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

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2021

OR

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

For the transition period from _____ to _____

OR

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

Date of event requiring this shell company report: _____

For the transition period from _____ to _____

Commission file number: 001-38712

Pintec Technology Holdings Limited

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

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People's Republic of China

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
American depositary shares (one American depositary share representing seven Class A ordinary shares, par value US\$0.000125 per share)	PT	The Nasdaq Stock Market LLC (The Nasdaq Global Market)
Class A ordinary shares, par value US\$0.000125 per share*		The Nasdaq Stock Market LLC (The Nasdaq Global Market)

* Not for trading, but only in connection with the listing on The Nasdaq Global Market of American depositary shares.

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

None
(Title of Class)

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

None
(Title of Class)

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

As of December 31, 2021, there were 252,753,174 Class A ordinary shares and 50,939,520 Class B ordinary shares, par value US\$0.000125 per share.

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

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

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

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

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

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

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

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

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

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

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

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

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

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INTRODUCTION

Unless otherwise indicated or the context otherwise requires, all information in this annual report reflects the following:

- “ADSs” refers to our American depositary shares, each of which represents seven Class A ordinary shares;
- “China” or the “PRC” refers to the People’s Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau and Taiwan;
- “Class A ordinary shares” refers to our Class A ordinary shares, par value US\$0.000125 per share;
- “Class B ordinary shares” refers to our Class B ordinary shares, par value US\$0.000125 per share;
- “Jimu Group” refers to our predecessor and its subsidiaries and variable interest entities that operate its peer-to-peer lending business;
- “our predecessor” refers to Jimu Holdings Limited, formerly known as Pintec Holdings Limited;
- “registered users” refers to individuals who have registered on our system with their name, government-issued identification number and mobile phone number
- “RMB” or “Renminbi” refers to the legal currency of China;
- “shares” or “ordinary shares” refers to our Class A ordinary shares and Class B ordinary shares;
- “U.S. GAAP” refers to generally accepted accounting principles in the United States;
- “US\$,” “U.S. dollars,” “\$,” or “dollars” refers to the legal currency of the United States;
- “we,” “us,” “our company,” “our,” or “Pintec” refers to Pintec Technology Holdings Limited, its subsidiaries, and, in the context of describing our operations and consolidated financial information, its variable interest entities in China; and
- “WFOE” or “WFOEs” refers to our wholly foreign-invested enterprises in China, including Sky City (Beijing) Technology Co., Ltd. and Pintec (Beijing) Technology Co., Ltd.

FORWARD-LOOKING INFORMATION

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

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

- our goals and strategies;
- our future business development, financial condition and results of operations;
- expected changes in our revenues, costs or expenditures;
- our expectations regarding demand for and market acceptance of our services and solutions;
- our expectations regarding our relationships with funding sources and customers;
- competition in our industries; and
- developments in government policies, laws and regulations relating to our industries.

We would like to caution you not to place undue reliance on these forward-looking statements. You should read these statements in conjunction with the risks disclosed in “Item 3D. Key Information—Risk Factors.” Those risks are not exhaustive. We operate in a rapidly evolving environment. New risks emerge from time to time and it is impossible for our management to predict all risks, nor can we assess the impact of all risks on our business or the extent to which any risk, or combination of risks, may cause actual results to differ from those contained in any forward-looking statement. We do not undertake any obligation to update or revise the forward-looking statements except as required under applicable law.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Holding Company Structure

Pintec Technology Holdings Limited is a holding company with no material operations of its own. We conduct our operations primarily through our PRC subsidiaries, our variable interest entities and our variable interest entities' subsidiaries in China. As a result, Pintec Technology Holdings Limited's ability to pay dividends depends upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and variable interest entities in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, any of our wholly foreign-owned subsidiaries in China may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion funds and staff bonus and welfare funds at its discretion, and our variable interest entities may allocate a portion of their after-tax profits based on PRC accounting standards to discretionary surplus funds at their discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. Our PRC subsidiaries have not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

Permissions Required from the PRC Authorities for Our Operations

We conduct our business primarily through our subsidiaries, our variable interest entities and their subsidiaries in China. Our operations in China are governed by PRC laws and regulations. As of the date of this annual report, our consolidated affiliated Chinese entities have obtained the requisite licenses and permits from the PRC government authorities that are material for the business operations of our holding company, our subsidiaries and our variable interest entities in China. However, given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practice by government authorities, we cannot assure you that we have obtained all the permits or licenses required for conducting our business in China. We may be required to obtain additional licenses, permits, filings or approvals for the functions and services of our platform in the future. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China— Because all of our operations are in China, our business is subject to the complex and rapidly evolving laws and regulations there. The Chinese government may exercise significant oversight and discretion over the conduct of our business and may intervene in or influence our operations at any time, which could result in a material change in our operations and/or the value of our ADSs."

In connection with our previous issuance of securities to foreign investors, under current PRC laws, regulations and regulatory rules, as of the date of this annual report, we, our PRC subsidiaries and our variable interest entities, (i) are not required to obtain permissions from the CSRC, (ii) are not required to go through cybersecurity review by the Cyberspace Administration of China, or the CAC, and (iii) have not received or were denied such requisite permissions by any PRC authority. However, the PRC government has recently indicated an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China— The approval of and the filing with the CSRC or other PRC government authorities may be required in connection with our future offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing."

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Financial Information Related to Our Variable Interest Entities

The following tables provide the condensed consolidating schedules depicting the financial position, results of operations and cash flows for the parent, the consolidated VIEs, the WFOEs and an aggregation of other entities, eliminating intercompany amounts and consolidated totals (in thousands of RMB) as of December 31, 2020 and 2021 and for the years ended December 31, 2019, 2020 and 2021.

In these tables, “Parent” means Pintec Technology Holdings Limited. “VIEs” means Anquying (Tianjin) Technology Co., Ltd., Pintec Jinke (Beijing) Technology Information Co., Ltd., Beijing Xinshun Dingye Technology Co., Ltd., and their subsidiaries that are pursuant to contractual agreements. “WFOEs” means Pintec (Beijing) Technology Co., Ltd and Sky City (Beijing) Technology Co., Ltd. “Other subsidiaries” means Sky city Hong Kong Limited and other subsidiaries.

	As of December 31, 2020						Consolidated Total
	Parent	VIEs	WFOEs	Other Subsidiaries	VIE-Elimination	Elimination Adjustments	
Condensed Consolidating Schedule of Balance Sheets							
Cash and cash equivalents	3,467	173,167	12,780	187,746	—	—	377,160
Restricted time deposits	—	1,213	—	136,007	—	—	137,220
restricted cash-non current	—	7,964	—	—	—	—	7,964
Financing receivables, net	—	73,618	—	—	—	—	73,618
Accounts receivables, net	—	47,795	478	2,706	—	—	50,979
Inter-group balance due from VIEs and subsidiaries	305,780	1,283,151	2,348,353	1,866,572	(1,283,151)	(4,520,705)	—
Other assets	352	136,687	45,892	568,845	-	(420,213)	331,563
Total Assets	309,599	1,723,595	2,407,503	2,761,876	(1,283,151)	(4,940,918)	978,504
Inter-group balance due to VIEs and subsidiaries	415,572	2,271,923	1,849,527	2,128,715	(2,271,923)	(4,393,814)	—
Amounts due to related parties	—	271,419	—	—	—	—	271,419
Convertible loan	—	—	—	400,000	—	—	400,000
Other liabilities	12,964	204,978	8,822	35,508	—	(3,237)	259,035
Total Liabilities	428,536	2,748,320	1,858,349	2,564,223	(2,271,923)	(4,397,051)	930,454
Total Pintec’s (Deficit)/Equity	(118,937)	(1,043,836)	549,154	49,777	988,772	(543,867)	(118,937)
Non-controlling interests	—	19,111	—	147,876	—	—	166,987
Total (Deficit)/Equity	(118,937)	(1,024,725)	549,154	197,653	988,772	(543,867)	48,050

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	As of December 31, 2021						Consolidated Total
	Parent	VIEs	WFOEs	Other Subsidiaries	VIE-Elimination	Elimination Adjustments	
Condensed Consolidating Schedule of Balance Sheets							
Cash and cash equivalents	1,255	41,638	623	174,385	—	—	217,901
Restricted time deposits	—	1,468	—	—	—	—	1,468
restricted cash-non current	—	5,417	—	—	—	—	5,417
Financing receivables, net	—	92,772	—	4,999	—	—	97,771
Accounts receivables, net	—	36,620	180	54	—	—	36,854
Inter-group balance due from VIEs and subsidiaries	156,985	1,304,761	2,204,376	1,773,980	(1,304,761)	(4,135,341)	—
Other assets	181	129,334	141,229	625,032	—	(493,954)	401,822
Total Assets	158,421	1,612,010	2,346,408	2,578,450	(1,304,761)	(4,629,295)	761,233
Inter-group balance due to VIEs and subsidiaries	379,533	2,337,454	1,792,437	1,987,265	(2,337,454)	(4,159,235)	—
Amounts due to related parties	—	289,936	—	—	—	—	289,936
Convertible loan	—	—	—	400,000	—	—	400,000
Other liabilities	3,817	84,511	7,256	41,716	—	(974)	136,326
Total Liabilities	383,350	2,711,901	1,799,693	2,428,981	(2,337,454)	(4,160,209)	826,262
Total Pintec's (Deficit)/Equity	(224,929)	(1,117,511)	546,715	7,189	1,032,693	(469,086)	(224,929)
Non-controlling interests	—	17,620	—	142,280	—	—	159,900
Total (Deficit)/Equity	(224,929)	(1,099,891)	546,715	149,469	1,032,693	(469,086)	(65,029)

The following amounts of our variable interest entities for the years ended December 31, 2019, 2020, and 2021 were included in our consolidated statements of operations and comprehensive loss and consolidated statements of cash follows after the elimination of intercompany balances.

	For the year ended December 31, 2019						Consolidated Total
	Parent	VIEs	WFOEs	Other Subsidiaries	VIE-Elimination	Elimination Adjustments	
Condensed Consolidating Schedule of Results of Operations							
Revenues	—	1,280,814	403,001	4,953	(7,871)	(395,661)	1,285,236
Cost of revenues	—	(756,506)	(7,721)	(1,387)	561	(4,635)	(769,688)
Operating expenses	(210,829)	(1,241,855)	(202,267)	(28,318)	398,798	40,488	(1,243,983)
Loss from operations	(210,829)	(717,547)	193,013	(24,752)	391,488	(359,808)	(728,435)
Other (expenses)/income	(258)	(218,511)	1,893	8,015	28,774	4,000	(176,087)
Share of loss from subsidiaries	(694,808)	—	—	—	—	694,808	—
(Loss)/income before income taxes	(905,895)	(936,058)	194,906	(16,737)	420,262	339,000	(904,522)
Income tax (expense) benefit	—	(4,995)	(61)	3,088	—	—	(1,968)
Net (loss)/income	(905,895)	(941,053)	194,845	(13,649)	420,262	339,000	(906,490)
Less: net loss attributable to non-controlling interests	—	(595)	—	—	—	—	(595)
Net (loss)/ income attributable to Pintec's shareholders	(905,895)	(940,458)	194,845	(13,649)	420,262	339,000	(905,895)

	For the year ended December 31, 2019						Consolidated Total
	Parent	VIEs	WFOEs	Other Subsidiaries	VIE-Elimination	Elimination Adjustments	
Condensed Consolidating Schedule of Cash Flows							
Net cash (used in)/provided by operating activities	(7,261)	(112,642)	447,673	(152,691)	517,493	(517,493)	175,079
Net cash used in investing activities	(56,903)	(165,957)	(511,800)	(63,199)	—	259,157	(538,702)
Net cash provided by/(used in) financing activities	26	136,910	(12,711)	359,304	(50,004)	(209,153)	224,372
Effect of exchange rate changes on cash and cash equivalents	2,552	—	(162)	7,724	—	—	10,114
Net (decrease)/increase in cash and cash equivalents, and restricted cash	(61,586)	(141,689)	(77,000)	151,138	467,489	(467,489)	(129,137)
Cash and cash equivalents, and restricted cash at the beginning of year	69,194	239,946	79,614	321,287	—	—	710,041
Cash and cash equivalents, and restricted cash at the end of year	7,608	98,257	2,614	472,425	—	—	580,904

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	For the year ended December 31, 2020						Consolidated Total
	Parent	VIEs	WFOEs	Other Subsidiaries	VIE-Elimination	Elimination Adjustments	
Condensed Consolidating Schedule of Results of Operations							
Revenues	—	358,605	80,857	21,700	(6,001)	(76,897)	378,264
Cost of revenues	—	(284,185)	(2,193)	(2,217)	19	2,802	(285,774)
Operating expenses	(27,665)	(201,177)	(98,827)	(53,576)	46,802	35,114	(299,329)
Loss from operations	(27,665)	(126,757)	(20,163)	(34,093)	40,820	(38,981)	(206,839)
Other (expenses)/income	(10,666)	(6,044)	(17,278)	9,796	30,892	(46,805)	(40,105)
Share of loss from subsidiaries	(255,604)	—	—	—	—	255,604	—
Loss before income taxes	(293,935)	(132,801)	(37,441)	(24,297)	71,712	169,818	(246,944)
Income tax (expense)/benefit	—	(50,676)	—	1,480	—	—	(49,196)
Net loss	(293,935)	(183,477)	(37,441)	(22,817)	71,712	169,818	(296,140)
Less: net loss attributable to non-controlling interests	—	(82)	—	(2,123)	—	—	(2,205)
Net loss attributable to Pintec's shareholders	(293,935)	(183,395)	(37,441)	(20,694)	71,712	169,818	(293,935)

	For the year ended December 31, 2020						Consolidated Total
	Parent	VIEs	WFOEs	Other Subsidiaries	VIE-Elimination	Elimination Adjustments	
Condensed Consolidating Schedule of Cash Flows							
Net cash (used in)/provided by operating activities	(20,972)	480,790	(58,094)	(344,761)	(352,243)	352,243	56,963
Net cash provided by/(used in) investing activities	69,327	289,956	(710)	(157,510)	—	(8,444)	192,619
Net cash provided by/(used in) financing activities	20	(686,659)	65,209	326,348	20,000	(11,557)	(286,639)
Effect of exchange rate changes on cash and cash equivalents	(52,516)	—	3,761	27,252	—	—	(21,503)
Net (decrease)/increase in cash and cash equivalents, and restricted cash	(4,141)	84,087	10,166	(148,671)	(332,243)	332,242	(58,560)
Cash and cash equivalents, and restricted cash at the beginning of year	7,608	98,257	2,614	472,424	(9,647)	9,648	580,904
Cash and cash equivalents, and restricted cash at the end of year	3,467	182,344	12,780	323,753	—	—	522,344

