners otherwise fail to meet their data security and privacy obligations, we may be subject to customer complaints and suffer reputational harm, even if due to actions or activities not related to, attributable to or caused by us, or within our control.

***We may not be able to maintain and strengthen the network effects of our platform, which could materially and adversely affect our business, financial condition, results of operations and prospects.***

Our platform and services generate powerful self-reinforcing network effects that enhance the value that we create for our customers and partners. The extent to which we are able to maintain and strengthen these network effects depends on our ability to:

- attract and retain customers and businesses and provide a superior experience to them;
- offer and maintain a scalable and efficient platform for customers, businesses and partners;
- provide a wide range of high-quality, secure and trustworthy services to customers, businesses and partners;
- maintain the compatibility of our platform, services and solutions with third-party applications and platforms;
- consistently innovate and improve the services offered on our platform;

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- address customer concerns with respect to data security and privacy in connection with our data processing activities;
- attract and retain partners that are able to provide quality products and services on commercially reasonable terms on our platform;
- provide effective technologies, infrastructure and services that meet the evolving needs of customers, businesses and partners; and
- continue adapting to the changing demands of the market and customer behavior and preference.

In addition, the interests of customers or partners on our platform may not always be aligned. To the extent we are not able to address the needs and demands of any particular participant group, those participants may conduct fewer transactions or use alternative platforms, any of which could result in a material decrease in the network effects on our platform and therefore materially and adversely affect our business, financial condition, results of operations and prospects.

***Our technology systems and underlying infrastructure may face disruptions, failures or capacity constraints, and the resulting interruptions in the availability of our platform, products or services could harm our business and reputation.***

Our business is dependent on the ability of our information technology systems to timely process a large amount of information and transactions. Our software, hardware, and systems may contain errors or defects that could have a material adverse effect on our business, particularly to the extent such errors are not detected and remedied quickly. The digital payment products and services we provide are designed to process complex transactions and deliver reports and other information related to those transactions, all at high volumes and processing speeds. Since customers use our services for important aspects of their businesses, any errors, defects, disruptions in services, or other performance problems with our services could hurt our reputation and damage our customers’ businesses. Software and system errors, or human error, could delay or inhibit settlement of payment, result in over settlement, cause reporting errors, or prevent us from collecting transaction fees. Such issues could result in lawsuits and other liabilities and losses, which could have a material and adverse effect on our business.

We are continuously upgrading our platform to provide increased scale, improved performance, additional capacity and built-in functionality, including functionality related to security. Adopting new products and maintaining and upgrading our technology infrastructure require significant investment of time and resources. Any failure to maintain and improve our technology infrastructure could result in unanticipated system disruptions, slower response times, impaired customer experience, delays in reporting accurate operating and financial information and failures in risk management. In addition, much of the software and interfaces we use are internally developed and proprietary technology. If we experience problems with the

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functionality and effectiveness of our software, interfaces or platform, or are unable to maintain and continuously improve our technology infrastructure to handle our business needs, our business, financial condition, results of operations and prospects, as well as our reputation and brand, could be materially and adversely affected.

As our technology infrastructure and services expand and become more complex, we face increasingly serious risks to the performance and security of our technology infrastructure and services that may be caused by these third-party-developed components, including risks relating to incompatibilities among these components, service failures or delays or back-end procedures on hardware and software. In addition, our use of open source and third-party technology, which is inherently more vulnerable, unpredictable and harder to control comparing to our own systems, also imposes limitations on our ability to offer our products and services to our customers. It may also disrupt our operations, introduce security vulnerabilities, or restrict our ability to update or modify our services. We also need to continuously enhance our existing technology. Otherwise, we face the risk of our technology infrastructure becoming unstable and susceptible to security breaches. This instability or susceptibility could create serious challenges to the security and uninterrupted operation of our platform and services, which would materially and adversely affect our business and reputation.

***Security breaches and attacks against our systems and network, and any potential breaches or failure to otherwise protect personal, confidential and proprietary information, could damage our reputation and negatively impact our business.***

Our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of customer information, or a denial of service or other interruption to our business operations. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we may be unable to anticipate, or implement adequate measures to protect against, these attacks.

We have in the past and are likely again in the future to be subject to these types of attacks, although to date no such attack has resulted in any material damages or remediation costs. We may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyberattacks. Actual or anticipated attacks and risks may cause us to incur significantly higher costs, including costs to deploy additional personnel and network protection technologies, train employees and engage third-party experts and consultants. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liability, our reputation would be harmed, and we could sustain substantial loss and customer dissatisfaction.



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## RISK FACTORS

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***The successful operation of our business depends upon the performance, reliability and security of the internet infrastructure in China and other jurisdictions where we operate.***

Our business depends on the performance, reliability and security of the telecommunications and internet infrastructure in China and other jurisdictions in which we operate. Substantially all of our computer hardware and a majority of our online services are currently located 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 MIIT. In addition, the national networks in China are connected to the internet through state-owned international gateways, which are the only channels through which a PRC user can connect to the internet outside of China. We may face similar or other limitations in other jurisdictions in which we operate. We may not have access to alternative networks in the event of disruptions, failures or other problems with the internet infrastructure in China or elsewhere. In addition, the internet infrastructure in the jurisdictions in which we operate may not support the demands associated with continued growth in internet usage.

The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our websites. We have no control over the costs of the services provided by the telecommunications operators. If the prices that we pay for telecommunications and internet services rise significantly, our margins could be adversely affected.

We have utilized two local data centers that meet business and Chinese regulatory requirements for system availability. We utilize cloud-based data center and cloud service providers for daily operation and maintenance services of certain businesses that are not subject to localization requirements by Chinese regulators. Any errors, defects, disruptions, or other performance problems with data centers could adversely affect our business operations and reputation. Interruptions in our services might reduce our revenue, subject us to potential liability, and materially and adversely affect our business.

Moreover, if the security of our domain names is compromised, we will be unable to use the domain names in our business operations, which could materially and adversely affect our business operations, reputation and brand image. If we fail to implement adequate encryption of data transmitted through the networks of the telecommunications and internet operators we rely upon, there is a risk that telecommunications and internet operators or their business partners may misappropriate our data, which could materially and adversely affect our business operations and reputation.

***We may require additional capital resources due to future growth and development of our business, but we may not be able to obtain financing on favorable terms or at all.***

Our ability to sustain growth and remain competitive requires significant investment in various aspects of our business, including technology development, market expansion, and talent acquisition. While our current capital resources have been primarily generated from operating cash flows and shareholder investments, we may face pressure on our capital position if our future capital requirements exceed our available funds. A shortage of funds may impede

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## RISK FACTORS

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our ability to maintain adequate investment in research and development, delay the development of new products and services, and hinder the adoption of new technologies. Furthermore, inadequate financing may limit our marketing and business expansion efforts, hamper our ability to fulfill our obligations, and negatively impact our business prospects, operations, and performance. Additionally, a strained financial position may hinder our ability to attract and retain top talent, thereby undermining our competitiveness and hindering our ability to execute our growth strategy.

Furthermore, our financing capacity may be limited by factors beyond our control, such as macroeconomic policies, economic conditions, interest rate environment, and market sentiment. Should our financing capacity become restricted, we may experience liquidity constraints that could adversely affect our ability to operate and grow our business. As a result, we may require additional capital resources to fund our future growth and development, but we may not be able to obtain financing on favorable terms, or at all. Any failure to secure financing on acceptable terms could negatively impact our business, results of operations, financial condition, and prospects. We may also be required to accept financing terms that may be unfavorable, which could dilute our shareholders’ ownership interests, increase our financing costs, or restrict our financial flexibility. Such financing terms may also contain covenants that could limit our operations, including our ability to incur additional debt or make certain investments, which may adversely impact our business.

***Fraudulent and fictitious transactions pose severe challenges, and failure to identify those transactions and manage the related risks may adversely affect our business, reputation, financial condition and results of operations.***

We experience and face risks of loss due to fraudulent and fictitious transactions, including fraudulent chargebacks, online scams, fake transactions, unauthorized use of account information, identity theft and other illegal and unethical online transactions. In addition, we are subject to the risk that our employees, counterparties or third-party service providers commit fraudulent activity against us or our customers. We have taken measures to detect and reduce the incidents and risk of fraud. However, as the methods used to perpetrate fraudulent and fictitious transactions have become increasingly sophisticated, these measures need to be continually improved and may not be effective at all times against new and continually evolving forms of fraud or in connection with new services and products on our platform. If our risk management measures against fraudulent and fictitious transactions do not succeed, fraudulent transactions may increase, which could lead to losses, regulatory penalties or even restrictions to our operations, and as a result, our business, reputation, financial condition and results of operations may be materially and adversely affected.

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## RISK FACTORS

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*Any failure by us or our business partners to comply with applicable anti-money laundering, anti-terrorism, anti-bribery, economic and trade sanctions regulations and similar laws could lead to significant penalties and damages to our reputation.*

Any failure by us or our partners who work with us to comply with applicable anti-money laundering (“AML”), anti-terrorism, anti-bribery, economic and trade sanctions laws and regulations could lead to significant penalties and damages to our reputation. We and our partners who work with us are often required to comply with certain AML requirements set out by the PBOC and other regulators in the jurisdictions where we and our partners operate. These requirements include, among others, the establishment of a customer identification program, the monitoring and reporting of suspicious transactions, the preservation of customer information and transaction records, and the provision of assistance in investigations and proceedings in relation to AML matters. We and our partners are also subject to various anti-terrorism and economic and trade sanctions laws and regulations that prohibit, among other things, any involvement in transferring the proceeds of criminal activities. These laws and regulations require us and our partners to establish sound internal control policies and procedures with respect to AML, anti-terrorism, and economic and trade sanctions monitoring and reporting obligations.

The policies and procedures we and our partners have adopted may not be effectively implemented in protecting our services from being exploited for money laundering, terrorist financing, terrorism, economic and trade sanctions and other illegal purposes. If we fail to comply with AML, anti-terrorist and economic and trade sanction laws and regulations, we will be subject to fines, enforcement actions, regulatory sanctions, additional compliance requirements, increased regulatory scrutiny of our business, or other penalties levied by regulators, and damages to our reputation, all of which may adversely affect our business operations, and results of operations. In particular, if we were publicly named as a sanctioned entity by relevant regulatory authorities or become subject to investigation, our business may be significantly interrupted and our reputation will be severely damaged. Similarly, if our partners fail to comply with applicable laws and regulations, it could disrupt our services and could result in potential liability for us and damage our reputation.

Furthermore, regulators in the PRC and globally continue to increase their scrutiny of compliance with these obligations, which requires us to continually monitor and update our compliance program, including the procedures we use to verify the identity of our customers and to monitor international and PRC transactions. We also need to make changes to our compliance program in various jurisdictions in a timely response. Regulators regularly re-examine the transaction volume thresholds at which we must obtain and keep applicable records or verify identities of customers, and any change in such thresholds could result in greater costs for compliance.

As a global digital payment solution provider, we may be subject to anticorruption laws and regulations, including the Foreign Corrupt Practices Act and other laws that prohibit the making or offering of improper payment to foreign government officials and political figures, including anti-bribery provisions enforced by the U.S. Department of Justice.

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## RISK FACTORS

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*If our products and services are used for wrongful or illegal purposes, our reputation and business results could be materially adversely affected.*

Our digital payment solutions are susceptible to potentially illegal or improper uses, including illegal online gambling, fraudulent sales of goods or services, sales of illegal drugs and substances, weapons, obscene or pornographic materials, or the facilitation of other illegal activities. The use of our payment system for illegal or improper uses may from time to time subject us to fines, claims, or government and regulatory investigations, inquiries, or requests that could result in liability and reputational harm for us. Moreover, certain activity that may be legal in one jurisdiction may be illegal in another jurisdiction, and a customer may be found responsible for intentionally or inadvertently importing or exporting illegal goods, which may indirectly result in liability for us. Changes in law have increased the penalties for intermediaries providing payment services for certain illegal activities, and government authorities may consider additional payment-related proposals from time to time. Owners of intellectual property or government authorities may seek to bring legal action against providers of payment solutions that are peripherally involved in the sale of products that actually or allegedly infringe, misappropriate or otherwise violate intellectual property. Any threatened or resulting claims could result in reputational harm, and any resulting liabilities, loss of transaction volume, or increased costs could harm our business and results of operations.

*Changes in the rules of clearing institutions may adversely affect our business, financial condition and results of operations.*

We work with clearing institutions such as China UnionPay Co., Ltd. (“**UnionPay**”), China NetsUnion Clearing Corporation (“**NetsUnion**”), Visa, MasterCard and American Express to facilitate funds settlement services in China and globally. The clearing institutions require us to comply with their operating rules, including special operating rules that apply to us as a digital payment solution provider. These rules are set by the clearing institutions, who have the discretion for interpretation and alteration as they see appropriate. If the clearing institutions interpret or alter the operating rules in a way that is inconsistent with the way we currently operate, we may be required to make changes to our operations. Such changes could be costly or difficult to implement. If we fail to make such changes or otherwise resolve the issue with the clearing institutions, we could be fined or prohibited from processing transactions. In addition, violations of the operating rules or failure to maintain good relationships with the clearing institutions could limit our ability to provide transaction processing services to customers and result in a reduction of revenue, increase our costs and operating expenses, divert our management’s attention, or otherwise harm our business. Also, prospective customers, business partners or other third parties may choose not to consider us for their processing needs. In addition, the clearing institutions could refuse to allow us to process through their networks. Any of the foregoing could materially adversely impact our business, financial condition or results of operations.

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## RISK FACTORS

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As a result of competitive pressures, customer expectations, differences in our estimation of processing fees and the actual fees charged by these clearing institutions, or for other reasons that result in an increase in the fees, which could result in us absorbing all or a portion of such fees or fee increases in the future. In addition, the processing fees charged by the clearing institutions are subject to government regulation. Changes in such government regulation may lead to increases in such fees. Moreover, the clearing institutions prescribe certain capital requirements. Any increase in the capital level required would further limit our use of capital for other purposes. Any of these events would increase our operating costs, reduce our profit margins and adversely affect our business, results of operations and financial condition.

***Our failure to successfully manage the operational, financial and management challenges involved in growing our business and operations could harm us.***

As we continue to grow and expand our business and operations, the complexity of our decision-making, organizational management, and risk control will increase. We will face challenges in various aspects of our business, including technology research and development, product and service offerings, and sales, which will require us to adapt our organizational structure, management capabilities, and staff quality. If we fail to adjust our management model and improve our management capabilities in a timely manner to meet the changing needs of our business, we may face management risks arising from the rapid expansion of our business.

The growth of our business may place a strain on our resources and require us to hire additional employees and expand our capabilities. In addition, we may face challenges in managing relationships with our business partners, service providers, and regulatory authorities, which could affect our ability to conduct our operations effectively and efficiently. We may also face risks associated with financial management, including managing our working capital, cash flow and debt levels. Our inability to effectively manage our financial resources could lead to liquidity constraints, which could adversely impact our ability to meet our financial obligations, pay our employees, and invest in our business. Moreover, if we are unable to generate sufficient revenue and profits to meet our financial obligations and fund our growth plans, we may need to seek additional financing, which may not be available on favorable terms or at all.