	For the year ended December 31, 2021						Consolidated Total
	Parent	VIEs	WFOEs	Other Subsidiaries	VIE-Elimination	Elimination Adjustments	
Condensed Consolidating Schedule of Results of Operations							
Revenues	—	148,957	14,840	21,243	(1,074)	(10,726)	173,240
Cost of revenues	—	(82,240)	(1,845)	(8,648)	3,069	(56)	(89,720)
Operating expenses	(12,574)	(38,335)	(76,390)	(37,044)	8,800	686	(154,857)
Loss from operations	(12,574)	(28,382)	(63,395)	(24,449)	10,795	(10,096)	(71,337)
Other income/(expenses)	3,292	4,996	(2,976)	(25,234)	—	(10,689)	(30,611)
Share of loss from subsidiaries	(92,322)	—	—	—	—	92,322	—
(Loss)/income before income taxes	(101,604)	33,378	(66,371)	(49,683)	10,795	71,537	(101,948)
Income tax expense	(125)	(3,456)	—	(3,415)	—	124	(6,872)
Net (loss)/income	(101,729)	29,922	(66,371)	(53,098)	10,795	71,661	(108,820)
Less: net loss attributable to non-controlling interests	—	(1,491)	—	(5,600)	—	—	(7,091)
Net (loss)/income attributable to Pintec's shareholders	(101,729)	31,413	(66,371)	(47,498)	10,795	71,661	(101,729)

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	For the year ended December 31, 2021						Consolidated Total
	Parent	VIEs	WFOEs	Other Subsidiaries	VIE-Elimination	Elimination Adjustments	
Condensed Consolidating Schedule of Cash Flows							
Net cash (used in)/provided by operating activities	(11,840)	18,945	25,521	(64,808)	63,642	(63,642)	(32,182)
Net cash provided by/(used in) investing activities	14,952	(19,956)	(101,608)	(76,783)	—	63,931	(119,464)
Net cash provided by/(used in) financing activities	1	(132,810)	63,930	476	—	(63,931)	(132,334)
Effect of exchange rate changes on cash and cash equivalents	(5,325)	—	—	(8,253)	—	—	(13,578)
Net decrease in cash and cash equivalents, and restricted cash	(2,212)	(133,821)	(12,157)	(149,368)	63,642	(63,642)	(297,558)
Cash and cash equivalents, and restricted cash at the beginning of year	3,467	182,344	12,780	323,753	—	—	522,344
Cash and cash equivalents, and restricted cash at the end of year	1,255	48,523	623	174,385	—	—	224,786

Cash Flows Through Our Organization

We are a holding company with no business operations of our own. We conduct our operations primarily through our PRC subsidiaries and variable interest entities in China. As a result, our ability to pay dividends and to service any debt we may incur and pay our operating expenses principally depends on dividends paid by our PRC subsidiaries.

Under applicable PRC laws and regulations, our PRC subsidiaries are permitted to pay dividends to us only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. For the years ended December 31, 2019, 2020 and 2021, no dividends were declared and paid by our PRC subsidiaries, and there is also no any present plan to pay any cash dividends in the foreseeable future.

Our VIEs may transfer cash to the relevant WFOE by paying service fees according to the exclusive technical services agreement. For the years ended December 31, 2019, 2020 and 2021, the total amount of service fees that VIEs paid to the relevant WFOE under the exclusive technical services agreement was RMB399.9 million (US\$62.8 million), RMB77.7 million (US\$12.2 million) and RMB8.8 million (US\$1.4 million), respectively.

For the years ended December 31, 2019, 2020 and 2021, the cash flows that have occurred between our parent company, VIEs, WFOEs and subsidiaries are summarized as the following.

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	For the year ended December 31,		
	2019 RMB	2020 RMB	2021 RMB
	(in thousands)		
Cash paid by parent company to equity owned subsidiaries	203,956	—	—
Cash received by parent company from equity owned subsidiaries	—	74,238	14,952
Cash paid by VIEs to equity owned subsidiaries	292,553	306,522	642,373
Cash received by VIEs from equity owned subsidiaries	617,552	819,348	584,159
Cash paid by WFOEs to equity owned subsidiaries	925,250	284,890	207,161
Cash received by WFOEs from equity owned subsidiaries	737,574	111,168	293,859
Cash paid by VIEs to WFOEs	1,293,019	184,078	18,199
Cash received by VIEs from WFOEs	2,272,237	91,442	18,369

Selected Financial Data

The following selected consolidated statements of operations and comprehensive loss data for the years ended December 31, 2019, 2020 and 2021 and selected consolidated balance sheet data as of December 31, 2020 and 2021 have been derived from our audited consolidated financial statements, which are included in this annual report beginning on page F-1.

Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. Our historical results do not necessarily indicate results expected for any future periods. You should read the selected consolidated financial data in conjunction with our consolidated financial statements and the related notes in conjunction with “Item 5. Operating and Financial Review and Prospects” included elsewhere in this annual report.

	For the years ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	US\$
Selected Consolidated Statements of Operations and Comprehensive Loss Data:				
Revenues:				
Technical service fees	1,077,760	330,665	115,272	18,088
Installment service fees	187,359	42,707	16,949	2,660
Wealth management service fees and others	20,117	4,892	41,019	6,437
Total revenues	1,285,236	378,264	173,240	27,185
Cost of revenues:⁽¹⁾				
Funding cost	(51,759)	(16,525)	(583)	(91)
(Provision)/Reversal for credit losses	(33,942)	(45,090)	1,934	303
Origination and servicing cost	(290,398)	(100,760)	(94,186)	(14,780)
(Cost on)/Recover of guarantee	(193,426)	(100,347)	4,689	736
Service cost charged by Jimu Group-related party	(200,163)	(23,052)	(1,574)	(247)
Cost of revenues	(769,688)	(285,774)	(89,720)	(14,079)
Gross profit	515,548	92,490	83,520	13,106
Operating expenses:⁽¹⁾				
Sales and marketing expenses	(69,593)	(44,697)	(40,936)	(6,424)
General and administrative expenses	(1,095,311)	(147,753)	(88,111)	(13,827)
Research and development expenses	(79,079)	(37,521)	(22,714)	(3,564)
Impairment loss of goodwill and intangible assets	—	(69,358)	(3,096)	(486)
Total operating expenses	(1,243,983)	(299,329)	(154,857)	(24,301)
Operating loss	(728,435)	(206,839)	(71,337)	(11,195)
Loss from disposal of a subsidiary	—	—	(5,498)	(863)
Loss from equity method investments	(8,149)	(11,523)	—	—
Impairment on prepayment for long-term investment	(200,000)	—	—	—
Impairment loss on equity investment	—	(15,908)	—	—
Interest expenses, net	(19,017)	(34,332)	(32,453)	(5,093)
Other income, net	7,923	21,658	7,340	1,152
Interest income from related parties	43,156	—	—	—
Loss before income tax expense	(904,522)	(246,944)	(101,948)	(15,999)
Income tax expense	(1,968)	(49,196)	(6,872)	(1,078)
Net loss	(906,490)	(296,140)	(108,820)	(17,077)
Other comprehensive income/(loss)	11,876	(22,977)	(10,793)	(1,692)
Total comprehensive loss	(894,614)	(319,117)	(119,613)	(18,769)

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(1) Share-based compensation expenses are allocated in operating expense items as follows:

	For the year ended December 31,			US\$
	2019 RMB	2020 RMB	2021 RMB	
Share-based compensation expenses included in				
Cost of revenues	(250)	(18)	13	2
Sales and marketing expenses	(1,565)	(3,182)	(354)	(56)
General and administrative expenses	(12,785)	(7,054)	(2,370)	(372)
Research and development expenses	(3,247)	(1,644)	(1,082)	(170)

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	2019	As of December 31		
	RMB	2020	2021	US\$
		RMB	RMB	
Selected Consolidated Balance Sheets Data:				
Cash and cash equivalent	102,755	377,160	217,901	34,193
Restricted cash	382,695	137,220	1,468	230
Short-term financing receivables, net	430,387	70,783	97,200	15,252
Current and noncurrent amounts due from related parties, net	10,064	30	5,455	856
Total assets	1,560,599	978,504	761,233	119,453
Short-term borrowings	320,000	130,000	—	—
Short-term funding debts	300,212	2,841	30	5
Current and noncurrent amounts due to related parties	10,191	271,419	289,936	45,497
Financial guarantee liabilities	101,933	20,260	13,736	2,155
Total liabilities	1,201,879	930,454	826,262	129,657
Total equity/(deficit)	358,720	48,050	(65,029)	(10,204)

Exchange Rate Information

Our reporting currency is the Renminbi because our business is mainly conducted in China and all of our revenues are denominated in Renminbi. However, periodic reports made to shareholders will include current period amounts translated into U.S. dollars using the then-current exchange rates, for the convenience of the readers. The conversion of RMB into U.S. dollars in this annual report is based on the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board. Unless otherwise noted, all translations from RMB to U.S. dollars and from U.S. dollars to RMB in this annual report were made at a rate of RMB6.3726 to US\$1.00, the exchange rate on December 30, 2021 set forth in the H.10 statistical release of the Federal Reserve Board. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, or at all. The PRC government restricts or prohibits the conversion of Renminbi into foreign currency and foreign currency into Renminbi for certain types of transactions. On April 15, 2022, the noon buying rate was RMB6.3705 to US\$1.00.

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Summary Risk Factors

Our business is subject to numerous risks and uncertainties, including risks that may prevent us from achieving our business objectives or may adversely affect our business, financial condition, results of operations, cash flows, and prospects. These risks are discussed more fully below and include, but are not limited to, risks related to:

Risks Relating to Our Business

- We have a limited operating history, which makes it difficult to evaluate our future prospects.

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- Regulatory uncertainties relating to consumer finance in China could harm our business, financial condition and results of operations.
- We face credit risks in most funding situations.
- Limitations on credit enhancement may adversely affect our access to funding.
- We may be deemed to operate a financing guarantee business by the PRC regulatory authorities.
- The current arrangements with certain of our financial partners and borrowers may have to be modified to comply with existing or future laws or regulations.
- Limitations on interest and fees that may be charged to borrowers may adversely affect our ability to collect fees.
- Regulatory uncertainties relating to campus online lending may materially and adversely affect our business and results of operations.
- Failure of other technology enablement platforms for the financial service industry or damage to the reputation of other platforms with similar business models may materially and adversely affect our business and results of operations.
- The trading price of our ADSs is likely to be volatile due to publicity regarding the consumer finance industry and the evolving regulatory environment governing this industry in China.
- Our business has been and is likely to continue to be materially adversely affected by the COVID-19 pandemic.

Risks Relating to Our Corporate Structure

- If the PRC government deems that the contractual arrangements in relation to our variable interest entities and their subsidiaries do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.
- We rely on contractual arrangements with our variable interest entities and their shareholders, for a significant portion of our business operations, which may not be as effective as direct ownership in providing operational control.
- Any failure by our variable interest entities or their respective shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.

Risks Relating to Doing Business in China

- Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business, financial conditions and results of operations.
- Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to us.
- Because all of our operations are in China, our business is subject to the complex and rapidly evolving laws and regulations there. The Chinese government may exercise significant oversight and discretion over the conduct of our business and may intervene in or influence our operations at any time, which could result in a material change in our operations and/or the value of our ADSs.
- We are subject to extensive and evolving legal system in the PRC, non-compliance with which, or changes in which, may materially and adversely affect our business and prospects, and may result in a material change in our operations and/or the value of our ADSs or could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our ADSs to significantly decline or be worthless.
- The approval of and the filing with the CSRC or other PRC government authorities may be required in connection with our future offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing.
- If the PCAOB, is unable to inspect our auditors as required under the Holdings Foreign Companies Accountable Act, the SEC will prohibit the trading of our ADSs. A trading prohibition may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections of our auditors deprives our investors of the benefits of such inspections.

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Risks Relating to Our ADSs

- The trading price of our ADSs is likely to be volatile, which could result in substantial losses to investors.
- The sale or availability for sale of substantial amounts of our ADSs could adversely affect their market price.

- Our dual-class share structure with different voting rights will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

Risks Relating to Our Business

We have a limited operating history, which makes it difficult to evaluate our future prospects.

We have a limited operating history. Dumiao, our lending solutions platform, was launched in June 2015. Our Hongdian and Polaris wealth management platforms were launched in September 2015 and June 2016, respectively. We have been operating our financial solutions business separately from Jimu’s peer-to-peer funding business only since June 2015, and we have been operating our company substantially as a stand-alone company only since September 2016. We operate in China’s consumer finance and wealth management industries, which are rapidly evolving and may not develop as we anticipate. In addition, we commenced new offering of the small and medium enterprise (“SME”) technical services in 2021, which is also in a new field that is rapidly evolving. There are few established players and no proven business model yet in these new industries. The regulatory framework governing these industries is currently uncertain and rapidly evolving and is expected to remain uncertain for the foreseeable future. Our business partners and financial partners may have difficulty distinguishing our platforms, services and solutions from those of our competitors. As these industries and our business develop, we may modify our business model or change our platforms, services and solutions. These changes may not achieve the expected results and may have a material and adverse impact on our financial condition and results of operations.

You should consider our business and future prospects in light of the risks and challenges we may encounter in these rapidly evolving industries, including, among other things, our ability to:

- expand the network of our business partners and financial partners;
- provide diversified and distinguishable services and solutions to financial service providers;
- enhance our data analysis and risk management capabilities;
- navigate an uncertain and evolving regulatory environment;
- anticipate and adapt to changing market conditions, including technological developments and changes in competitive landscape;
- diversify our funding sources;
- maintain a reliable, secure, high-performance and scalable technology infrastructure;
- attract, retain and motivate talented employees; and
- improve our operational efficiency.

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

Regulatory uncertainties relating to consumer finance in China could harm our business, financial condition and results of operations.

Our business may be subject to a variety of PRC laws and regulations governing financial services. The application and interpretation of these laws and regulations is ambiguous and may be interpreted and applied inconsistently between different government authorities. In addition, the PRC government is in the process of developing and implementing a regulatory framework to govern the consumer finance market. New regulations may be issued without clear guidance on how to interpret them, or without the implementing procedures necessary to enable us to comply with them. The result is a continually evolving regulatory environment where compliance and business planning is very challenging. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Loan Interest” and “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Cooperation with Institutional Funding Partners” for more information on the regulations that affect or may affect our business at this time. We expect more regulations to continue to appear.

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It is difficult for us to predict how our business might have to evolve under these changing circumstances to remain in compliance. As of the date of this annual report, we have not been subject to any material fines or other penalties under any PRC laws or regulations on our business operations. However, if the PRC government adopts a more stringent regulatory framework for the consumer finance market in the future and imposes specific requirements (including capital requirements, reserve requirements and licensing requirements) on market participants, our business, financial condition and prospects could be materially and adversely affected. It may be costly for us to comply with applicable PRC laws and regulations. If our ability to continue our current practices were to be restricted, our access to funding may be materially constrained. In addition, some of our businesses are subject to licensing requirements. We currently hold internet micro lending license, fund distribution license, insurance brokerage license and enterprise credit investigation license in order to conduct the related businesses. Our current licenses have a limited term of validity, and upon expiration of the term, there is no guarantee that we will be able to renew such licenses on commercially reasonable terms or in a timely manner, or at all. New licensing requirements may be imposed on us in the future. If we are unable to obtain any licenses that may also be required in the future or if our practice is deemed to violate any existing or future laws and regulations, we may face injunctions, including orders to cease illegal activities, and may be subject to other penalties as determined by the relevant government authorities.