To mitigate these risks, we will need to continuously enhance our organizational structure and management capabilities to support our business growth and operations. We will also need to improve our financial management and maintain a strong balance sheet to ensure our liquidity and financial stability. However, there can be no assurance that we will be successful in these efforts, and any failure to manage the operational, financial, and management challenges involved in growing our business and operations could harm our business, financial condition, and results of operations.

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## RISK FACTORS

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*Our controls and procedures may fail or be circumvented, and our risk management and internal control systems, including our counterparty risk management, may not be adequate or effective in all respects and any failure or inadequacies could materially and adversely affect our business and results of operations.*

We seek to establish risk management and internal control systems, consisting of an organizational framework, policies, procedures and risk management methods, which are appropriate for our business operations, and seek to continue to improve these systems. However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure you that our risk management and internal control systems will be able to identify, prevent and manage all risks. Our internal control procedures are designed to monitor our operations and ensure their overall compliance. However, our internal control procedures may be unable to identify all non-compliance incidents in a timely manner or at all. It is not always possible to timely detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective.

In addition, as some of our risk management and internal control policies and procedures are relatively new, we need more time to fully evaluate and assess their adequacy and effectiveness. As a result, we may need to establish and implement additional risk management and internal control policies and procedures to further improve our systems from time to time. We implement our risk management and internal controls by using a series of risk management methods. However, these methods also have their inherent limitations, as risk management methods are generally based on the statistical analysis of historical data as well as assumptions that risks in future periods share characteristics similar to risks in past periods. We cannot assure you that such assumptions are always reliable. In addition, although we have established what we believe to be an advanced information technology system and have the benefit of an accumulation of industry and company data, our information technology system may not be adequate in the collection, analysis and processing of this data, and our historical data and experience may not be able to adequately reflect risks that may emerge from time to time in the future. As a result, our risk management methods and techniques may not be effective in directing us to take timely and appropriate measures in risk management and internal controls.

Our risk management and internal controls depend on the effective implementation by our employees. Due to the large size of our operations, we cannot assure you that such implementation will not involve any human errors or mistakes, which may materially and adversely affect our business and results of operations.

Our risk management also relies upon third-party information as a data source for verification, such as customers' identification, phone numbers, bank card details and other information obtained from public agencies or authorized third parties. We cannot assure you that such information is always accurate, and any inaccuracy may affect the proper function of our risk management system.



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## RISK FACTORS

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***We face risks relating to our investment and acquisitions.***

Investment and acquisitions are part of our growth strategy. We evaluate and expect in the future to evaluate potential strategic investment and acquisitions to enrich our service and product offerings, enhance our technology capabilities and strengthen our international operations. However, there can be no assurance that we will be able to identify attractive investment and acquisitions targets, negotiate favorable terms, obtain necessary government approvals or permits, complete necessary registrations or filings, or obtain necessary funding to complete these investment and acquisitions on commercially acceptable terms or at all. Furthermore, we believe investment and acquisitions are important to our long-term success and future growth, but they may have the effect of increasing our costs and lowering our margins and profit, and this effect may be significant in the short term and potentially over longer periods.

Investment and acquisitions involve numerous risks, including potential difficulties in retaining and assimilating personnel, disputes or disagreements arising from the investment and/or acquisition, risks and difficulties associated with integrating the operations and culture of acquired businesses, diversions of management attention and other resources, lack of experience, lack of industry and market knowledge of the new businesses, difficulties associated with strictly complying with laws and regulations or fulfilling local requirements related to the acquisitions and the acquired businesses, and failure to properly identify problems with acquisition targets through the due diligence process. In addition, investment and acquisitions may significantly stretch our capital, personnel and management resources and, as a result, we may fail to manage our growth effectively. Any new investment and acquisitions plans may also result in our inheritance of debts and other liabilities, assumption of potential legal liabilities in respect of the new businesses, and incurrence of impairment charges related to goodwill and other intangible assets, any of which could harm our businesses, financial condition and results of operations. In particular, if any new businesses we acquire or develop fail to perform as we expected, we may be required to recognize a significant impairment charge, which could materially and adversely affect our business, financial condition and results of operations. There may also be established players in these sectors and markets that enjoy significant market share, and it may be difficult for us to win market share from them. Furthermore, some of the overseas markets that we target may have high barriers of entry for foreign players. As a result, there can be no assurance that our investment and acquisitions plans will be successful, and we cannot ensure that any investment or acquisition we make will not have a material adverse effect on our business, financial condition and results of operations.

***Our reputation, our brand and our business may be harmed by aggressive and misleading marketing and communications strategies of certain third parties.***

We have been and may, in the future, be the target of incomplete, inaccurate and false statements and complaints about us, our products and services and our management that could damage our reputation and brand and materially deter customers and partners from engagement with our business. In addition, certain third parties, including some of our competitors and organizations may use methods such as publishing media or other reports and lodging

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## RISK FACTORS

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complaints with regulators, government officials and other bodies which may lead to regulatory inspections or investigations or other government actions, initiating frivolous and nuisance lawsuits, and other forms of litigation and “lawfare.” These actions attempt to generate negative publicity or disrupt our business or capital markets activities or otherwise harm our reputation and brand, hinder our operations, force us to expend resources on responding to and defending against these claims, and are otherwise designed to allow such third parties to gain a competitive or other advantage over us by means of litigious and accusatory behavior. Our ability to respond to such accusations and misinformation may be limited due to our internal policies, legal considerations or limited resources, which may significantly expose our brand and business to reputation risk and in turn materially and adversely impact our business, financial condition and results of operations.

***Failure to comply with any restrictive covenants of our indebtedness could have an adverse effect on our cash flow and liquidity.***

We had outstanding indebtedness of RMB256.9 million as of April 30, 2023. Under the terms of our indebtedness and under any debt financing arrangement that we may enter into in the future, we are subject to certain covenants that could, among other things, restrict our business and operations and impose certain financial requirements. If we breach any of these covenants, our lenders may be entitled to accelerate our debt obligations. Any default under our debt obligations could require that we repay these debts prior to maturity, and may also limit our ability to obtain additional financing, which in turn may have a material adverse effect on our cash flow and liquidity.

***Our success largely depends on our senior management, as well as our experienced and capable employees. The loss of senior management or other key personnel required for our operations could severely and adversely affect our business.***

Our future success is significantly dependent upon the continued service of our senior management and other experienced and capable employees. We depend upon the ability and experience of a number of our senior management who have significant experience with our operations, the rapidly changing digital payment solution industry and the selected markets in which we offer our products and services. The loss of the services of one or a combination of our senior management or key employees could have a material adverse effect on our day-to-day operations and financial results.

To maintain and grow our business, we will need to identify, hire, develop, motivate and retain highly skilled employees, which requires significant time, expense, and attention. In addition, from time to time, there may be changes in our management team that may be disruptive to our business. If our management team members, including any new hires that we make, fail to work together effectively and to execute our plans and strategies on a timely basis, our business could be harmed. Competition for highly skilled personnel is intense. We may need to invest significant amounts of expense and other efforts to attract and retain new employees, and we may never realize returns on our human resource investments. If we are not able to add and retain employees effectively, our ability to achieve our strategic objectives will be adversely affected, and our business and growth prospects will be harmed.

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## RISK FACTORS

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***From time to time, we, our Directors, management and employees may be exposed to the risk of litigation, claims, disputes and regulatory compliance issues, which may not only cause us to pay significant damages and incur additional costs but also adversely affect our business, results of operations, reputation and prospects.***

We, our Directors, management and employees may be subject to legal proceedings, claims and disputes from time to time in the ordinary course of our business, which could have a material adverse effect on our business, results of operations, and financial condition. Claims arising out of actual or alleged violations of law or breach of contractual terms could be asserted against us by our customers, our competitors, governmental authorities in civil or criminal investigations and proceedings. These claims could be asserted under a variety of bases, including, but not limited to, customer protection laws, intellectual property laws, and labor and employment laws. Given the inherent uncertainty of litigation, it is possible that we might incur liabilities as a consequence of the proceedings and claims brought against us, including those that we are currently do not believe to be reasonably probable.

Moreover, companies in the digital payment solution industry including our Company are, from time to time, exposed to lawsuits or compliance matters relating to certain aspects of our business operations. If such litigation or non-compliance were to result in fines, monetary damages or reputational damages to us or our brands, this could materially and adversely affect our financial condition and operating results.

***We may not be able to fully protect our intellectual property rights.***

We face challenges in protecting our intellectual property rights and enforcing corresponding contractual rights. We rely on a combination of patents, trademarks, copyrights and trade secrets in the PRC and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect our intellectual property rights. We also enter into confidentiality agreements with our employees and third parties who may access our proprietary information, and we take security measures to control access to our proprietary technology and information. We might not be able to obtain broad protection for all of our intellectual property. The protection of our intellectual property rights may require the expenditure of significant financial, managerial and operational resources. The process of obtaining intellectual property protections can be expensive and time-consuming, and we may not be able to pursue all necessary or desirable actions at a reasonable cost or in a timely manner.

In addition, policing any unauthorized use of our intellectual property is difficult, time-consuming and costly and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual property. Confidentiality agreements may be breached by counterparties, and they may use our intellectual property without authorization. In the event that we resort to litigation to protect our intellectual property rights, litigation could result in substantial costs and a diversion of our managerial and financial resources. There can be no assurance that we will prevail in any litigation. Furthermore, the intellectual property protection mechanisms that we rely on may not be sufficient in the jurisdictions in which we operate. For example, effective intellectual property protection may not be available in every country in which we currently, or in the future, will operate.

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The degree of future protection afforded by our intellectual property rights is uncertain. Intellectual property rights have time and geographical limitations and may not adequately protect our business, or permit us to maintain our competitive advantage. The following examples are illustrative:

- others may be able to independently develop similar or alternative technologies or designs that are similar to our services and products but that are not covered under the patents that we own;
- we might not have been the first to make the inventions covered by the issued patents or pending patent applications that we own, which could result in the patent applications not being issued or being invalidated after issuance;
- we are exposed to risks of unauthorized use of our trademarks by third parties;
- we may fail to apply for or obtain adequate intellectual property protection in all the jurisdictions in which we operate; and
- the patents of others may have an adverse effect on our business.

Any of the aforementioned threats to our competitive advantage could have a material adverse effect on our business. If we fail to protect or enforce our intellectual property rights, our customers and partners may devalue our services, and our ability to compete effectively may be impaired, which 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 and time-consuming to defend and may disrupt our business and operation by diverting our financial and management resources.***

We depend to a large extent on our ability to develop and maintain the intellectual property rights relating to our business. We cannot be certain that third parties will not claim that our business infringes upon or otherwise violates patents, copyrights or other intellectual property rights that they hold. We may be involved in litigation in respect of our technology-based services in relation to allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of other parties’ rights. The validity, enforceability and scope of protection of intellectual property rights are not consistently developed in the jurisdictions where we operate. We may face allegations that we have infringed on the trademarks, copyrights, patents and other intellectual property rights of third parties, including our competitors, or allegations that we are involved in unfair trade practices. As we face increasing competition and as litigation becomes a more common method for resolving commercial disputes, we face a higher risk of being the subject of intellectual property infringement claims.

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Defending against intellectual property claims is costly and can impose a significant burden on our management and resources, and favorable final outcomes may not be obtained in all cases. Such claims, even if they do not result in liability, may harm our reputation. Any resulting liability or expenses, or changes required to our services to reduce the risk of future liability, may have a material adverse effect on our business, results of operations and prospects.

***We face challenges in implementing our growth strategy and new initiatives.***

Our growth strategy is influenced, in part, on our ability to implement our newly launched initiatives. Our lack of experience in certain sectors may result in operational difficulties, which could cause delay or failure to integrate and realize the benefits of entering into such sectors. We may also be unable to identify new opportunity for the rendition and deployment of our services and product. If and when we choose to enter into new sectors, our market validation process may not guarantee our success. We may be unable to tailor products and services for a new sector or, in the event that we enter a new sector by way of a strategic acquisition, we may be unable to leverage the acquired platform in time to take advantage of the identified market opportunity, and any delay in our time-to-market could expose us to additional competition or other factors that could impede our success. Furthermore, any product or solution we develop or acquire for a new sector may not provide the functionality required by potential customers and, as a result, may not achieve widespread market acceptance. To the extent we choose to enter new sectors, whether organically or via strategic acquisition, we may invest significant resources to develop and expand the functionality of services and products to meet the needs of customers in those sectors. Our initiatives to grow our business may not be successful and, as a result, our business, results of operations and future prospects may be materially and adversely affected.

***Some of our key performance indicators are subject to inherent challenges in measurement, and any actual or perceived inaccuracies in such metrics may adversely affect our business, results of operations and prospects.***

We track certain key performance indicators, including metrics such as TPV and number of active customers, with internal systems and tools and which may differ from estimates or similar metrics published by third parties due to differences in sources, methodologies, or the assumptions on which we rely. Our internal systems and tools have a number of limitations, and our methodologies for tracking these metrics may change over time, which could result in unexpected changes to our key performance indicators, including the metrics we publicly disclose, or our estimates. If the internal systems and tools we use to track these metrics undercount or overcount performance or contain algorithmic or other technical errors, the data we report may not be accurate. While these numbers are based on what we believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring these metrics across our growing customer base. If our key performance indicators are not accurate representations of our business, or if investors do not perceive our operating metrics to be accurate, or if we discover material inaccuracies with respect to these figures, our reputation may be significantly harmed, and our operating and financial results could be adversely affected.

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## RISK FACTORS

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*We have granted and may continue to grant incentive shares, share options, restricted share units, and/or other types of share-based compensation awards under our equity incentive plans, which may result in increased share-based compensation expenses and may dilute shareholder value and cause the price of our H Shares to decline.*

We adopted certain equity incentive plans for the purpose of granting share-based compensation awards to plan participants to incentivize their performance and align their interests with ours. We believe the granting of share-based compensation awards is important to attract and retain key personnel and employees, and we will continue to grant share-based compensation awards to employees in the future. The amount of the grant and the underlying factors determining the fair value of the grant, such as the [REDACTED] price and volatility of our H Shares may fluctuate after our [REDACTED]. As the [REDACTED] price of our H Shares changes and the number of our employees and the amount of grant increase, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. Furthermore, share-based compensation awards issued under our equity incentive plans may dilute the ownership interests of our Shareholders. The allocation of our H Shares under our equity incentive plans, or the grant of share-based compensation awards, may adversely affect the [REDACTED] of our H Shares. In addition, if any awards that we may issue vest, and those Shares are sold into the public market, the [REDACTED] of our H Shares may decline.

*We may not have sufficient insurance coverage to cover our business risks.*

We have obtained insurance to cover certain potential risks and liabilities, such as property damage insurance, directors’ and officers’ insurance, employer liability insurance, public liabilities for business premises and information technology profession liability insurance. For further details, see “Business – Insurance.” However, insurance companies in the PRC and other jurisdictions in which we operate may offer limited business insurance products. As a result, we may not be able to acquire any insurance for all types of risks we face in our operations in the PRC and overseas, and our coverage may not be adequate to compensate for all losses that may occur, particularly with respect to loss of business or operations. This potentially insufficient coverage could expose us to potential claims and losses. Any business disruption, litigation, regulatory action, outbreak of epidemic disease, adverse weather conditions or natural disasters could also expose us to substantial costs and diversion of resources. There can be no assurance that our insurance coverage will be sufficient to cover us for any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensation amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.