We face credit risks in most funding situations.

We connect business partners and financial partners and enable them to provide financial services to users. As of December 31, 2021, almost all of the loans that we facilitated were funded by our self-owned financial partners (which are our subsidiaries/consolidated affiliated entities). Our goal is to act as a financial solutions provider and to reduce the credit risk we take on the loan products that we facilitate. However, independent financial solution providers that bear minimal credit risks, such as ourselves, have generally experienced unfavorable market conditions in China. To address the market challenges, in 2019, we bore credit risk for a higher proportion of our funding than we did at the time of our initial public offering. Starting from 2020, aligned with our strategic shift of business focus towards providing digital-centric services, we have gradually reduced a significant portion of our technical services using a risk-sharing model, leading to relatively lower credit risk (without taking into account the impact of COVID-19). In 2021, we continued to adjust insurance models, expand the strengths of our brands, deepen our partner channels, vigilantly manage risk profile while enhancing our asset quality. Specifically, the reduction of risk-sharing loan facilitation business resulted in a decrease of off-balance sheet loans facilitated in 2021. We may adjust our credit risk exposure from time to time in the ordinary course of business.

We provided credit enhancement through our subsidiaries or variable interest entities to a group of select financial partners. Starting from 2021, we ceased providing credit enhancement through trust structures. See “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Funding Sources and Credit Risk” for more details.

As of December 31, 2021, we had short-term financing receivables, net, of RMB 97.2 million (US\$ 15.3 million) and long-term financing receivables, net, of RMB 0.6 million (US\$ 0.1 million) on our balance sheet. We maintain a provision for credit losses based on delinquency levels and historical charge offs of the underlying on- and off-balance sheet loans, where applicable, using an established systematic process on a pooled basis within each credit risk level of the borrowers. For each credit risk level, we estimate the expected loss rate based on the delinquency status of the financial assets to be within that level: current, 1 to 30 days past due, 31 to 60 days past due, 60 to 90 days past due, or 91 days or greater past due. These loss rates in each delinquency status are based on average historical loss rates of financial assets subject to credit losses associated with each of the abovementioned delinquency categories. The expected loss rate of the specific delinquency status category within each risk level will be applied to the outstanding balances of the applicable financial assets within that level to determine the provision for credit losses for each reporting period. We had a reversal of provision for credit losses related to financing receivables of RMB 1.9 million (US\$ 0.3million) for the year ended December 31, 2021, which was primarily attributable to the decrease of our on-balance sheet loans, and the collection of overdue loans in 2021 exceeds the provision for credit losses, resulting in a reversal for credit losses in 2021.

If we take credit risk and our credit assessment and risk management system are not effective, we may suffer material unexpected losses, which would harm our financial performance.

Limitations on credit enhancement may adversely affect our access to funding.

We historically provided credit enhancement through our variable interest entities for loans that we facilitated with certain financial partners commencing from the fourth quarter of 2017. However, the Notice on Regulating and Rectifying “Cash Loan” Business, or the Circular 141, and the Implementation Plans of Internet Micro Finance Companies both prohibit financial institutions from accepting credit enhancement services provided by institutions with no relevant qualifications. We cannot assure you that the arrangements between our subsidiaries and our financial partners would be deemed to be in compliance with those requirements. If we were no longer allowed to continue with our current business practices in this regard, we would need to make adjustments to ensure compliance with relevant laws and regulations, including securing qualified sources to provide credit enhancement services for the borrowers. However, it is uncertain whether our financial partners would accept such adjustments on commercially reasonable terms. We historically have cooperated with two independent guarantee companies to provide credit enhancement services to the end users of our financial partners. In our cooperation with these independent guarantee companies, they provide guarantees to the end users of our financial partners, but if they fail to perform their obligations to provide guarantees, we will, instead, provide supplementary guarantees to our financial partners. As of the date of this annual report, we were in cooperation with one of the aforementioned independent guarantee company, and we intend to fully cease providing credit enhancement through our variable interest entities for loans that we facilitated with any financial partners commencing from April 2022. We currently do not expect to cooperate with additional independent guarantee companies due to our strategic shift of business focus towards providing digital-centric services and optimizing our product matrix and organizational structure. Moreover, due to the lack of interpretation and implementation rules and the fact that the applicable laws and regulations are rapidly evolving, we cannot assure you that we would not be required to make further changes to our business model in the future. If any of the foregoing were to occur, our business, financial condition and results of operations could be materially and adversely affected.

We may be deemed to operate a financing guarantee business by the PRC regulatory authorities.

The State Council of China promulgated the Regulations on the Administration of Financing Guarantee Companies, or the Financing Guarantee Rules, effective October 1, 2017. Pursuant to the Financing Guarantee Rules, “financing guarantee” refers to the activities in which guarantors provide guarantees to the guaranteed parties as to loans, bonds or other types of debt financing, and “financing guarantee companies” refer to companies legally established and operating financing guarantee businesses. According to the Financing Guarantee Rules, the establishment of financing guarantee companies shall be subject to the approval by the competent government department, and unless otherwise stipulated by the state, no entity may operate a financing guarantee business without such approval. If any entity violates these regulations and operates a financing guarantee business without approval, the entity may be subject to penalties including ban or suspension of business, fines of RMB500,000 (US\$78,461) to RMB1,000,000 (US\$156,922), and confiscation of any illegal gains, and if the violation constitutes a criminal offense, criminal liability shall be imposed in accordance with the law.

In October 2019, the China Banking and Insurance Regulatory Commission, or the CBIRC, and eight other PRC regulatory agencies promulgated the Supplementary Provisions on the Supervision and Administration of Financing Guarantee Companies, or the Financing Guarantee Supplementary Provisions, which became effective in October 2019 and was amended in June 2021. The Financing Guarantee Supplementary Provisions further clarify that institutions providing services such as client recommendation and credit assessment to various institutional funding partners shall not render any financing guarantee service, whether in direct form or disguised form, without the approval of the competent authorities. An institution that operates financing guarantee business without a financing guarantee business license shall be cancelled by the supervision and administration department in accordance with the regulations and the outstanding transactions of the unlicensed financing guarantee business shall be properly settled. In case any institution intends to continue its financing guarantee business, financing guarantee companies may be established in accordance with the Financing Guarantee Rules.

We historically have provided credit enhancement through our subsidiaries or variable interest entities for loans that we facilitate with certain financial partners. We intend to fully cease providing credit enhancement through our subsidiaries or variable interest entities for loans that we facilitated with any financial partners commencing from April 2022. Due to the lack of further interpretations, the exact definition and scope of “operating financing guarantee business” under the Financing Guarantee Rules and what behavior would be deemed as “render any financing guarantee service in disguised form” is unclear. It is uncertain whether we would be deemed to operate a financing guarantee business because of the credit enhancement services we provide. If such credit enhancement services are deemed to be in violation of the Financing Guarantee Rules or the Financing Guarantee Supplementary Provisions, we could be subject to penalties and be required to change our business model in cooperation with our financial partners. As a result, our business, financial condition, results of operations and prospects could be materially and adversely affected.

The current arrangements with certain of our financial partners and borrowers may have to be modified to comply with existing or future laws or regulations.

Circular 141 and the Implementation Plans of Internet Micro Finance Companies both prohibit third parties that cooperate with financial institutions and internet micro finance companies from directly charging any interest or fees to borrowers. In our cooperation with certain of our financial partners in the past, including micro finance companies and banks, we directly charged interest and fees to borrowers for loans funded by those financial partners. In response to Circular 141, we have gradually ceased this practice and as of December 31, 2021, we did not have any additional loans under which we charge borrowers directly. For purpose of repayments to Jimu Box's online platform lenders, the repayments from borrowers in connection with the remaining loans funded by Jimu Box has been collected through us and repaid to Jimu Box's online lenders through custody bank account of Jimu Group. As the custody bank account of Jimu Group established for online lending platform business has been frozen following its insolvency and exit from online lending platform business in February 2020, in order to facilitate Jimu Box's platform unwinding plan, we entered into an agreement with Jimu Group, under which we are obligated to transfer principal and interest collected from the borrowers to the party designed by Jimu Group for purpose of Jimu Box's online borrowers repayment to lenders. Circular 141 and the Implementation Plans of Internet Micro Finance Companies are subject to further interpretation, and detailed implementation rules may be promulgated in the future. We cannot assure you that our current fee arrangements would be deemed to be in compliance with existing or new interpretations or rules. In the event that we are required to modify the current fee arrangements with our financial partners again, our financial partners may be unwilling to cooperate with us to make those adjustments on commercially reasonable terms, or at all. If any of the foregoing were to occur, our business may be materially and adversely affected.

Limitations on interest and fees that may be charged to borrowers may adversely affect our ability to collect fees.

In accordance with the Provisions on Several Issues Concerning Laws Applicable to Trials of Private Lending Cases issued by the Supreme People's Court in 2015, or the Private Lending Judicial Interpretations (2015 version), agreements between a lender and a borrower for loans with annual interest rates below 24% are valid and enforceable. For loans with annual interest rates between 24% and 36%, the courts will likely refuse a borrower's request for the return of the interest payment if the interest on the loans has already been paid to the lender, provided such payment has not damaged the interest of the state, the community or any third parties. If the annual interest rate of a private loan is higher than 36%, the obligation to make interests payment in excess of 36% is void and the court will uphold the borrower's claim for the return of the excess portion to the borrower. The Certain Opinions Regarding Further Strengthening the Financial Judgment Work, issued by the Supreme People's Court in August 2017, provide more detailed rules regarding the legal limits on interest and fees charged in connection with a loan and specify that intermediary service fees charged by an online lending intermediary to circumvent the statutory limit on interest rates for private lending will be held invalid. Circular 141 further clarifies that not just the interest but the total amount of interest and fees charged to borrowers must be within the limit set forth in the Private Lending Judicial Interpretations (2015 version).

In the past, the annual interest and fees charged to our customers in connection with the loans we facilitated may exceed 24% per year. Therefore, our customers may be entitled to refuse to repay the interest or fees in excess of 24% and the judicial authorities would be unlikely to uphold any claim for remedies that we might make, or they may make a claim for any excess that they paid over 36% per year and the judicial authorities may grant their claim. Since March 1, 2018, the annual interest and fees charged to our customers in connection with the loans we facilitate have been no more than 36% and, since September 1, 2019, such annual interest and fees have been no more than 24%.

On August 20, 2020, the Supreme People's Court implemented a revised judicial interpretation, or the Private Lending Judicial Interpretations (2020 version), to amend and replace the Private Lending Judicial Interpretations (2015 version), which lowers the cap for the private lending interest rate. Under such Private Lending Judicial Interpretations (2020 version), the total annual percentage rates (inclusive of any default rate and default penalty and any other fee) exceeding four times that of China's benchmark one-year loan prime rate, or the LPR, as published on the 20th of each month will not be legally protected. For example, based on the LPR of 3.85% as published on August 20, 2020, such cap would be 15.4%. The Private Lending Judicial Interpretations (2020 version) shall also apply to the first-instance cases involving private lending disputes accepted by the people's courts after the implementation of such revised judicial interpretation.

In December 2020, the Supreme People's Court issued the Official Reply to Issues on the Application of the Interpretations of the Supreme People's Court of New Private Lending, or the Official Reply on the Application of Interpretations of New Private Lending. The Official Reply on the Application of Interpretations of New Private Lending confirms that any disputes arising from the relevant financial business conducted by the microcredit companies, financing guarantee companies, regional equity market, pawn enterprises, financial leasing companies, business factoring companies and local assets management companies that are supervised by the local financial supervision governmental authorities, shall not be subject to the Interpretations of the Supreme People's Court of New Private Lending.

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In March 2021, the People's Bank of China, or the PBOC, issued Announcement No.3 to further clarify the method of calculating the "total annual interest rate." According to Announcement No.3, the annualized rate of a loan shall be calculated as the annualized ratio of total costs (to the borrower) to the outstanding principal amount. The costs include interest and other fees and charges directly related to the loan. The amount of principal should be specified in the loan contract or other loan certificates. If the loan is repaid in installments, the outstanding principal amount should be the balance after each repayment. The calculation of the annualized interest rate may be based on compound interest or simple interest. The calculation based on compound interest is equivalent to that of the internal rate of return, and the simple-interest approach should be specified as such.

While the Private Lending Judicial Interpretations (2020 version) stipulates that it does not apply to licensed financial institutions, the PRC court's prior rulings were inconsistent as to whether loans provided by certain financial institutions such as consumer financing companies would be subject to such interest cap. In addition, as the relevant laws and regulations are rapidly evolving, it is uncertain whether any new PRC laws, regulations or rules will be adopted so that the interest and/or fees charged by our institutional funding partners, including but not limited to microcredit companies, will be subject to any cap provided by any newly adopted laws or regulations.

Furthermore, if the cap of aggregated borrowing costs charged by licensed financial institutions is further lowered by any newly adopted, or by the application of any existing, laws, regulations or ruling, then the fees we charged to our institutional funding partners may, subject to further negotiation with our institutional funding partners, need to be lowered to reflect the adjustment of the aggregated borrowing costs. Should any of the foregoing occur, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Regulatory uncertainties relating to campus online lending may materially and adversely affect our business and results of operations.

The laws, regulations, rules and governmental policies governing campus online lending are expected to continue to evolve. There exist uncertainties regarding the interpretation of campus online lending. For a detailed discussion of relevant laws, regulations, rules and notices, see “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Campus Online Lending.”

We are subject to the laws, regulations, rules and governmental policies governing campus online lending. To minimize our risk, with respect to our point-of-sale installment loans and personal installment loans, we have set the age threshold of our end users at 22. We have also implemented a number of measures for different loan facilitation scenarios, including the following: (i) our business partners will present to borrowers a commitment letter stating that the borrower is not a student and seek their confirmation before extending any point-of-sale installment loans; (ii) any loan request labeled with “student consumption” by our business partners in the point-of-sale installment loans will be rejected; (iii) any loan request generated by lenders identified as students by our financial partners or business partners through the China Credentials Verification system will be rejected; (iv) all the lenders who are between the age of 20 and 22 will be required to confirm whether they are students or not, and any loan request generated by those who have selected the option of “students” will be rejected; and (v) all of our credit lending services will not serve lenders below 22 years of age, who will be labeled as students or individuals with low repayment capabilities. However, we cannot assure you that the foregoing measures will be sufficient to enable us to fully comply with the laws, regulations, rules and governmental policies governing campus online lending. In the event that any Chinese governmental authority considers us to be conducting a campus online lending business, we will be subject to various liabilities and penalties such as rectification and cancellation of campus online lending products. Accordingly, our business, financial condition and prospects would be materially and adversely affected.

We may be required to obtain approval or complete filing or other requirements of the CSRC or other PRC government authorities in connection with maintaining the listing of our ADSs , and, if required, we cannot predict whether we will be able to obtain such approval or complete such governmental procedure.

On December 24, 2021, the CSRC issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), or the Draft Administration Regulations, which propose to require PRC companies and their overseas special purpose vehicles to file with the CSRC and meet compliance rules for their listing in overseas markets. We completed our initial public offering on the Nasdaq Global Market on October 24, 2018. It is uncertain when and whether we will be required to obtain permission from the PRC government to maintain our listing status on U.S. exchanges in the future, and even when such permission is obtained, whether it will be later denied or rescinded.

These draft regulations were released only for soliciting public comment as of the date of this annual report and their provisions and anticipated adoption or effective date are subject to changes and thus their interpretation and implementation remain substantially uncertain. As a result, we cannot predict their impact on our listing status, if any, at this stage, or guarantee that we will be able to satisfy the scrutinized and new regulatory requirements in case they were adopted. Pursuant to the press conference held by CSRC on December 24, 2021, according to the principle of *lex prospect non respect*, the foresaid requirements in these draft regulations shall be currently applicable to the PRC companies and their overseas special purpose vehicles that seek to offer and list securities in overseas markets only, filing procedures of these already listed in overseas markets shall be arranged separately. As of the date of this annual report, the Draft Administration Regulations have not been formally adopted, we believe that our company, our PRC subsidiaries, and the variable interests entities, are currently not required to obtain permission from any Chinese authorities, and none of them has received any notice of denial of permission to list on the U.S. national exchange, we cannot assure you that the relevant PRC government agencies, including the CSRC, would reach the same conclusion as we do. If the CSRC or any other PRC regulatory body subsequently determines that we need to file with the CSRC or obtain the CSRC's approval for any future offering of securities by us or to maintain the listing status of our ADSs, or if the CSRC or any other PRC government authorities promulgates any interpretation or implements rules that would require us to file with or obtain approvals of the CSRC or other governmental bodies for any such offering, we may face adverse actions or sanctions by the CSRC or other PRC regulatory agencies, which may include fines and penalties on our operations in China, limitations on our operating privileges in China, delays in or restrictions on the repatriation of the proceeds from any such offering into the PRC, restrictions on or prohibition of the payments or remittance of dividends by our subsidiaries in China, or other actions that could have a material and adverse effect on our business, reputation, financial condition, results of operations, prospects, as well as the trading price of the ADSs. In addition, if the CSRC or other regulatory agencies later promulgate new rules or explanations requiring that we file with them, or obtain their approvals or clearances for any such offering or the listing of the ADSs, we may be unable to obtain a waiver of such regulatory requirements. Any uncertainties and/or negative publicity regarding such an approval or other requirements could have a material adverse effect on the trading price of the ADSs.

Failure of other technology enablement platforms for the financial service industry or damage to the reputation of other platforms with similar business models may materially and adversely affect our business and results of operations.

Any negative development in the technology enablement platforms for the financial service industry or related industries, such as bankruptcies or failures of other technology enablement platforms or online lending platforms, and especially a large number of such bankruptcies or failures, or negative perception of the industry as a whole, such as that arises from any failure of other platforms to detect or prevent money laundering or other illegal activities, even if factually incorrect or based on isolated incidents, could compromise our image, undermine the trust and credibility we have established and impose a negative impact on our ability to attract new borrowers and investors. If any of the foregoing takes place, our business and results of operations could be materially and adversely affected, potentially for a prolonged period of time. For example, a considerable number of troubled online lending platforms in China defaulted or collapsed or otherwise were shut down beginning in June 2018. Although these online lending platforms were not related to us, their failures adversely affected investors' confidence in the consumer finance industry, resulting in a reduction in the availability of funding from individual investors. Consequently, our results of operations and profitability have been adversely affected by market conditions since July 2018. We had ceased facilitating loans through such technology enablement platforms in February 2020, and accordingly were exposed to less risks in this regard. Regulators in the PRC have required online lending platforms to reduce their overall loan volume, outstanding balance, and number of retail investors and borrowers. The consumer finance industry has been faced with difficulty with liquidity and growth. Many industry players have announced their exit or default, and many have begun to transition to other business models as the trial registration for online lending platform did not progress. Negative developments such as widespread borrower defaults, fraudulent behavior and the closure of other platforms may also lead to heightened regulatory scrutiny and limit the scope of permissible business activities that may be conducted, which may adversely affect our business and results of operations.

The trading price of our ADSs is likely to be volatile due to publicity regarding the consumer finance industry and the evolving regulatory environment governing this industry in China.

The trading price of our ADSs is likely to be volatile and could fluctuate widely due to publicity regarding the consumer finance industry and the evolving regulatory environment governing this industry in China. While we are not regulated as a financial service provider, we may be affected by PRC financial regulations as a result of the financial products on our platforms and our relationships with our financial partners. In addition, we may be associated with any negative publicity regarding those industries in which our financial and business partners operate. The tremendous growth of the consumer finance industry has recently led to the offering of commercially unreasonable products in the marketplace from certain market players with questionable business ethics and practices. The peer-to-peer lending industry in China has experienced a number of defaults and bankruptcies since the summer of 2018, and a number of investors have lost significant sums of money as a result. The negative publicity has affected investor confidence and caused a sharp drop in loan volumes on peer-to-peer lending platforms across the industry. In November 2019, the Internet Finance Rectification Office and the Online Lending Rectification Office jointly issued the Guidelines on Transformation from Online Lending Information Intermediaries to Microcredit Company, pursuant to which online lending information intermediaries that conform to certain requirements may apply to transform to microcredit companies. The relevant transformation period shall not exceed one or two years in principle, depending on the outstanding business volume of and the terms of loans facilitated by such online lending information intermediaries. As a result of the foregoing, a number of Chinese companies operating in the consumer finance industry who have listed their securities in the United States experienced significant volatility and sudden price declines. In November 2020, the CBIRC and PBOC released the Interim Measures for the Administration of Network Microcredit Companies Business (Draft) to solicit public comments, seeking to tighten the online consumer finance industry. See “—Limitations on micro finance companies and online lending information intermediaries may adversely affect our access to funding.”

These laws and regulations have imposed stringent requirements on the operation of peer-to-peer online lending platforms. Although how these requirements will be interpreted and implemented is still unclear, it is likely that more stringent laws and regulations will be issued and adopted to further regulate related businesses. As a result of the stringent and evolving regulatory environment, consumer finance industry in China is facing great challenges and shrinking in size. The regulatory environment of the consumer finance industry may continue to evolve in response to factors beyond our control. Any rumors of or perceived changes to the regulations, even if proven to be untrue or completely unrelated or inapplicable to our business, may cause wide fluctuations in the trading price of our ADSs, and in certain cases significant declines, which could result in substantial losses to investors. See also “—Risks Relating to Our ADSs—The trading price of our ADSs is likely to be volatile, which could result in substantial losses to investors.”

If any wealth management financial product or service on our platform or the business practices of us or any of our financial partners are deemed to violate any new or existing PRC laws or regulations, our business, financial condition and results of operations could be materially and adversely affected.

Financial products and financial service providers are strictly regulated in China. While we are not regulated as a financial service provider, we may be affected by PRC financial regulations as a result of the wealth management financial products on our platform and our relationships with our financial partners. If any financial product on our platform is deemed to violate any PRC laws or regulations, we may be liable for distributing the product or assisting in offering the product on our platforms, even if we are not its direct provider. If any of our financial partners is deemed to violate any PRC laws or regulations, we may be jointly liable due to the services or solutions we provide. We may have to remove financial products from our platforms or terminate our relationships with financial partners. As a result of any of the foregoing, our business, financial condition and prospects will be materially and adversely affected.

Further, in December 2021, the PBOC, the MIIT, the Cyberspace Administration of China, the CBIRC, the CSRC, the SAFE and the China National Intellectual Property Administration jointly issued the Administrative Measures for Online Marketing of Financial Products (Draft), providing for a code of conduct for marketing cooperation between financial institutions and third-party internet platform operators. As of the date of this annual report, these draft regulations have not been adopted, and there exist uncertainties as to the interpretation of such regulations and their applicability to our business.

We generate a significant proportion of our revenues through a limited number of business partners.

We generate a significant proportion of our total revenues through a limited number of business partners. We generated 43.6%, 49.9% and 53.8% of our total revenues through cooperation with our top five business partners in 2019, 2020 and 2021, respectively. Our partnerships with these business partners are not on an exclusive basis. In addition, our contracts with them typically have a duration of one year, with most of which providing for automatic renewal. If these business partners change their policies, terminate their partnership or do not renew their cooperation agreements with us, our business and result of operations may be materially and adversely affected. If we are not able to expand into new verticals and increase penetration in existing verticals to increase the number of our business partners, retain our existing business partners or renew our existing contracts with major business partners on terms favorable to us, our results of operations will be materially and adversely affected.

If our platforms, services and solutions do not achieve sufficient market acceptance, our growth prospects and competitive position will be harmed.

The attractiveness of our technology-based services and solutions to our business and financial partners, and our online platforms to users, depend on our ability to innovate. To remain competitive, we must continue to develop and expand our platforms, services and solutions. We must also continue to enhance and improve our data analytics and technology infrastructure. These efforts may require us to develop or license increasingly complex technologies. In addition, new services, solutions and technologies developed and introduced by competitors could render our services and solutions obsolete if we are unable to update or modify our own technology. Developing and integrating new services, solutions and technologies into our existing platforms and infrastructure could be expensive and time-consuming. Furthermore, any new features and functions may not achieve market acceptance. We may not succeed in implementing new technologies, or may incur substantial costs in doing so. Our platforms, services and solutions must achieve high levels of market acceptance in order for us to recoup our investments. Our platforms, services and solutions could fail to attain sufficient market acceptance for many reasons, including:

- our credit assessment models may not be accurate;
- we may fail to predict market demand accurately and to provide financial services that meet this demand in a timely fashion;
- business partners and financial partners using our platforms may not like, find useful or agree with any changes;
- there may be defects, errors or failures on our platforms;
- there may be negative publicity about our financial services or our platforms' performance or effectiveness; and
- there may be competing services or solutions introduced or anticipated to be introduced by our competitors.

If our platforms, services or solutions do not achieve adequate acceptance in the market, our competitive position, results of operations and financial condition could be materially and adversely affected.

If our credit assessment system is flawed or ineffective, or if we otherwise fail or are perceived to fail to manage credit risk of loans facilitated through our platform, our reputation and market share would be materially and adversely affected, which would adversely impact our business and results of operations.

Our ability to attract business partners and financial partners to our online consumer finance platform and gain their trust is significantly dependent on our ability to effectively evaluate users' credit profiles and the likelihood of default. To conduct this evaluation, we analyze a variety of information such as basic personal background, third-party bureau data, credit card and bankcard transactional information and transactional information from e-commerce websites. However, our proprietary credit assessment models may inaccurately predict future loan losses under certain circumstances. For instance, after initial credit lines are granted, a user's risk profile may change due to a variety of factors, such as deteriorating personal finances, which may not be captured by our proprietary credit assessment models in a timely manner. We may also expand our network of business partners and serve new user groups with which we have less experience, and our proprietary credit assessment system may be unable to accurately predict future loan losses of the new user groups. In addition, the model and algorithms used by our proprietary credit assessment engine may contain errors, flaws or other deficiencies that may lead to inaccurate credit assessment. If we fail to continuously refine the algorithms and the data processing and machine learning technologies that we use in our proprietary credit assessment engine, or if these efforts introduce programming or other errors or is otherwise ineffective, or if we fail to continuously expand our data sources or the data provided by customers or third parties is incorrect or obsolete, our loan pricing and approval process could be negatively affected, resulting in mispriced or misclassified loans or incorrect approvals or denials of loan requests. Our business partners and financial partners may decide not to cooperate with us, or users may choose not to use our platform, and our reputation and market share would be materially and adversely affected, which would adversely impact our business and results of operations.

Our business has been and is likely to continue to be materially adversely affected by the COVID-19 pandemic.

Since the beginning of 2020, the outbreak of COVID-19 has resulted in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across China and globally. In addition, the Omicron variant and the Delta variant of COVID-19 began to spread rapidly over the world in 2021 and affected our operations, the financial partners, business partners, borrowers and SMEs. Normal economic life has been sharply curtailed. The population in most of the major cities was locked down to a greater or lesser extent and opportunities for discretionary consumption were extremely limited. While many of the restrictions on movement within China have been relaxed as of the date of this annual report, there is significant uncertainty as to the future progress of the pandemic. Relaxation of restrictions on economic and social life may lead to new cases which may lead to the re-imposition of restrictions.

The COVID-19 pandemic significantly impacted our operations and our business partners, particularly our business partners in the online travel agency and telecom industries. As a result of the pandemic and a series of challenges we encountered, including changes in market conditions, market regulations, external partners and management members, we continued to vigilantly manage risk profile while enhancing our asset quality, and accordingly our loan volume in 2021 decreased by 59% compared with 2020. We have taken measures in response to the outbreak to protect our employees, including temporarily closing our offices, facilitating remote working arrangements for our employees and cancelling business meetings and travel. Furthermore, in part in response to the challenges, we are now shifting our business focus by increasing the digital-centric services and substantially reducing our risk-sharing services.

The COVID-19 pandemic may also affect our business, financial condition and results of operations for the full year 2022 to some extent. The extent to which this outbreak impacts our results of operations will depend on future developments which are highly uncertain and unpredictable, including new outbreaks of COVID-19, the severity of the disease, the success or failure of efforts to contain or treat the disease, and future actions we or the authorities may take in response to these developments.

Our business may be affected by the condition of China's credit market and competitive landscape of industries in which we operate.

Changes in the condition of China's credit markets generally impact the demand and supply of financial products, which in turn will affect the demand for financial services and solutions we provide to our business partners. The range, pricing and terms of financial products available in the market partly result from competition among our financial partners and other financial service providers. In a rising interest rate environment, end users may seek funding through other means. In a declining interest rate environment, end users may choose to refinance their loans with lower-priced financial products, which may not be available through our partners. There can be no assurance that our financial partners can respond to fluctuations in interest rates in a timely manner.

In addition, changes in the competitive landscape of the China's consumer finance and wealth management industries, as well as SME technical services industry, may affect our business. For example, our business partners and financial partners may accumulate more experience and develop more expertise in using our financial solutions, thus they may develop their own capabilities and forgo using the services provided by independent technology platforms such as ours.

A credit crisis or prolonged downturn in the credit markets could severely impact our operating environment. A credit crisis or prolonged downturn in the credit markets might cause tightening in credit guidelines, limited liquidity, deterioration in credit performance and increased foreclosure activities. A decrease in transaction volumes could cause a material decline in our revenues for the duration of the crisis, even if we do not bear credit risk in the event of borrower default. Moreover, a financial and credit crisis may be coupled with or trigger a downturn in the macroeconomic environment, which could cause a general decrease in lending activity over a longer period of time. If a credit crisis were to occur, particularly in China's credit markets, our business, financial performance and prospects could be materially and adversely affected.

Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.

We experience some seasonality in our business, primarily reflecting seasonality in our business partners' businesses. Our seasonality is associated with seasonal demands for consumer loans and travel and for consumption in general, as users use point-of-sale installment loans to finance installment purchases from our business partners. See "Item 4. Information on the Company—B. Business Overview—Seasonality." Our quarterly results of operations, including the levels of our revenues, expenses, net loss or income and other key metrics, may vary significantly in the future due to a variety of factors, some of which are outside of our control, and period-to-period comparisons of our operating results may not be meaningful, especially given our limited operating history. Accordingly, the results for any one quarter are not necessarily an indication of future performance.