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## RISK FACTORS

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***Discontinuation of any of preferential tax treatments or government grants or imposition of any additional taxes and surcharges could adversely affect our business, financial condition, results of operations and prospects.***

Our business is subject to risks associated with the tax laws and regulations of the countries in which we operate, including the risk of changes in tax laws, regulations, and policies, as well as the imposition of additional taxes, surcharges, or penalties. We may face evolving tax regimes in the countries or regions in which we operate, which could adversely affect our effective tax rate, transfer pricing, or exposure to additional tax liabilities. We strive to comply with applicable tax laws and regulations in each of the countries or regions in which we operate, but there can be no assurance that we will be successful in doing so, which could result in material adverse effects on our business, financial condition, results of operations and prospects. In addition, some of the jurisdictions in which we operate have rules on transfer pricing that require intra-group transactions to be conducted on arm’s length terms. While we believe that we have complied with these rules, there can be no assurance that tax authorities in these jurisdictions will not challenge our transfer pricing arrangements, which could result in additional taxes, interests, or penalties imposed on us. Such challenges could have a material adverse effect on our financial condition, results of operations and prospects.

We may receive grants, subsidies and other benefits from local governments. We cannot assure you that we will continue to be eligible to receive such government grants or that the amount of such grants will not be reduced in the future. Our ability to continue to avail government grants is subject to changes in national or local policies, and may be affected by the termination of, or amendments to, such policies for a number of reasons, including those beyond our control. Any decrease in or termination of such government grants in the future may have an adverse effect on our financial condition, results of operations and prospects.

Preferential tax treatments and incentives granted to us by local governmental authorities are also subject to review and renewal and may be adjusted or revoked at any time in the future. We cannot guarantee you that the preferential tax treatments and incentives to which we and our subsidiaries are currently entitled would remain valid or be successfully renewed. There can be no assurance that the local tax authorities will not, in the future, change their decisions and discontinue any of our current tax treatments, potentially with retrospective effect. The discontinuation of any of our current tax treatments and imposition of any additional taxes and surcharges could materially increase our tax obligations and adversely impact our net income.

***We may be subject to fines for failing to register and file lease agreements with the relevant government authorities in China.***

As of the Latest Practicable Date, 34 lease agreements of our leased properties had not been registered and filed with the competent PRC government authorities as required by applicable PRC laws and regulations. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. Our PRC Legal Advisor has advised us that failure to complete the registration and filing of lease agreements will not affect the validity of such leases or impede our use of the relevant properties but could result in the imposition of fines up to RMB10,000 for each leased property that is unregistered if we fail to rectify the non-compliance after we are required to do so by the relevant PRC governmental authorities.

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## RISK FACTORS

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*Strict enforcement of labor laws and regulations and increases in labor costs in the PRC may adversely affect our business and results of operations.*

The average wages in the PRC have increased in recent years and are expected to continue to grow. We expect that our labor costs will continue to increase. If we are not able to effectively control our labor cost or tackle the challenges posed by the increasing labor costs, our results of operations may be adversely affected. We are required by the local laws and regulations to comply with various requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employee’s probation and unilaterally terminating labor contracts. In the event that we decide to terminate employment contracts with some of our employees or otherwise change our employment or labor practices, the relevant local laws and regulations, such as the PRC Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

In accordance with relevant PRC laws and regulations, an employer shall pay basic pension insurance, basic medical insurance, work related injury insurance, unemployment insurance, maternity insurance and housing provident fund (collectively, the “**Employee Benefits**”) for its employees in accordance with the rates and bases provided under relevant regulations and shall withhold the Employee Benefits that should be assumed by its employees. See “Regulatory Overview – Laws and Regulations Related to Our Business in the PRC – Regulations in Relation to Labor Protection in the PRC” for details of relevant laws and regulations. During the Track Record Period, we had not made full contributions to the Employee Benefits for some of our employees in accordance with the bases provided under relevant regulations and we used third-party service providers to pay the Employee Benefits for some of our employees. Under the agreements between the third-party service providers and us, the third-party service providers have the obligations to pay the Employee Benefits for our relevant employees. As of the Latest Practicable Date, none of the third-party service providers that we cooperate with had failed to pay, or delayed in paying, any of the Employee Benefits for our employees. As of the Latest Practicable Date, we had not received any notice or inquiry from the relevant governmental authorities due to the abovementioned practice of making contributions to the Employee Benefits, and we obtained compliance certificates with respect to contributions to the Employee Benefits.

As advised by our PRC Legal Adviser, considering, among others, the facts stated above, based on the compliance certificates we have obtained, as well as the fact that we have not received any notice or inquiry from relevant government authorities, the likelihood of us being required to integrally supplement all historical arrears for the Employee Benefits and/or to take rectification measures with respect to using third-party service providers to pay the Employee Benefits is remote and the risk of us being imposed to late fees or fines or subject to compulsory enforcement is remote. As such, no provision is required for the abovementioned contribution of the Employee Benefits and such matters would not have a material and adverse impact on our business, financial condition and results of operations.

As the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practices do not and will not violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. We cannot assure you that the relevant governmental authorities will not require us to rectify and/or impose late fees or fines on us, which may adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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***We will incur increased costs as a result of operating as a [REDACTED] company, and our management will be required to devote substantial time to new compliance initiatives and corporate governance practices.***

Although certain members of our management team, such as our executive Director and chief executive officer Mr. Xin Jie, have been serving director positions in public companies, some of our management team have limited experience managing a publicly [REDACTED] company, interacting with public company [REDACTED], and complying with the increasingly complex laws, rules and regulations that govern [REDACTED] companies. A [REDACTED] company is subject to significant obligations relating to reporting, procedures and internal controls, and our management team may not have all the knowledge required to manage such obligations. These obligations and scrutiny could require significant attention from our management and could divert their attention away from the day-to-day management of our business, which could adversely affect our operations.

Once we become a [REDACTED] company, we are likely to incur significant legal, accounting and other expenses that we did not incur as a private company. Moreover, rules and regulations applicable to a [REDACTED] company, including the Listing Rules, continue to increase our legal and financial compliance costs and could make certain of our operating activities more time-consuming and costly as we face additional compliance requirements for a [REDACTED] company. These rules and regulations are subject to further changes and in some cases may apply differently based on the specific circumstances. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

***If we cannot resolve any potential conflict between us and our controlling shareholders in our favor, our business, financial condition, results of operations and prospects may be materially and adversely affected.***

As of the Latest Practicable Date, Mr. Zhang, Mr. Lu and Ms. Xiao are collectively interested in approximately 38.91% of our total issued share capital. Therefore, Mr. Zhang, Mr. Lu and Ms. Xiao are our controlling shareholders (as defined in the Listing Rules) before [REDACTED]. Immediately upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued under the Pre-[REDACTED] Share Option Schemes), our Controlling Shareholders will be interested in and control approximately [REDACTED]% of our total issued share capital and has significant influence over our business strategy, management decisions, personnel arrangements, profit distribution, related-party transactions, and external investments. In the event of any conflicts of interest between our company and our Controlling Shareholders, if our Controlling Shareholders exercises his voting rights improperly, it may have a negative impact on our business and harm the interests of our public shareholders.

Any actions taken by our Controlling Shareholders that are not in the best interest of our company or our public shareholders could have a material and adverse effect on our business, financial condition, results of operations and prospects. In addition, our ability to make independent decisions may be limited due to the influence of our Controlling Shareholders. If we are unable to resolve any potential conflicts of interest in a manner favorable to our company and our public shareholders, it could result in legal proceedings or regulatory actions, which may further harm our business and reputation.