If we do not compete effectively, our results of operations could be harmed.

We may fail to compete for business partners and financial partners against any of our current or future competitors. Furthermore, the COVID-19 pandemic has affected and may continue to affect our ability to compete effectively. Consumer finance, wealth management and insurance are emerging industries in China. We enable our business and financial partners to provide innovative consumer finance, wealth management and insurance services to the users. With respect to consumer finance enablement, OneConnect shares a similar business model where it provides technology enablement services to business partners and financial partners, and we compete with respect to acquiring partners and customers. Other independent platforms also provide such enablement services to partners as one segment of their business. With respect to wealth management and robo-advisory enablement, we compete with companies such as Yingmi.cn. We also compete across consumer finance, wealth management and insurance with platforms affiliated with major internet companies and business ecosystems in China, such as Lexin, 360 DigiTech and QuantGroup. In addition, our business and financial partners may develop their own in-house capabilities that compete with the services we currently provide. Some of our larger competitors have substantially broader product or service offerings and greater financial resources to support their spending on sales and marketing. Current or potential competitors may have substantially greater brand recognition and may have more financial, research, marketing and distribution resources than we do. Our competitors may introduce platforms with more effective features, or services or solutions with competitive pricing or better performance. In addition, some of our competitors may have more resources to develop or acquire new technologies and react quicker to the changing demands of business partners and financial partners.

On February 7, 2021, the Anti-monopoly Committee of the State Council officially promulgated the Guidelines to Anti-Monopoly in the Field of Internet Platforms, or the Anti-Monopoly Guidelines for Internet Platforms. The Anti-Monopoly Guidelines for Internet Platforms mainly cover five aspects, including general provisions, monopoly agreements, abusing market dominance, concentration of undertakings, and abusing administrative powers to eliminate or restrict competition. The Anti-Monopoly Guidelines for Internet Platforms prohibit certain monopolistic acts of internet platforms to preserve market competition and safeguard interests of users and undertakings participating in the internet platform economy, including without limitation, prohibiting platforms with dominant position from abusing their market dominance, such as discriminating customers in terms of pricing and other transactional conditions using big data and analytics, coercing counterparties into exclusivity arrangements, using technology means to block competitors' interface, favorable positioning in search results of goods displayed, using bundle services to sell services or products, and compulsory collection of unnecessary user data. As the Anti-Monopoly Guidelines for Internet Platforms were newly promulgated, it is uncertain to estimate its specific impact on our business, financial condition, results of operations and prospects. We cannot assure you that our business operations comply with such regulations and authorities' requirements in all respects. If any non-compliance is raised by relevant authorities and determined against us, we may be subject to fines and other penalties and need to adjust some of our business practice, which could be costly.

Our business model is unproven.

We work with business partners and financial partners on our platforms and enable them to provide financial services to end users efficiently and effectively. This is a relatively new and unproven business model in the financial services industry, and it has evolved, and may continue to evolve, over time. Our business model differs significantly from that of traditional financial service providers and other internet online lending solutions providers in several ways, including our focus on business to business services. The success of our business model depends on its scalability and on our ability to acquire more business partners and financial partners and achieve higher transaction volumes on our platforms. If we are unable to efficiently acquire partners, address the business needs of our partners or offer a superior user experience to end users, our results of operation would likely suffer.

Any failure by us or our financial partners or other funding sources to comply with applicable anti-money laundering laws and regulations could damage our reputation.

We have adopted various policies and procedures, such as internal controls and “know-your-customer” procedures, for anti-money laundering purposes. The Internet Finance Guidelines purport, among other things, to require internet finance service providers to comply with certain anti-money laundering requirements, including 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 to the public security department and judicial authority in investigations and proceedings in relation to anti-money laundering matters. The Administrative Measures for Internet Finance Service Providers Regarding Anti-Money Laundering and Counter Terrorism Financing (Trial Version), or the Administrative Measures Regarding AML and CTF, require internet finance service providers to comply with certain anti-money laundering and counter terrorism financing requirements, including establishing an internal control system for anti-money laundering and counter terrorism financing, establishing a customer identification program, monitoring terrorist organizations and terrorists, monitoring and reporting suspicious transactions and preserving customer information and transaction records. The Measures for the Supervision and Administration of Publicly-offered Securities Investment Fund Distributors, originally promulgated by the China Securities Regulatory Commission, or the CSRC, in August 2020, require independent fund sales institutions to comply with certain anti-money laundering requirements, including providing fund managers with necessary information for anti-money laundering, such as clients’ statutory basic identity information, as well as assistance in performing such relevant duties as anti-money laundering, counter-terrorism financing and due diligence on tax-related information in terms of non-resident financial accounts. The Notice on Anti-Money Laundering Operations of the Insurance Industry requires insurance brokerage agencies to establishing anti-money laundering internal control systems and provide assistance to public security departments and judicial authorities in investigations. There is no assurance that our anti-money laundering policies and procedures will protect us from being exploited for money laundering purposes or that we will be deemed to be in compliance with applicable anti-money laundering implementing rules, if and when adopted, given that our anti-money laundering obligations in the Internet Finance Guidelines, the Administrative Measures Regarding AML and CIF, the Measures for the Supervision and Administration of Publicly-offered Securities Investment Fund Distributors and the Notice on Anti-Money Laundering Operations of the Insurance Industry are not specified. Any new requirement under money laundering laws could increase our costs, and may expose us to potential sanctions if we fail to comply. Furthermore, our financial partners are required to have their own appropriate anti-money laundering policies and procedures as stipulated in the applicable anti-money laundering laws and regulations, and our other funding sources may also be required to comply with the applicable anti-money laundering laws and regulations. If we or any of our financial partners or other funding sources fail to comply with applicable anti-money laundering laws and regulations, our reputation could suffer and we could become subject to regulatory intervention, which could have a material adverse effect on our business, financial condition and results of operations. Any negative perception of technology enablement platforms for the financial service industry, such as those that arise from any failure of other internet finance service providers to detect or prevent money laundering activities, could compromise our image or undermine the trust and credibility we have established. If any of the foregoing were to occur, our reputation, business, financial condition and results of operations might be materially and adversely affected.

Failure to protect confidential information of our end users and our network against security breaches could damage our reputation and brands and substantially harm our business and results of operations.

Our business involves the collection, storage, processing and transmission of end users’ personal data. The highly automated nature of our platforms may make them attractive targets and potentially vulnerable to cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions. While we have taken steps to protect confidential information that we have access to, our security measures could be breached. Any accidental or willful security breaches or other unauthorized access to our platforms could cause confidential information to be stolen and used for criminal purposes. Security breaches or unauthorized access to confidential information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our software are exposed and exploited, our relationships with our business partners and financial partners could be severely damaged, and we could incur significant liability. Because techniques used to sabotage or obtain unauthorized access to systems change frequently and generally are not recognized until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

We may be required to obtain value-added telecommunication service licenses by the PRC regulatory authorities.

Both Shanghai Anquying Technology Co., Ltd., formerly known as Anquying (Shanghai) Investment Consulting Co., Ltd., and Beijing Hongdian Fund Distributor Co., Ltd., or Beijing Hongdian, conduct value-added telecommunications businesses, for which they may be required to obtain value-added telecommunications service licenses regarding such value-added telecommunications businesses. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Value-added Telecommunication Service.” Failure to comply with the regulations relating to value-added telecommunications services may result in fines and other administrative sanctions. As suggested by Beijing Administration of Telecommunication, which is the competent regulatory authority of Beijing Hongdian, Beijing Hongdian does not need value-added telecommunications service licenses for its operation. However, the regulatory authorities may have wide discretion in the interpretation and enforcement of the laws and regulations regarding value-added telecommunications businesses and it is possible that the regulatory authorities may adjust their former interpretation and make new requirements so that Beijing Hongdian may have to obtain value-added telecommunications service license for its operations in the future. Shanghai Anquying Technology Co., Ltd. has applied for a value-added telecommunication service license for its website. As of the date of this annual report, neither Beijing Hongdian nor Shanghai Anquying Technology Co., Ltd. has obtained a license for its operations on its websites or mobile applications. There is a lack of further interpretations or explicit and detailed laws and regulations regarding the value-added telecommunications service license for a mobile applications provider. However, to the extent that the PRC regulatory authorities require value-added telecommunication service licenses to be obtained for the operation of our mobile applications, we may be subject to the sanctions described above if we do not obtain such licenses, and our business, financial condition and results of operations maybe materially and adversely affected.

Limitations on micro finance companies and online lending information intermediaries may adversely affect our access to funding.

Circular 141 requires online micro finance companies to suspend the funding of micro-loans that are unrelated to the circumstances of their use and to gradually reduce the volume of their existing business relating to such loans and to complete rectifications within a given period of time. Circular 141 also prohibits online lending information intermediaries from facilitating loans with no designated use of loan proceeds. Although we now require the end users of our personal and business installment loans to specify the intended use of the loan proceeds, and the intended use is stipulated in the loan agreement between the borrower and the lender, it is unclear whether personal and business installment loans that we have facilitated through our solutions would be deemed to be loans with no designated use of loan proceeds and thus subject to the foregoing requirement of Circular 141. If such personal and business installment loans were deemed to be loans with no designated use of loan proceeds, we would need to take measures to track the actual use of loans, and our financial partners would also need to take measures to track the actual use of loans and may require us to cooperate with them and upgrade our system, both of which could cause us to incur substantial additional expenses. If we were unable to effectively implement the foregoing or other rectification measures, we might need to reduce or even cease the funding and facilitation of such personal and business installment loans. If that were to occur, our business, financial condition and results of operations would be materially and adversely affected.

In addition, we historically engaged in internet-based microcredit business through our subsidiary Ganzhou Aixin Network Micro Finance Co., Ltd. (formerly known as Ganzhou Jimu Micro Finance Co., Ltd.), or Ganzhou Aixin Micro Finance, which holds an internet micro lending license to operate small loan business. However, since the regulatory regime and practice with respect to network microcredit companies are evolving in recent years and subject to uncertainties, we cannot assure you that we would not be subject to any rectification requirements or administrative penalties due to any non-compliance, nor can we assure you that we will be able to satisfy rectification requirements, if any, and maintain or renew the license. If we are unable to maintain or renew the microcredit license or obtain any other requisite approvals, licenses or permits, our business, financial condition and results of operations may be materially and adversely affected.

Jimu Group's insolvency and inability to repay the loans we extended to it may cause us to be unable to meet our obligations as they come due, and we may not be able to obtain additional capital when desired, on favorable terms or at all.

Our consolidated financial statements have been prepared on a going concern basis. As of December 31, 2019, we had RMB748.4 million in current amounts due from Jimu Group and RMB117.6 million in non-current amounts. Since Jimu Group became insolvent and announced its exit from the online lending platform business in February 2020, we determined that it was probable that the amounts due from Jimu Group were not collectible or recoverable. As of December 31, 2019, we made a provision of RMB856.0 million for the amount due from Jimu Group. We made an additional provision of RMB7.8 million for the year ended December 31, 2020, and a reversal of RMB6.7 million (US\$1.1 million) for the year ended December 31, 2021. See "Item 7. Major Shareholders and Related Party Transactions—Transactions and Agreements with Jimu Group—Cash Advances and Loan Agreements" for more details. Although we anticipate that our current cash will be sufficient to meet our current and anticipated needs for general corporate purposes for at least the next 12 months, the loss of this capital may impair our ability to invest in facilities, hardware, software and technological systems, retain talent, or expand our business. Our total current assets decreased from RMB720.9 million as of December 31, 2020 to RMB526.9 million (US\$ 82.7 million) as of December 31, 2021. Due to the unpredictable nature of the capital markets and the industries in which we operate, there can be no assurance that we will be able to raise additional capital on terms favorable to us, or at all, if and when required, especially if we experience unfavorable operating results. If adequate capital is not available to us as required, our ability to fund our operations, expand our business, take advantage of unanticipated opportunities, develop or enhance our infrastructure or respond to competitive pressures could be significantly limited, which would adversely affect our business, financial condition and results of operations. In such an event, there may also be doubt as to our ability to continue as a going concern. If we do raise additional funds through the issuance of equity or convertible debt securities, the ownership interests of our shareholders could be significantly diluted. These newly issued securities may have rights, preferences or privileges senior to those of existing shareholders.

Our financial information included in this annual report may not be representative of our financial condition and results of operations if we had been operating as a stand-alone company.

We entered into various transaction agreements in connection with our pre-IPO reorganization in December 2017 and completed the reorganization in March 2018. We made numerous estimates, assumptions and allocations in our historical financial statements because we did not operate as a stand-alone company from an accounting perspective prior to the completion of the reorganization. In particular, our consolidated balance sheets include those assets and liabilities that are specifically identifiable to our business, and our consolidated statements of operations include all costs and expenses related to us, including costs and expenses allocated from Jimu Group to us. Although we believe that the assumptions underlying our historical financial statements and the above allocations are reasonable, our historical financial statements may not necessarily reflect our results of operations, financial position and cash flows as if we had operated as a stand-alone company during those periods. Therefore, you should not view our historical results as indicators of our future performance. See “Item 5. Operating and Financial Review and Prospects” and the notes to our consolidated financial statements included in this annual report for our historical cost allocation.

Jimu Group’s insolvency may materially and adversely affect the strength of our brands.

Historically, we have benefited significantly from the fact that we and Jimu Group operated as a single entity to develop our businesses and achieve market recognition. Our business, including Dumiao, Polaris and Hongdian, was previously operated under the Jimu umbrella brand. Our services historically have been associated with Jimu Group, and they may continue to be commonly associated with Jimu Group. We used to benefit from Jimu Group’s strong brand recognition in China, which provided us credibility and a broad marketing reach. Jimu Group’s insolvency and exit from the online lending platform business in February 2020 will likely have an adverse impact on the effectiveness of our marketing as well as our reputation and brands.

On the other hand, we have actively engaged in marketing our own brands, including Pintec, Dumiao, Polaris and Hongdian, to distinguish our services from those provided by Jimu Group. However, there is no assurance that such efforts will be successful. Continued association of our services with Jimu Group may hinder our future marketing endeavor and brand recognition, and as a result, our financial conditions, results of operations and strength of our brands may be materially and adversely affected.

Any negative publicity with respect to us, our shareholders, directors or officers, our financial service providers or the industries in which we operate may materially and adversely affect our business and results of operations.

The reputation of our brands is critical to our business and competitiveness. Any malicious or negative publicity about our products or services, or about our shareholders, directors or officers, whether or not accurate and whether or not we are negligent or at fault, including but not limited to publicity relating to our management, business, compliance with the law, financial conditions or prospects, whether with or without merit, could severely compromise our reputation and harm our business and operating results.

As China’s consumer finance and wealth management industries, as well as the SME technical services industry, are new and the regulatory framework is also evolving, negative publicity about these industries and the market segments in which we or our business or financial partners operate may arise from time to time. Negative publicity about China’s consumer finance industry in general may also have a negative impact on our reputation, regardless of whether we have engaged in any inappropriate activities. The PRC government is in the process of developing and implementing a regulatory framework to govern the consumer finance market. Any publicity about players in China’s consumer finance industry who are not in compliance with the new regulatory framework may adversely impact the reputation of the industry as a whole. Furthermore, any negative development or perception of the consumer finance industry as a whole, even if factually incorrect or based on isolated incidents or as result of conduct by other market players, could compromise our image, undermine our credibility and negatively impact our ability to attract new business and financial partners. Negative developments in the consumer finance industry, such as widespread customer defaults, fraudulent behavior, the closure of other online consumer finance platforms, or incidents indirectly resulting from any particular customer’s accumulation of large amounts of debt or inability to repay debt, may also lead to tightened regulatory scrutiny of the sector and limit the scope of permissible business activities that may be conducted by online consumer finance platforms. For instance, there have been a number of reports since 2015 of business failures, accusations of fraud and unfair dealing regarding certain companies in the consumer finance industry in China. If users or business and financial partners associate our company with these companies, they may be less willing to engage in borrowing or funding activities on our platform. If any of the foregoing takes place, our business and results of operations could be materially and adversely affected.

If we fail to promote and maintain our brands in a cost-efficient way, our business and results of operations may be harmed.

We believe that developing and maintaining awareness of our brands effectively is critical to attracting new partners and users to our platforms and retaining existing ones. This depends largely on the effectiveness of our customer acquisition strategy, our marketing efforts, our cooperation with our business partners and the success of the channels we use to promote our platforms. If any of our current user acquisition strategies or marketing channels become less effective, more costly or no longer feasible, we may not be able to attract new partners and users in a cost-effective manner or convert potential partners and users into using our financial services and solutions.

Our efforts to build our brands have caused us to incur expenses, and it is likely that our future marketing efforts will require us to incur additional expenses. These efforts may not result in increased revenues in the immediate future or any increases at all and, even if they do, any increases in revenues may not offset the expenses incurred. If we fail to successfully promote and maintain our brands while incurring additional expenses, our results of operations and financial condition would be adversely affected, and our ability to grow our business may be impaired.

If users are dissatisfied with the performance of the financial products we offer on Hongdian or the portfolios we construct and offer through our Polaris robo-advisory services, our brands may suffer and our business and results of operations may be harmed.

Users access the financial products we offer through our Hongdian platform and the portfolios we construct and offer through our Polaris robo-advisory services. Our reputation and brands may suffer if these products do not provide expected investment returns or otherwise perform poorly, even if we do not provide the underlying investment assets. Although we have established standards to screen financial partners before listing their products, we have limited control over the financial products themselves and no control over how they perform. If users become dissatisfied with the financial products available on our platforms or the financial products that they acquired through our platforms, our business, reputation, financial performance and prospects could be materially and adversely affected.

We and certain of our directors and officers have been named as defendants in a shareholder class action, which could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation.

We are vigorously defending against the shareholder class action described in “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings,” including any appeals of such lawsuit should our initial defense be unsuccessful. We filed a motion to dismiss on April 16, 2021 and the plaintiffs filed their opposition to the motion to dismiss on June 15, 2021. We submitted our reply brief on July 15, 2021. On April 25, 2022, the court granted our motion to dismiss the amended complaint in full and ordered the case closed. The plaintiffs have 30 days from the court’s order to file a notice of appeal. If the plaintiffs choose to file an appeal, we cannot predict the timing, outcome or consequences of such an appeal or of this class action if the court’s order of dismissal is vacated or reversed. We cannot guarantee that we will not be a target for lawsuits in the future, including putative class action lawsuits brought by shareholders. There can be no assurance that we will be able to prevail in our defense or reverse any unfavorable judgment on appeal, and we may decide to settle the lawsuit on unfavorable terms. Any adverse outcome of the lawsuit, including any plaintiffs’ appeal of the judgment, could result in payments of substantial monetary damages or fines, or changes to our business practices, and thus have a material adverse effect on our business, financial condition, results of operations, cash flows and reputation. In addition, there can be no assurance that our insurance carriers will cover all or part of the defense costs, or any liabilities that may arise from these matters. The litigation process may utilize a significant portion of our cash resources and divert management’s attention from the day-to-day operations of our company, all of which could harm our business. We also may be subject to claims for indemnification related to these matters, and we cannot predict the impact that indemnification claims may have on our business or financial results.

If we fail to comply with laws and contractual obligations related to data privacy and protection, our business, results of operations and financial condition could be materially and adversely affected.

We have access to a large amount of data and personal information of our end users, including financial information and personally identifiable information. While we have security measures in place to protect our end-users' data, our solutions and underlying infrastructure may in the future be materially breached or compromised as a result of the following:

- third-party attempts to fraudulently induce employees or customers into disclosing sensitive information such as usernames, passwords or other information to gain access to our user' data, our data or our IT systems;
- efforts by individuals or groups of hackers and sophisticated organizations;
- cyberattacks on our internally built infrastructure;
- vulnerabilities resulting from enhancements and upgrades to our existing solutions;
- vulnerabilities in third-party infrastructure and systems and applications that our solutions operate in conjunction with or are dependent on;
- vulnerabilities existing within newly acquired or integrated technologies and infrastructure;
- attacks on, or vulnerabilities in, the many different underlying networks and services that power the internet that our solutions depend on, most of which are not under our control; and
- employee or contractor errors or intentional acts that compromise our security systems.

These risks are mitigated, to the extent possible, by our ability to maintain and improve business and data governance policies, enhanced processes and internal security controls, including our ability to escalate and respond to known and potential risks. Although we have developed systems and processes designed to protect our users' data, we can provide no assurance that such measures will provide absolute security. For example, our ability to mitigate these risks may be affected by the following:

- vulnerabilities in third-party infrastructure and systems and applications that our solutions operate in conjunction with or are dependent on;
- vulnerabilities existing within newly acquired or integrated technologies and infrastructure;
- attacks on, or vulnerabilities in, the many different underlying networks and services that power the internet that our solutions depend on, most of which are not under our control; and
- employee or contractor errors or intentional acts that compromise our security systems.

Substantial uncertainties exist with respect to the interpretation and implementation of cybersecurity related regulations and cybersecurity review as well as any impact these may have on our business operations.

The cybersecurity legal regime in China is relatively new and evolving rapidly, and their interpretation and enforcement involve significant uncertainties. As a result, it may be difficult to determine what actions or omissions may be deemed to be in violations of applicable laws and regulations in certain circumstances.

Network operators in China are subject to numerous laws and regulations, and have the obligations to, among others, (i) establish internal security management systems that meet the requirements of the classified protection system for cybersecurity, (ii) implement technical measures to monitor and record network operation status and cybersecurity incidents, (iii) implement data security measures such as data classification, backups and encryption, and (iv) submit for cybersecurity review under certain circumstances.

On November 7, 2016, the Standing Committee of the National People's Congress issued the Cyber Security Law, which imposes more stringent requirements on operators of "critical information infrastructure," especially in data storage and cross-border data transfer.

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On December 28, 2021, the CAC, the NDRC, the MIIT, and several other administrations jointly published the Measures for Cybersecurity Review, effective on February 15, 2022, which provides that certain operators of critical information infrastructure purchasing network products and services or network platform operators carrying out data processing activities, which affect or may affect national security, must apply with the Cybersecurity Review Office for a cybersecurity review. The cybersecurity review will evaluate, among others, the risk of critical information infrastructure, core data, important data, or the risk of a large amount of personal information being influenced, controlled or maliciously used by foreign governments after going public, and cyber information security risk. Given the Measures for Cybersecurity Review were recently promulgated, their interpretation, application and enforcement are subject to substantial uncertainties. If we are found to be in violation of cybersecurity requirements in China, the relevant governmental authorities may, at their discretion, conduct investigations, levy fines, request app stores to take down our apps and cease to provide viewing and downloading services related to our apps, prohibit the registration of new users on our platform, or require us to change our business practices in a manner materially adverse to our business. Any of these actions may disrupt our operations and adversely affect our business, results of operations and financial condition.

On November 14, 2021, the CAC published a discussion draft of the Administrative Measures for Internet Data Security, or the Draft Measures for Internet Data Security, which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or division of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad of data processors processing over one million users' personal information; (iii) listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. There have been no clarifications from the authorities as of the date of this annual report as to the standards for determining such activities that "affects or may affect national security." The CAC has solicited comments on this draft until December 13, 2021, but there is no timetable as to when it will be enacted. As such, substantial uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation. The Draft Measures for Internet Data Security, if enacted as proposed, may materially impact our capital raising activities. Any failure to obtain such approval or clearance from the regulatory authorities could materially constrain our liquidity and have a material adverse impact on our business operations and financial results, especially if we need additional capital or financing.

The interpretation and application of these cybersecurity laws, regulations and standards are still uncertain and evolving, especially the Draft Measures for Internet Data Security. We cannot assure you that relevant governmental authorities will not interpret or implement these and other laws or regulations in ways that may negatively affect us.

Misconduct and errors by our employees could harm our business and reputation.

We are exposed to many types of operational risks, including the risk of misconduct and errors by our employees. Our business depends on our employees to interact with users and partners, process large numbers of transactions and support loan servicing, all of which involve the use and disclosure of personal information. We could be materially and adversely affected if transactions were redirected, misappropriated or otherwise improperly executed, if personal information were disclosed to unintended recipients or if an operational breakdown or failure were to occur in the processing of transactions, whether as a result of human error, purposeful sabotage or fraudulent manipulation of our operations or systems. In addition, the manner in which we store and use certain personal information and interact with partners and users through our platforms is governed by various PRC laws. It is not always possible to identify and deter misconduct or errors by employees, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses. If any of our employees take, convert or misuse funds, documents or data or fail to follow protocols when interacting with partners and users, we could be liable for damages and subject to regulatory actions and penalties. We could also be perceived to have facilitated or participated in the illegal misappropriation of funds, documents or data, or the failure to follow protocols, and therefore be subject to civil or criminal liability.

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Fraudulent activity on our platforms could negatively impact our operating results, brands and reputation and cause the use of our products and services to decrease.

We may be vulnerable to fraudulent activity on our platforms, sometimes through sophisticated schemes or collusion. Certain of our own employees, on their own or in collusion with others inside or outside our company, may participate in fraudulent or otherwise illegal activities. Our resources, technologies, fraud detection tools and risk management system may be insufficient to accurately detect and timely prevent fraud and misconduct. Significant increases in fraudulent activity could negatively impact our brands and reputation, cause losses to users and financial service providers, and reduce user activity on our platforms. We may need to adopt additional measures to prevent and reduce fraud, which could increase our costs. High profile fraudulent activity could even lead to regulatory intervention, and may divert our management's attention and cause us to incur additional expenses and costs. If any of the foregoing were to occur, our results of operations and financial conditions could be materially and adversely affected.

We rely on data from third parties and users for the successful operation of our online consumer finance platform, and this data may be inaccurate or may not accurately reflect users' creditworthiness, which may cause us to inaccurately price loans facilitated through our platform and cause our reputation to be harmed.

Our ability to accurately price loans depends on credit, identification, employment and other relevant information that we receive. Unlike many developed countries, China does not have a well-developed centralized credit reporting system. As an open platform, we have access to data from users, business partners, financial partners and third-party data partners. We synthesize multiple sources of data with our data analytics capability, which drives our credit assessment engine. We cannot ensure the accuracy and timeliness of the various sources of data that we use.

While we strive to predict the likelihood of default of a user through our credit assessment models, we may not accurately predict a user's actual creditworthiness because we may receive outdated, incomplete or inaccurate data. While we verify information obtained from third parties through data source credential evaluation and online and offline test evaluations in an effort to ensure reliability and efficacy, such measures may not turn out to be effective in eliminating low quality and inaccurate data. Low quality or inaccurate data could materially affect the accuracy and validity of our assessment capability, services and solutions, which could adversely affect our reputation and financial performance.

In addition, there is a risk that, following the date we obtain and review the information, a user's personal circumstances may have changed. The user may have become delinquent in the payment of an outstanding obligation, defaulted on a pre-existing debt obligation, taken on additional debt or otherwise had their ability to repay the loan reduced. We cannot ensure that the data that we use is always up to date, and this may cause us to inaccurately price loans and lead to a higher loss rate.

We have obligations to verify information relating to users and detecting fraud. If we fail to perform such obligations to meet the requirements of relevant laws and regulations, we may be subject to liabilities.

Our business of facilitating the offer of financial products by our partners to users constitutes an intermediary service, and our contracts with partners and users are intermediation contracts under the Civil Code of PRC. Under the Civil Code of PRC, an intermediary that intentionally conceals any material information or provides false information in connection with the conclusion of the proposed contract and so harms the client's interests may not claim any service fee for its intermediary services and is liable for any damage incurred by the users. Therefore, if we fail to verify the truthfulness of the information provided by or in relation to our users and to actively detect fraud, we could be subject to liability as an intermediary under the Civil Code of PRC, and our results of operations and financial condition could be materially and adversely affected.

If our ability to collect delinquent loans is impaired, our business and results of operations might be materially and adversely affected.

Our ability to collect loans is dependent on the user's continuing financial stability, and consequently, collections can be adversely affected by job loss, divorce, death, illness or personal bankruptcy. Our collection activities are highly automated, conducted through digital means such as payment reminder notifications in our app, reminder text messages, voice messages and e-mails and supplemented by direct phone calls. We generally refer the delinquent account to an outside collection agent. All of our collection efforts have been outsourced as of July 1, 2017, including to one service provider in which we own an 18.7% equity interest. The collection agency will charge collection fees, which will increase our expenses. If our third-party service providers' collection methods are not effective and we fail to respond quickly and improve our collection methods, our delinquent loan collection rate may decrease and our financial partners may suffer loss, which may affect our business and reputation. Our service fees also depend on the collectability of the loans that we facilitate. If we experience an unexpected significant increase in the number of users who fail to repay their loans or an increase in the principal amount of the loans that are not repaid, we will be unable to collect our entire service fee for such loans and our revenue could be materially and adversely affected.

We may be held responsible for illegal or unethical practices by third parties that we use to collect delinquent loans.

We refer delinquent accounts that are overdue to third party collection service providers, including one service provider in which we own an 18.7% equity interest. All of our collection efforts have been outsourced as of July 1, 2017. While we have implemented and enforced policies and procedures relating to collection activities by third-party service providers, if those collection methods are viewed by the users or regulatory authorities as harassment, threats or other illegal conduct, particularly in the case of a service provider in which we own an 18.7% equity interest, we may be subject to lawsuits initiated by the users or prohibited by the regulatory authorities from using certain collection methods. If this were to happen and we fail to adopt alternative collection methods in a timely manner or the alternative collection methods are proven to be ineffective, we might not be able to maintain our delinquent loan collection rate, and the transaction volumes on our online consumer finance platform may decrease and our business and the results of operations could be materially and adversely affected.

If we fail to effectively manage our growth, our business and operating results could be harmed.