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## RISK FACTORS

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### Risks Related to the Contractual Arrangements

*We rely upon contractual arrangements to establish control over the Indon VIEs (the “Contractual Arrangements”), and government authorities may determine that these arrangements do not comply with applicable laws and regulations.*

In Indonesia, we provide payment services through the Indon VIEs. Under the Indonesian laws and regulations, business actors operating in the field of fund transfer are allowed to have a maximum of 49% direct foreign investment. The Contractual Arrangements enable us to (i) exercise effective control over our the Indon VIEs; (ii) receive substantially all of the economic benefits of the Indon VIEs; and (iii) have an exclusive option to purchase all or part of the equity interests in the Indon VIEs when and to the extent permitted by Indonesian laws. Our expansion and operations in Indonesia through the Contractual Arrangements represent our Group’s first step in a larger plan to serve the Indonesian payment services market, which we believe to be of significant potential and strategic value.

Respect towards local regulations, culture and pace, in our Directors’ belief, is key for any successful entry and expansion into new markets. Such respect underlies our adoption of the Contractual Arrangements, which allowed us to enter into the Indonesian payment market in a lawful manner as advised by Hutabarat Halim & Rekan as our Indonesian Legal Advisor. They are of the opinion that the Contractual Arrangements are legally binding and enforceable on the Registered Shareholders and comply with all relevant laws and regulations of Indonesia. As and when Indonesian law allows foreign invested entity to provide payment and fund transfer services in Indonesia, we will, upon due consultation with the relevant Indonesian authorities, proceed as a second step to unwind the Contractual Arrangements so that the Indon VIEs will become the subsidiaries of our Group to the extent possible.

If, prior to our unwinding of the Contractual Arrangements, the authorities of Indonesia find that our contractual or other shareholding arrangements do not comply with their prohibition or restrictions on foreign investment, or if the relevant government otherwise finds that we or any of our subsidiaries are in violation of the relevant laws or regulations or lack the necessary registrations, permits or licenses to operate our businesses in such jurisdictions, they would have broad discretion in dealing with such violations or failures, including but not limited to revoking the necessary licenses required for our payment service provision businesses and/or requiring us to discontinue our payment service provision business in Indonesia.

Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would in turn materially and adversely affect our business, financial condition and results of operations in Indonesia. If any of these occurrences results in our inability to direct the activities of the Indon VIEs that most significantly impact their economic performance, or prevent us from receiving the economic benefits from these entities, we may not be able to consolidate such entities in our consolidated financial statements in accordance with IFRS.

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***Our Contractual Arrangements with the Indon VIEs may result in adverse tax consequences to us.***

We could face material and adverse tax consequences if the competent tax authorities determine that our Contractual Arrangements were not made on an arm’s length basis and adjust our income and expenses for tax purposes by requiring a transfer pricing adjustment. A transfer pricing adjustment could adversely affect us by (i) increasing the tax liabilities of the Indon VIEs without reducing the tax liability of our subsidiaries, which could further result in late payment fees and other penalties to the Indon VIEs for underpaid taxes; or (ii) limiting the ability of the Indon VIEs to obtain or maintain preferential tax treatments and other financial incentives, if any.

***The Contractual Arrangements with the Indon VIEs and their shareholders may not be as effective as direct ownership in providing operational control.***

The Contractual Arrangements with the Indon VIEs and their shareholders may not be as effective as direct ownership in providing operational control. For a description of these Contractual Arrangements, see “Contractual Arrangements.” These Contractual Arrangements may not be as effective as direct ownership in providing us with control over the Indon VIEs. If the Indon VIEs or their shareholders fail to perform their respective obligations under these Contractual Arrangements, our recourse to the assets held by the Indon VIEs is indirect and we may have to incur substantial costs and expend significant resources to enforce such arrangements in reliance on legal remedies available under Indonesian laws. These remedies may not always be effective, particularly in light of uncertainties surrounding such contractual arrangements under the Indonesian laws. Furthermore, in connection with litigation, arbitration or other judicial or dispute resolution proceedings, assets under the name of any record holder of equity interest in the Indon VIEs, including such equity interest, may be put under court custody. As a consequence, we cannot be certain that the equity interest will be disposed pursuant to the Contractual Arrangements or ownership by the record holder of the equity interest.

***The shareholders of the Indon VIEs may have potential conflicts of interest with us.***

Despite the protection of our interest in the Indon VIEs being covered in the Contractual Arrangements, it is always a possibility that the shareholders of the Indon VIEs may differ from the interests of our Company as a whole, as what is in the best interests of the Indon VIEs, including matters such as whether to distribute dividends or to make other distributions to fund our offshore requirement, may not be in the best interests of our Company. These shareholders of the Indon VIEs may breach, or cause the Indon VIEs to breach, the existing Contractual Arrangements we have with them and the Indon VIEs, which would have a material and adverse effect on our ability to effectively control the Indon VIEs and receive economic benefits from them. For example, these shareholders may be able to cause our agreements with the Indon VIEs to be performed in a manner adverse to us by, among other things, 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

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## RISK FACTORS

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best interests of our Company or such conflicts will be resolved in our favor. If we cannot resolve any conflict of interest or dispute between us and these shareholders, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

*We do not have any insurance coverage to cover our risks relating to our Contractual Arrangements, which may impact our business, financial condition and results of operations in Indonesia.*

We have not purchased nor do we maintain any insurance policy to cover any of the risks relating to our Contractual Arrangements. In the event that our Contractual Arrangements are held or declared to be illegal, invalid or not legally binding, or if we fail to enforce our rights under our Contractual Arrangements, or if we fail to seek remedies against the “registered shareholders” under our Contractual Arrangements, we may not be adequately compensated for our losses, which may materially and adversely affect our business, results of operations and financial condition in Indonesia.

### **Risks Related to Conducting Business in China**

*China’s economic, political and social conditions, as well as government policies, could affect our business, financial condition and results of operations.*

A substantial portion of our businesses, assets and operations are located in China. Accordingly, our financial condition, results of operations and business prospects are, to a significant degree, subject to the economic, political and legal developments in China.

China’s economy has experienced significant growth over the past decades since the implementation of reform and opening-up policy. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively adjusted from industry to industry or across different regions of the country. If the business environment in China changes, our business in China may also be materially and adversely affected.

*We are required to complete filing procedures with the CSRC for the [REDACTED] and [REDACTED] of our H Shares on the Hong Kong Stock Exchange.*

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions enhanced administration and supervision on overseas [REDACTED] 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-[REDACTED] companies. See “Regulatory Overview – Laws and Regulations Related to Our Business in the PRC – Regulations in Relation to Overseas Securities [REDACTED] and [REDACTED] by Domestic Companies” for details.



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On February 17, 2023, the CSRC released the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Trial Measures**”), together with five interpretative guidelines thereof, which became effective on March 31, 2023. The Trial Measures comprehensively improved and reformed the prior regulatory regime for overseas [REDACTED] and [REDACTED] of securities of PRC domestic companies, and had regulated both direct and indirect overseas [REDACTED] and [REDACTED] of PRC domestic companies’ securities by adopting a filing-based regulatory regime. According to the Trial Measures, we, as a PRC domestic company seeking to [REDACTED] and [REDACTED] securities in overseas markets, are required to fulfill the filing procedure with the CSRC within three (3) working days after submitting the [REDACTED] documents to the overseas supervisory authorities and report relevant information. However, we cannot assure you that we will be able to complete all filing requirements in time or at all as the filing requirements are subject to change with substantial uncertainty.

Furthermore, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. We may not be able to comply with such additional requirements in a timely manner or at all. In addition, we may be subject to sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC filing or other government authorization for this [REDACTED], and these regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, limit our ability to pay dividends outside of the PRC, delay or restrict the repatriation of the [REDACTED] from the [REDACTED] into the PRC or take other actions to restrict our financing activities, which could have a material adverse effect on our business.