We aim to achieve rapid growth in our business and operations. Rapid growth would place significant demands on our management, operational and financial resources. We may encounter difficulties as we expand our operations, data and technology, sales and marketing, and general and administrative capabilities. We expect our expenses to continue to increase in the future as we enhance data analytical capabilities, launch new technology development projects and build additional technology infrastructure. Continued growth could also strain our ability to maintain the quality and reliability of our platforms and services, develop and improve our operational, financial, legal and management controls, and enhance our reporting systems and procedures. Our expenses may continue to grow faster than our revenues, and our expenses may be greater than we anticipate. Managing our growth will require significant expenditures and allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, operating results and financial condition could be harmed.

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

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

In September 2019, Mr. Wei resigned from his position as chairman of the board of directors but remains on our board of directors. Mr. Jun Dong was elected as the new chairman of the board of directors and has been named as the acting chief executive officer for the duration of Mr. Wei's absence. In August 2020, Dr. Victor Huike Li was appointed as chief executive officer and director of our company. Mr. Wei Wei tendered his resignation as our chief executive officer for health reasons, and Mr. Jun Dong resigned from his position as our acting chief executive officer as a result of Dr. Li's appointment. Both Mr. Wei and Mr. Dong will continue to serve on our board of directors following their resignations from our management. In January 2021, Mr. Ziwei Zhang resigned from his position as our chief marketing officer for personal reasons. In January 2021, Mr. Jiacheng Liu resigned from his position as our independent director for personal reasons. Ms. Xueping Ning was appointed as a successor independent director to serve on our board of directors, replacing Mr. Liu. In August 2021, Mr. Steven Yuan Ning Sim resigned from his position as the chief financial officer for personal reasons. Mr. Victor Huike Li, director and chief executive officer of our company, was appointed as our acting chief financial officer until a suitable candidate for chief financial officer is identified. In January 2022, Mr. Wei Wei resigned from his position as our director for personal reasons. Mr. Tixin Li was appointed as a successor director to serve on our board of directors, replacing Mr. Wei. Any future changes in our management composition may disrupt our business operations, and our financial condition and results of operations may be adversely affected.

We may not be able to attract and retain the qualified and skilled employees needed to support our business.

We believe our future success depends on our continued ability to attract, develop, motivate and retain qualified and skilled employees. Competition for highly skilled technical, risk management and financial personnel is extremely intense. We may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. Some of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment. In addition, we invest significant time and expenses in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training new employees, and our ability to serve users and financial service providers could diminish, resulting in a material adverse effect to our business.

Our proprietary robo-advisory engine may be flawed or ineffective at providing investment advices, which may subject us to additional risks.

We have provided investment advisory services to users on our Polaris platform and to our financial partners through our proprietary robo-advisory services, which construct investment portfolios that cater to the specific risk appetites of our users and to achieve targeted risk-adjusted returns. We believe that our proprietary robo-advisory services provide users with a cost-efficient, competitively priced, easy-to-use automated wealth management solution intended to maximize portfolio returns based on a user's specific risk appetite. If our proprietary robo-advisory engine is flawed or ineffective, our reputation and market share would be materially and adversely affected, which would severely impact our business and results of operations. Additional risks associated with these investment advisory activities through robo-advisory engine include those that might arise from unsuitable investment recommendations, inadequate due diligence, inadequate disclosure and fraud. Realization of these risks could lead to liability for client losses, regulatory fines, civil penalties and harm to our reputation and business.

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

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

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

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

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

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

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

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

We regard our software registrations, trademarks, domain names, know-how, proprietary technologies and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality and non-compete agreements with our employees and others to protect our proprietary rights. See "Item 4. Information on the Company—B. Business Overview—Intellectual Property." Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties on reasonable terms, or at all.

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

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

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

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

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

We are a public company in the United States subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002 requires that we include a report of management on our internal control over financial reporting in our annual report on Form 20-F. In addition, once we cease to be an "emerging growth company" as such term is defined in the JOBS Act, our independent registered public accounting firm may be required to attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, our reporting obligations as a public company may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

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Our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. In the course of management's preparation and our independent registered public accounting firm's auditing our consolidated financial statements for the year ended December 31, 2021, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting as of December 31, 2021, in accordance with the standards established by the Public Company Accounting Oversight Board of the United States, or the PCAOB. As defined in the standards established by the PCAOB, a "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness that has been identified relates to our lack of sufficient financial reporting and accounting personnel with appropriate knowledge of U.S. GAAP and SEC reporting requirements to properly address complex U.S. GAAP technical accounting issues and to prepare and review financial statements and related disclosures in accordance with U.S. GAAP and reporting requirements set forth by the SEC. This material weakness, if not timely remedied, may lead to significant misstatements in our consolidated financial statements in the future.

Following the identification of the material weakness and other control deficiencies, we have taken measures and plan to continue to take measures to remedy these control deficiencies. For details, see "Item 15. Controls and Procedures—Internal Control Over Financial Reporting." However, the implementation of these measures may not fully address these deficiencies in our internal control over financial reporting, and we cannot conclude that they have been fully remedied. Our failure to correct these control deficiencies or our failure to discover and address any other control deficiencies could result in inaccuracies in our financial statements and impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. Moreover, ineffective internal control over financial reporting could significantly hinder our ability to prevent fraud.

If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods.

If the PCAOB, is unable to inspect our auditors as required under the Holding Foreign Companies Accountable Act, the SEC will prohibit the trading of our ADSs. A trading prohibition may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections of our auditors deprives our investors of the benefits of such inspections.

On April 21, 2020, SEC Chairman Jay Clayton and PCAOB Chairman William D. Duhnke III, along with other senior SEC staff, released a joint statement highlighting the risks associated with investing in companies based in or have substantial operations in emerging markets including China. The joint statement emphasized the risks associated with lack of access for the PCAOB to inspect auditors and audit work papers in China and higher risks of fraud in emerging markets.

On May 18, 2020, Nasdaq filed three proposals with the SEC to (i) apply minimum offering size requirement for companies primarily operating in "Restrictive Market", (ii) adopt a new requirement relating to the qualification of management or board of director for Restrictive Market companies, and (iii) apply additional and more stringent criteria to an applicant or listed company based on the qualifications of the company's auditors.

On May 20, 2020, the U.S. Senate passed the Holding Foreign Companies Accountable Act requiring a foreign company to certify it is not owned or controlled by a foreign government if the PCAOB is unable to audit specified reports because the company uses a foreign auditor not subject to PCAOB inspection. If the PCAOB is unable to inspect the company's auditors for three consecutive years, the issuer's securities are prohibited to trade on a national exchange. On December 2, 2020, the U.S. House of Representatives approved the Holding Foreign Companies Accountable Act. On December 18, 2020, the Holding Foreign Companies Accountable Act was signed into law. On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act. The bill, if enacted, would shorten the three-consecutive-year compliance period under the HFCA Act to two consecutive years. As a result, the time period before our ADSs may be prohibited from trading or delisted will be reduced.

On December 2, 2021, the SEC adopted final amendments implementing congressionally mandated submission and disclosure requirements of the Holding Foreign Companies Accountable Act.

On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong.

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Our current independent accounting firm, Marcum Bernstein & Pinchuk LLP, whose audit report is included in this annual report on Form 20-F, is headquartered in Manhattan, New York, and was not included in the list of PCAOB Identified Firms in the PCAOB December Release. However, given that all PCAOB-registered firms in China were included on that list, our ability to retain an auditor subject to PCAOB inspection and investigation may depend on the relevant U.S. and PRC regulators reaching an agreement to permit these inspections and investigations. Recent developments with respect to audits of China-based companies create uncertainty about the ability of Marcum Bernstein & Pinchuk LLP to fully cooperate with a PCAOB request for audit working papers without the approval of the Chinese authorities. Marcum Bernstein & Pinchuk LLP's audit working papers related to us are located in China. More broadly, the PCAOB entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the PRC Ministry of Finance, which established a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB in the PRC or by the CSRC or the PRC Ministry of Finance in the United States. The PCAOB continues to be in discussions with the CSRC and the PRC Ministry of Finance to permit joint inspections of the PCAOB-registered audit firms that audit Chinese companies that trade on U.S. exchanges. However, we can offer no assurance that we will be able to retain an auditor that would allow us to avoid a trading prohibition for our securities under the HFCA Act.

In addition to the issues under the HFCA Act discussed above, the PCAOB's inability to conduct inspections in China and Hong Kong prevents it from fully evaluating the audits and quality control procedures of the independent registered public accounting firm. Our current independent registered public accounting firm, Marcum Bernstein & Pinchuk LLP, is headquartered in Manhattan, New York, and has been inspected by the PCAOB on a regular basis with the last inspection in 2020. However, as noted above, recent developments create uncertainty as to the PCAOB's continued ability to conduct inspections of our independent accounting firm, Marcum Bernstein & Pinchuk LLP.

Our ADSs may be delisted under the HFCA Act if the PCAOB is unable to inspect auditors with presence in China for three consecutive years. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections deprives our investors with the benefits of such inspections.

We are subject to changing law and regulations regarding regulatory matters, corporate governance and public disclosure that have increased both our costs and the risk of non-compliance.

We are subject to rules and regulations by various governing bodies, including, for example, the U.S. Securities and Exchange Commission, or the SEC, which is charged with the protection of investors and the oversight of companies whose securities are publicly traded, and the various regulatory authorities in China and the Cayman Islands, and to new and evolving regulatory measures under applicable law. Our efforts to comply with new and changing laws and regulations have resulted in and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalty and our business may be harmed.

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

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

Future investments in and acquisitions of complementary assets, technologies and businesses may fail and may result in equity dilution or significant diversion of management attention.

We may invest in or acquire assets, technologies and businesses that are complementary to our existing business. Our investments or acquisitions may not yield the results we expect. In addition, investments and acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, significant amortization expenses related to intangible assets, significant diversion of management attention and exposure to potential unknown liabilities of the acquired business. Moreover, the cost of identifying and consummating investments and acquisitions, and integrating the acquired businesses into ours, may be significant, and the integration of acquired businesses may be disruptive to our existing business operations. In the event that our investments and acquisitions are not successful, our financial condition and results of operations may be materially and adversely affected.

Our plans for international expansion may expose us to additional risks.

We are looking into opportunities to expand our platforms into regions outside of China. We have set up seven joint ventures or subsidiaries outside of China to offer our solutions in additional markets in conjunction with local partners. In October 2017, we formed a joint venture named PIVOT Fintech Pte. Ltd. together with FWD Group and certain angel investors to provide robo-advisory services in Southeast Asia. In April 2018, we formed a joint venture named Avatec.ai (S) Pte. Ltd. together with United Overseas Bank Limited to offer credit services and solutions primarily in Southeast Asian countries. In addition, we set up Pintec Solutions Pte. Ltd. in Singapore in November 2018, which was subsequently renamed as “FT Synergy Pte. Ltd.,” and 85% of our equity interest in FT Synergy Pte. Ltd. was transferred out in around September 2021, while we kept the remaining 15% equity interests in FT Synergy Pte. Ltd. In April 2019, we acquired Infrarisk Pty Limited, an Australia-based SaaS company providing systems to lenders for managing the credit risk origination process. In December 2021, we set up a wholly owned subsidiary Pintec Australia Pty Ltd in Australia, which holds 50.0% equity interest in Wagepay Pty Ltd, 50.0% equity interest in Janko Loans Pty Ltd, 15.56% of Leasgo Pty Ltd and 100.0% in Supply Pty Ltd. Further, in January 2022, we acquired 25% equity interest in ZiiTech Pty Ltd, an Australia-based service provider which offers SMEs one-stop financial solutions, which subsequently became a consolidated subsidiary of ours. See “Item 4. Information on the Company—A. History and Development of the Company.”

Expansion of our platforms into regions outside of China may expose us to additional risks, including:

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

We face risks related to natural disasters and health epidemics.

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

Risks Relating to Our Corporate Structure

If the PRC government deems that the contractual arrangements in relation to our variable interest entities and their subsidiaries do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

We are a Cayman Islands company and our PRC subsidiaries are considered foreign-invested enterprises. To comply with PRC laws and regulations, we set up a series of contractual arrangements entered into among Sky City (Beijing) Technology Co., Ltd., or Sky City Beijing, Pintec (Beijing) Technology Co., Ltd., or Pintec Beijing, our variable interest entities, and their shareholders to conduct our operations in China. For a detailed description of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with Our Variable Interest Entities.” As a result of these contractual arrangements, we exert control over our variable interest entities and their subsidiaries and consolidate their operating results in our financial statements under U.S. GAAP.

Foreign ownership of internet-based businesses, such as distribution of online information and other value-added telecommunication services, are subject to restrictions under current PRC laws and regulations. For example, as provided in the Special Management Measures for Foreign Investment Access (Negative List) (2021 version), foreign investors are generally not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider with certain exceptions relating to e-commerce business, and any such foreign investor must have experience in providing value-added telecommunications services overseas and maintain a good track record in accordance with the Provisions on the Administration of Foreign Invested Telecom Enterprise. Under current PRC laws and regulations, foreign-invested companies engaged in the onshore insurance brokerage business are subject to stringent requirements compared with Chinese domestic enterprises. Specifically, according to the Service Guide for the Establishment and Examination and Approval of Insurance Brokers, published by the CBIRC in September 2021, foreign shareholders of a Chinese Insurance Broker shall be (i) foreign insurance brokers with more than 30 years of experience in establishing commercial institutions in WTO member countries; and (ii) have total assets of more than US\$200 million at the end of the year preceding the investment application in a Chinese brokerage business. However, on December 3, 2021, the Notice of the CBIRC General Office on Clarifying Relevant Measures for the Opening up of the Insurance Intermediary Market, or the Clarifying Notice, was released and provided that overseas insurance brokerage companies with actual business experience and complying with the relevant provisions of the CBIRC are allowed to invest in and establish insurance brokerage companies in China to engage in insurance brokerage business. The relevant requirements that an investor that intends to establish a foreign-funded insurance brokerage company in China shall have more than 30 years of business experience in any WTO member country, have established a representative office in China for two consecutive years and have total assets of not less than US \$200 million in the year prior to the application shall no longer be implemented. How these requirements will be interpreted and implemented is still unclear. Our PRC subsidiaries and their subsidiaries may not in practice meet all the requirements of actual business experience. Therefore, even though the insurance brokerage industry falls within the permitted category under the Catalogue of Industries for Encouraging Foreign Investment and the Negative List, we opted for a variable interest entities structure instead of direct ownership. Myfin Insurance Broker Co., Ltd., or Beijing Myfin, a subsidiary of one of our variable interest entities, Pintec Jinke (Beijing) Technology Information Co., Ltd., or Beijing Jinke, has obtained the license for insurance brokerage issued by the Beijing Bureau of the CBIRC, which allows Beijing Myfin to conduct onshore insurance brokerage business within the territory of the PRC and will remain valid until June 2022. Current PRC regulations relating to foreign investments in the onshore insurance brokerage business in China do not contain detailed explanations and operational procedures, and are subject to interpretations by relevant governmental authorities in China. However, most of these regulations have not been interpreted by the relevant authorities in the context of a corporate structure similar to ours. Therefore, there are substantial uncertainties regarding the applicability of these regulations to our business. Moreover, new regulations may be adopted and interpretations of existing regulations may develop and change, which may materially and adversely affect our ability to conduct our onshore insurance brokerage business.