***The development of the PRC legal system and changes in the interpretation and enforcement of PRC laws, regulations and policies in China could adversely affect us.***

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value. In late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, with a view towards developing a comprehensive system of commercial law. The overall effect of legislation since then has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China’s legal system continues to evolve in response to changing economic and other conditions, many laws and regulations are relatively new and continue to change. In particular, the interpretation and enforcement of newly promulgated laws and regulations involve uncertainties and application may be subject to case by case analysis. In addition, as other civil law countries, there is a limited volume of published court decisions, which may be cited for reference but are not binding on subsequent cases and have limited precedential value unless the Supreme People’s Court otherwise provides. Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which may not be available on a timely basis or at all and may have a retroactive effect. As a result, we may not be fully aware if our activities are fully compliant with relevant rules and regulations.

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In addition, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or tort claims.

***You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.***

We are a company incorporated under the laws of the PRC, and a substantial portion of our business, assets and operations are located in Mainland China. In addition, a majority of our Directors, Supervisors or members of our senior management reside in Mainland China, and a substantial portion of the assets of such Directors, Supervisors or members of our senior management are located in Mainland China. As a result, it may be difficult, cumbersome, and time-consuming to effect service of process outside Mainland China upon us or such Directors, Supervisors or members of our senior management. Furthermore, an original action may only be brought in China against us or our Directors, Supervisors and senior management if the actions are not required to be arbitrated by the PRC laws and upon satisfaction of the conditions for commencing a cause of action pursuant to the PRC civil procedure law. As a result of the conditions set forth in the PRC civil procedure law and the discretion of the PRC courts to determine whether the conditions are satisfied and whether to accept the action for adjudication, it is uncertain whether you will be able to bring an original action in China in this manner. Moreover, Mainland China has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with many countries including the United States. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. As a result, recognition and enforcement in Mainland China or Hong Kong of a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

On July 14, 2006, the Supreme People’s Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “**2006 Arrangement**”). Pursuant to such arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China, and vice versa. However, it is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the 2006 Arrangement. On January 18, 2019, the Supreme People’s Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “**2019 Arrangement**”), the commencement date of which shall be announced after the Supreme People’s Court promulgates judicial interpretations and relevant procedures are completed in Hong Kong. The

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2019 Arrangement will supersede the 2006 Arrangement and afford greater clarity and certainty for reciprocal recognition and enforcement of judgments in civil and commercial matters. The 2006 Arrangement will remain applicable to a “choice of court agreement in writing” entered into before the 2019 Arrangement taking effect. However, there remain uncertainties as to the outcome of any applications to recognize and enforce such judgments and arbitral awards in China.

Although we will be subject to the Hong Kong Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases upon the [REDACTED] of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. The Hong Kong Listing Rules and Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law in Hong Kong.

***Changes in the regulation on the centralized deposit and supervision of customer reserve funds by the PBOC may adversely affect our interest income and customer experience.***

Since January 2019, the PBOC has mandated all third-party payment service providers in China to deposit 100% of customer reserve funds to a central deposit and management reserve account with the PBOC or a depositary account with a designated depositary bank. Customer reserve funds may or may not be interest-bearing, and applicable interest rate may fluctuate from time to time. In addition, our settlement arrangements are subject to regulatory enforcement in the process of increasing the proportion of centralized deposits of customer reserve funds, which may prolong the process for us to access the funds and affect our settlement efficiency, and negatively affect our ability to process a significant surge in payment volume during peak times, such as holiday seasons. This could adversely affect our processing costs and the customer experience of our services.

***We are a PRC enterprise and we are subject to PRC tax on our global income, and any gains on the sales of our H Shares by [REDACTED] and dividends paid to [REDACTED] on our H Shares may be subject to PRC tax.***

Non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares in accordance with applicable PRC tax laws, rules and regulations.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), non-PRC resident individuals are subject to a 20% PRC individual income tax on their dividend income derived from China and we are required to withhold such tax from our dividend payments. If there is an applicable tax treaty to avoid double taxation and taxation evasion between China and the jurisdiction where the foreign individual resides, the applicable tax rate shall be determined in accordance with such tax treaty. Considering that the applicable tax rate on dividends is usually 10% according to tax treaties or tax agreements, and that the number of stockholders is large for a [REDACTED] company, to simplify the tax administration,

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generally a domestic non-foreign-investment enterprise with shares [REDACTED] in Hong Kong can withhold dividend income tax at a rate of 10%. There remains uncertainty as to whether gains realized by non-PRC resident individuals on disposition of H Shares are subject to the PRC individual income tax.

Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and other applicable PRC tax rules and regulations, non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to a 10% PRC enterprise income tax rate on dividend income received from a PRC company and gains realized upon the sale or other dispositions of equity interest in a PRC company. The 10% tax rate is subject to reduction under any special arrangements or applicable treaties between China and the jurisdiction where the non resident enterprise domiciles. In accordance with applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including CCASS Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities’ verification.

There remains substantial uncertainty as to the interpretation and implementation of the PRC EIT Law and other applicable PRC tax rules and regulations by the PRC tax authorities, including whether and how non-PRC resident H shareholders are subject to personal income tax or enterprise income tax on gains realized upon the sale or other dispositions of their H shares. In addition, the value of your [REDACTED] in our H Shares may be materially affected by unfavorable changes in the applicable tax rates currently stipulated by the PRC tax authorities.

***Payment of dividends is subject to restrictions under PRC laws.***

Under the PRC laws, dividends may be paid only out of distributable profits. Our distributable profits represent our distributable net profits less appropriations to statutory surplus reserve, general reserve, and discretionary surplus reserve (as approved by our Shareholders’ meeting), each such appropriation based on the unconsolidated net profit determined under PRC GAAP. Our distributable net profit referred to above represents the lowest of (i) our net profit attributable to our equity holders for a period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP, and (ii) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS. As a result, we may not have sufficient distributable profits, if any, to make dividend distributions to our Shareholders in the future, including in respect of periods where we register an accounting profit. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

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*We are subject to PRC government controls on currency conversion and risks relating to fluctuations in exchange rates.*

Given the nature of our cross-border digital payment solutions, we regularly deal in multiple currencies and are therefore exposed to significant foreign exchange risk. We receive a majority of our revenues in Renminbi, which is currently not a freely convertible currency. A portion of these revenues must be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares.

Under the PRC’s existing foreign exchange regulations, by complying with certain procedural requirements, following completion of the H Share [REDACTED], we will be able to undertake current account foreign exchange transactions, including payment of dividends without prior approval from the SAFE. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. In this case, we may not be able to pay dividends in foreign currencies to holders of our H Shares.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China’s international political and economic conditions and the PRC government’s fiscal and currency policies. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day’s inter-bank foreign exchange market rates and current exchange rates on the world financial markets. It is expected that China may further reform its exchange rate system in the future.

Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency terms. Furthermore, we are also currently required to obtain the approval of the SAFE before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our financial condition and results of operations.

### **Risks Related to the [REDACTED]**

*There has been no previous public market for our H Shares, and the liquidity and [REDACTED] of our H Shares may be volatile.*

Prior to the H Share [REDACTED], there has been no public market for our H Shares. The H Share [REDACTED] is the result of negotiations between ourselves and the [REDACTED] on behalf of the [REDACTED], and may differ significantly from the [REDACTED] for our H Shares following the H Share [REDACTED]. We have applied for the [REDACTED] of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange. A [REDACTED] on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid [REDACTED] market for our H Shares will develop, or if it does develop, will be sustained following the H Share [REDACTED] or that the [REDACTED] of our H Shares will not decline following the H Share [REDACTED].

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Furthermore, the price and [REDACTED] volume of our H Shares may be volatile. The following factors may affect the volume and price at which our H Shares will [REDACTED]:

- actual or anticipated fluctuations in our revenues and results of operations;
- news regarding the recruitment or loss of key personnel by ourselves or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares, or sales or perceived sales of additional H Shares by us or other Shareholders.

Moreover, the securities market has from time to time experienced significant price and volume fluctuations that were unrelated, or not directly related, to the operating performance of the underlying companies. These broad market and industry fluctuations may have a material and adverse effect on the [REDACTED] and [REDACTED] volume of our H Shares.

*The price and [REDACTED] volume of our H Shares may be volatile, which could lead to substantial losses to [REDACTED].*

The price and [REDACTED] volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the political uncertainties in Hong Kong and the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the [REDACTED] of the shares of other companies engaging in similar business may affect the price and [REDACTED] volume of our H Shares. In addition to market and industry factors, the price and [REDACTED] volume of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies [REDACTED] on the Hong Kong Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance but related to the overall political and economic conditions in Hong Kong, the PRC or elsewhere in the world.



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We cannot assure you that the [REDACTED] price and volume of our H Shares will remain stable or appreciate over time, and [REDACTED] may experience substantial losses. In addition, the volatility in the [REDACTED] price and volume of our H Shares may also negatively impact our ability to raise capital in the future through the issuance of additional equity securities.

***Purchasers of our H Shares in the [REDACTED] may experience immediate dilution upon such purchases and may experience further dilution if we issue additional H Shares pursuant to the exercise of the [REDACTED].***

As the [REDACTED] of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the [REDACTED], purchasers of our H Shares in the [REDACTED] may experience an immediate dilution. Our existing Shareholders will receive an increase in the [REDACTED] adjusted consolidated net tangible asset value per Share of their H Shares. In addition, purchasers of our H Shares may experience further dilution of their shareholdings if we issue additional H Shares pursuant to the exercise of the [REDACTED]. The [REDACTED] comprises: (i) the [REDACTED] of [REDACTED] H Shares (subject to reallocation); and (ii) the [REDACTED] of [REDACTED] H Shares (subject to reallocation and the [REDACTED]). The [REDACTED] in the [REDACTED] will represent approximately [REDACTED]% of our enlarged share capital immediately after the completion of the [REDACTED], without taking into account the exercise of the [REDACTED] and any H Shares to be issued upon exercise of the options granted under the Pre-[REDACTED] Share Option Schemes. If the [REDACTED] is exercised in full, an additional [REDACTED] Shares will be issued and the total [REDACTED] Shares will represent approximately [REDACTED]% of our issued share capital immediately following the completion of the [REDACTED], without taking into account any H Shares to be issued upon exercise of the options granted under the Pre-[REDACTED] Share Option Schemes.

***There will be a time gap of several business days between pricing and [REDACTED] of our H Shares [REDACTED] in the [REDACTED]. Holders of our H Shares are subject to the risk that [REDACTED] prices of our H Shares could fall during the period before [REDACTED] of our H Shares begins.***

The [REDACTED] of our H Shares is expected to be determined on the [REDACTED]. However, our H Shares will not commence [REDACTED] on the Hong Kong Stock Exchange until they are delivered, which is expected to be several business days after the [REDACTED]. As a result, [REDACTED] may not be able to sell or deal in our H Shares during that period. The price and [REDACTED] volume of the H Shares may be highly volatile. Factors such as variations in our revenue, net loss and cash flows and announcements of new investments, strategic alliances and acquisitions, fluctuations in [REDACTED] for our services and products or fluctuations in [REDACTED] of other comparable companies could cause the [REDACTED] of our H Shares to change substantially. Any such developments may result in significant and sudden changes in the volume and price at which our H Shares will [REDACTED]. We cannot assure you that these developments will not occur in the future.

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## RISK FACTORS

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Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before [REDACTED] begins as a result of adverse market conditions or other adverse developments, which could occur between the time of sale and the time [REDACTED] begins.

***Substantial future sales or the expectation of substantial sale of our H Shares in the public market following the [REDACTED] could materially and adversely affect the price of our H Shares.***

Although our Controlling Shareholders are subject to restrictions on their sales of H Shares within 12 months from the [REDACTED] as described in [REDACTED] in this Document, future sales of a significant number of our H Shares by our Controlling Shareholders or other existing shareholders in the public market after the [REDACTED], or the perception that these sales could occur, could cause the [REDACTED] of our H Shares to decline and could materially impair our future ability to raise capital through [REDACTED] of our H Shares. We cannot assure you that our Controlling Shareholders, or other existing shareholders will not dispose of H Shares held by them or that we will not issue H Shares pursuant to the general mandate to issue shares granted to our Directors, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders or other existing Shareholders, or the Shares available for sale by our Controlling Shareholders or other existing Shareholders, or the issuance of Shares by our Company may have on the [REDACTED] of the H Shares. Sale or issuance of a substantial number of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing [REDACTED] of the H Shares.

***We may need additional capital, and the sale or issue of additional H Shares or other equity securities could result in additional dilution to our Shareholders.***

Notwithstanding our current cash and cash equivalents and the net [REDACTED] from the [REDACTED], we may require additional cash resources to finance our continued growth or other future developments. We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell additional equity securities, which could result in additional dilution to our Shareholders.

***We may not be able to pay dividends in the foreseeable future after the [REDACTED].***

We may not be able to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an [REDACTED] in our H Shares as a source for any future dividend income.

Our ability to pay dividends will depend on various factors, including whether we are able to generate sufficient earnings. Distribution of dividends shall be decided by our Board of Directors at their discretion and will be subject to the corporate approval processes. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but

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not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS, our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See “Financial Information – Dividend.”

*We have significant discretion as to how we will use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.*

Our management may spend the net [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return to our Shareholders. For details, see “Future Plans and Use of [REDACTED] – Use of [REDACTED].” However, our management will have discretion as to the actual application of our net [REDACTED]. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the net [REDACTED] from this [REDACTED].

*Certain facts, forecasts and statistics derived from external sources contained in this Document may not be reliable and the market opportunity estimates may not be accurate.*

We have derived certain facts and other statistics in this Document, particularly those relating to the general economy, digital payment, e-commerce and financial services industry, from information provided by various public sources, industry associations, independent research institutes and other third-party sources, including a report prepared by Frost & Sullivan that we commissioned. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Joint Sponsors, the [REDACTED] or any of our or their respective affiliates or advisors, therefore, we cannot assure you as to the accuracy and reliability of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other data problems, the statistics herein may be inaccurate. You should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

Market opportunity estimates included in this Document, including our ability to capture a meaningful share of the relevant markets, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that our market opportunity estimates will materialize in customers using our products and services as anticipated. Any expansion in our market depends on a number of factors, including the cost, performance, and perceived value associated with our business and those of our competitors. Even if the market in which we compete meets the size estimates and growth

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forecasted in this Document, our business could fail to grow at similar rates, if at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is inherently subject to certain risks and uncertainties.

*Forward-looking statements contained in this Document are subject to risks and uncertainties.*

This Document contains certain statements and information that are forward-looking and uses forward-looking terminology such as “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this Document should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to this cautionary statement.

*[REDACTED] should read the entire Document carefully and should not consider any particular statements in this Document or in published media reports without carefully considering the risks and other information contained in this Document.*

The [REDACTED] is being made solely on the basis of the information and representations contained in this Document, which are true and accurate to the best of our knowledge and belief. Any information not contained in this Document should not be relied upon in making an [REDACTED] decision with respect to the securities being [REDACTED].

Prior to the publication of this Document, there has been coverage in the media regarding us and the [REDACTED], which may have contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. [REDACTED] should be aware that information and opinions published by third-party sources may have been based on outdated, incomplete, or inaccurate information. These sources may also have conflicts of interest, and their opinions may not be independent or objective. The media’s coverage of our company and the [REDACTED] may be influenced by a wide range of factors, including the bias of individual journalists, the preferences of media outlets, and the demands of advertisers.

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We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this Document. Accordingly, prospective [REDACTED] are cautioned to make their [REDACTED] decisions on the basis of the information contained in this Document only and should not rely on any other information.