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According to the Measures for the Supervision and Administration of Publicly-offered Securities Investment Fund Distributors, any foreign shareholder of an independent fund distributor must be a financial institution established under the laws of the country or region where it is located and legally existing while having asset management or investment consulting experience, and the securities regulator of the country or region where it is located shall have executed a memorandum of regulatory cooperation with the CSRC or other institutions recognized by the CSRC, and maintains an effective regulatory cooperation relationship therewith. Our subsidiaries may not in practice meet all the requirements. As a result, it is difficult for our PRC subsidiaries or their subsidiaries, as foreign-invested companies and subsidiaries of foreign-invested companies to apply for a fund distribution license. Our variable interest entity Beijing Hongdian has obtained the license relating to the publicly raised securities investment fund distribution business issued by the CSRC, which allows Beijing Hongdian to conduct both publicly raised securities investment fund distribution business and privately-raised investment fund distribution business. Current PRC regulations relating to foreign investments in the fund distribution business in China do not contain detailed explanations and operational procedures, and are subject to interpretations by relevant governmental authorities in China. However, most of these regulations have not been interpreted by the relevant authorities in the context of a corporate structure similar to ours. Therefore, there are substantial uncertainties regarding the applicability of these regulations to our business. Moreover, new regulations may be adopted and interpretations of existing regulations may develop and change, which may materially and adversely affect our ability to conduct our fund distribution business, and the robo-advisory service business, in most cases, provided by Xuanji Intelligence (Beijing) Technology Co., Ltd. to Beijing Hongdian according to the business cooperation. For example, in October 2019, the CSRC issued the Notice on the Pilot Launch of Investment Advisory Business for Public Offered Securities Investment Fund, or the Pilot Notice, which provides specific guidance for the conduct of securities investment fund advisory business. Institutions shall file with the CSRC to operate securities investment fund advisory business and the CSRC shall form an expert evaluation committee to evaluate the pilot implementing plan and preparation work of the relevant institutions and decide the qualification of such institutions. In addition, the securities regulatory bureaus of Beijing have issued the Circular of Regulating Fund Investment Recommendation Activities, or the Recommendation Circular, in 2021, which requires that a fund sales agency shall not provide any investment recommendations for fund portfolio strategies without the fund investment advisory licenses. The Recommendation Circular further prohibits institutions from developing new business of making recommendations for fund portfolio strategies in violation of the requirements of the Pilot Notice. Specifically, they shall not display or launch new fund portfolio strategies, provide existing fund portfolio strategies to new clients, or allow existing clients to make additional fund portfolio strategy investments. Moreover, the Recommendation Circular sets different rectification timelines for institutions with and without fund investment advisory licenses. Although we have updated the Xuanji Intelligence Investment app to comply with the requirements of the Recommendation Circular to the best we can, including suspending (i) registration by new users and (ii) acceptance of funds from any existing users, we cannot guarantee you that we will not be subject to more similar rectification requests from the governmental authorities or that we will fully comply with all applicable rules and regulations at all times.

In the opinion of our PRC counsel, Shihui Partners, the ownership structures of Sky City Beijing, Pintec Beijing, and our variable interest entities, currently do not result in any violation of the applicable PRC laws or regulations currently in effect; and the contractual arrangements among Sky City Beijing, Pintec Beijing and our variable interest entities and their shareholders, are governed by PRC laws or regulations, and are currently valid, binding and enforceable in accordance with the applicable PRC laws or regulations currently in effect, and do not result in any violation of the applicable PRC laws or regulations currently in effect, except that the equity pledge under (i) the equity pledge agreement entered into among Pintec Beijing, Beijing Hongdian and its shareholders and (ii) the equity pledge agreement entered into among Pintec Beijing, Xinshun Dingye and Xinshun Dingye's shareholder would not be deemed validly created until it is registered with the competent government authorities. However, Shihui Partners has also advised us that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations, and there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of our PRC counsel.

It is uncertain whether any new PRC laws, regulations or rules relating to the “variable interest entity” structure will be adopted or if adopted, what they would provide. In March 2019, the National People's Congress passed the PRC Foreign Investment Law, which became effective as of January 1, 2020. For the effect of the PRC Foreign Investment Law on us, see “—Risks Relating to Doing Business in China—Substantial uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.”

If the ownership structure, contractual arrangements and business of our company, our PRC subsidiaries or our variable interest entities are found to be in violation of any existing or future PRC laws or regulations or the stringent regulatory requirements applicable to foreign-invested companies engaged in relevant business, or we fail to obtain or maintain any of the required permits or approvals, the relevant governmental authorities, would have broad discretion in dealing with such violation or failures, including, without limitations, levying fines, confiscating our income or the income of our PRC subsidiaries, variable interest entities or their subsidiaries, revoking the business licenses and/or operating licenses of such entities, shutting down our servers or blocking our online platforms, discontinuing or placing restrictions or onerous conditions on our operations, requiring us to undergo a costly and disruptive restructuring, restricting or prohibiting our use of proceeds from our initial public offering to finance our business and operations in China, and taking other regulatory or enforcement actions that could be harmful to our business. 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. If any of these occurrences results in our inability to direct the activities of Myfin Beijing, Beijing Hongdian, our other variable interest entities and their subsidiaries that most significantly impact its economic performance or to receive economic benefits from Beijing Myfin, Beijing Hongdian, our other variable interest entities and their subsidiaries, we may not be able to consolidate Beijing Myfin, Beijing Hongdian, our other variable interest entities and their subsidiaries in our consolidated financial statements in accordance with U.S. GAAP.

We rely on contractual arrangements with our variable interest entities and their shareholders, for a significant portion of our business operations, which may not be as effective as direct ownership in providing operational control.

We have relied and expect to continue to rely on contractual arrangements with our variable interest entities and their shareholders to operate our business activities. For a description of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with Our Variable Interest Entities.” These contractual arrangements may not be as effective as direct ownership in providing us with control over our variable interest entities and their subsidiaries. For example, our variable interest entities or their shareholders may fail to fulfill their contractual obligations with us, by, among other things, failing to maintain our website and use the domain names and trademarks in a manner as stipulated in the contractual arrangements, or taking other actions that are detrimental to our interests.

If we had direct ownership of our variable interest entities, we would be able to exercise our rights as shareholders to effect changes in their board of directors, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by our variable interest entities and their shareholders of their obligations under the contractual arrangements to exercise control over our variable interest entities and their subsidiaries. The shareholders of our variable interest entities may not act in the best interests of our company or may not perform their obligations under these contracts. Such risks exist throughout the period in which we intend to operate certain portion of our business through the contractual arrangements with our variable interest entities and their shareholders. Although we have the right to replace any shareholder of such entities under the contractual arrangements, if any of these shareholders is uncooperative or any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC laws and arbitration, litigation and other legal proceedings, the outcome of which will be subject to uncertainties in the PRC legal system. Therefore, our contractual arrangements with our variable interest entities and their shareholders may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership would be.

Any failure by our variable interest entities or their respective shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.

We have entered into a series of contractual arrangements with our variable interest entities and their shareholders. For a description of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with Our Variable Interest Entities.” If our variable interest entities or their shareholders fail to perform their respective obligations under the contractual arrangements, we may incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure you will be effective under PRC laws. For example, if the shareholders of our variable interest entities were to refuse to transfer their equity interests in such entities to us or our designee when we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal action to compel them to perform their contractual obligations.

All the agreements under our contractual arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC laws. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC laws, rulings by arbitrators are final and parties cannot appeal the arbitration results in court unless such rulings are revoked or determined unenforceable by a competent court. If the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event that we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our variable interest entities and their subsidiaries, and our ability to conduct our business may be negatively affected. See “—Risks Relating to Doing Business in China—Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to us.”

The shareholders of our variable interest entities may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

The equity interests of each of our variable interest entities are held, directly or indirectly, by one or more of Ms. Xiaomei Peng, Mr. Wei Wei, Mr. Wei Hu, Mr. Yudong Zheng and Mr. Xin Sun. These shareholders may have potential conflicts of interest with us. These shareholders may breach, or cause our variable interest entities to breach, the existing contractual arrangements, which would have a material adverse effect on our ability to effectively control our variable interest entities and their subsidiaries and receive economic benefits from them. For example, these shareholders may be able to cause our agreements with our variable interest entities 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 best interests of our company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company, except that we could exercise all of their shareholders' rights and shareholder voting rights pursuant to the power of attorney, and exercise our purchase option under the exclusive option agreements with these shareholders to request them to transfer all of their equity interests in our variable interest entities to a PRC entity or individual designated by us, to the extent permitted by PRC laws. In addition, these shareholders shall not dispose their interests or rights in the variable interest entities without our prior consent. 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 the disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

Contractual arrangements in relation to our variable interest entities, may be subject to scrutiny by the PRC tax authorities and they may determine that we, or our variable interest entities and their subsidiaries, owe additional taxes, which could negatively affect our financial condition and the value of your investment.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The Enterprise Income Tax Law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its related parties to the relevant tax authorities. The tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm's length principles. We may face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among Sky City Beijing, Pintec Beijing, our variable interest entities and their shareholders were not entered into on an arm's length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, regulations and rules, and adjust income of our variable interest entities in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by our variable interest entities for PRC tax purposes, which could in turn increase their tax liabilities without reducing Sky City Beijing or Pintec Beijing's tax expenses. In addition, if Sky City Beijing or Pintec Beijing requests the shareholders of our variable interest entities to transfer their equity interests at nominal or no value pursuant to these contractual arrangements, such transfer could be viewed as a gift and subject Sky City Beijing or Pintec Beijing to PRC income tax. Furthermore, the PRC tax authorities may impose late payment fees and other penalties on our variable interest entities for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially adversely affected if our variable interest entities' tax liabilities increase or if they are required to pay late payment fees and other penalties.

We may lose the ability to use and benefit from assets held by our variable interest entities that are material to the operation of our business if the entity goes bankrupt or becomes subject to a dissolution or liquidation proceeding.

Our variable interest entities hold certain assets that are material to the operation of our business, including, among others, intellectual properties, hardware and software. Beijing Hongdian holds the license relating to the publicly raised securities investment fund distribution business. Beijing Myfin, a subsidiary of one of our variable interest entities, holds our license for insurance brokerage business. Under the contractual arrangements, our variable interest entities may not, and the shareholders of our variable interest entities may not cause them to, in any manner, sell, transfer, mortgage or dispose of their assets or their legal or beneficial interests in the business without our prior consent. However, in the event these shareholders breach these contractual arrangements and voluntarily liquidate our variable interest entities, or our variable interest entities declare bankruptcy and all or part of their assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without our consent, we may be unable to continue some or all of our business activities, which could materially adversely affect our business, financial condition and results of operations. If our variable interest entities undergo a voluntary or involuntary liquidation proceeding, the independent third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

Risks Relating to Doing Business in China

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

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

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

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. The growth rate of the Chinese economy has gradually slowed since 2010, and the impact of COVID-19 on the Chinese economy may continue in 2022. Any prolonged slowdown in the Chinese economy may reduce the demand for our products and services and materially and adversely affect our business and results of operations.

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to us.

The PRC legal system is based on written statutes and prior court decisions have limited value as precedents. Since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties. For example, the enforcement of laws and rules and regulations in China can change quickly with little advance notice and there are risks that the Chinese government may intervene or influence our operations at any time, or may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers, which could result in a material change in our operations and/or the value of our ADSs.

In particular, PRC laws and regulations concerning the consumer finance and wealth management industries, as well as the SME technical services industry, are developing and evolving. Although we have taken measures to comply with the laws and regulations that are applicable to our business operations, and avoid conducting any noncompliant activities under the applicable laws and regulations, the PRC government authority may promulgate the other new laws and regulations regulating the consumer finance and wealth management industries, as well as the SME technical services industry, in the future. We cannot assure you that our practice would not be deemed to violate any new PRC laws or regulations relating to consumer finance and wealth management, as well as the SME technical services. Moreover, developments in the consumer finance and wealth management industries, as well as the SME technical services industry, may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies that may limit or restrict wealth management platforms, online mutual fund distribution platforms and technology platforms enabling financial services provider like us, which could materially and adversely affect our business and operations.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, could materially and adversely affect our business and impede our ability to continue our operations.

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Because all of our operations are in China, our business is subject to the complex and rapidly evolving laws and regulations there. The Chinese government may exercise significant oversight and discretion over the conduct of our business and may intervene in or influence our operations at any time, which could result in a material change in our operations and/or the value of our ADSs.

As a business operating in China, we are subject to the laws and regulations of the PRC, which can be complex and evolve rapidly. The PRC government has the power to exercise significant oversight and discretion over the conduct of our business, and the regulations to which we are subject may change rapidly and with little notice to us or our shareholders. As a result, the application, interpretation, and enforcement of new and existing laws and regulations in the PRC are often uncertain. In addition, these laws and regulations may be interpreted and applied inconsistently by different agencies or authorities, and inconsistently with our current policies and practices. New laws, regulations, and other government directives in the PRC may also be costly to comply with, and such compliance or any associated inquiries or investigations or any other government actions may:

- Delay or impede our development,
- Result in negative publicity or increase our operating costs,
- Require significant management time and attention, and
- Subject us to remedies, administrative penalties and even criminal liabilities that may harm our business, including fines assessed for our current or historical operations, or demands or orders that we modify or even cease our business practices.

The promulgation of new laws or regulations, or the new interpretation of existing laws and regulations, in each case that restrict or otherwise unfavorably impact the ability or manner in which we conduct our business and could require us to change certain aspects of our business to ensure compliance, which could decrease demand for our products or services, reduce revenues, increase costs, require us to obtain more licenses, permits, approvals or certificates, or subject us to additional liabilities. To the extent any new or more stringent measures are required to be implemented, our business, financial condition and results of operations could be adversely affected as well as materially decrease the value of our ADSs.

We are subject to extensive and evolving legal system in the PRC, non-compliance with which, or changes in which, may materially and adversely affect our business and prospects, and may result in a material change in our operations and/or the value of our ADSs or could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our ADSs to significantly decline or be worthless.

PRC companies are subject to various PRC laws, regulations and government policies and the relevant laws, regulations and policies continue to evolve. Recently, the PRC government is enhancing supervision over companies seeking listings overseas and some specific business or activities such as the use of variable interest entities and data security or anti-monopoly. The PRC government may adopt new measures that may affect our and the variable interest entities' operations or may exert more oversight and control over offerings conducted outside of China and foreign investment in China-based companies, and we may be subject to challenges brought by these new laws, regulations and policies. However, since these laws, regulations and policies are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties. Furthermore, as we may be subject to additional, yet undetermined, laws and regulations, compliance may require us to obtain additional permits and licenses, complete or update registrations with relevant regulatory authorities, adjust our business operations, as well as allocate additional resources to monitor developments in the relevant regulatory environment. However, under the stringent regulatory environment, it may take much more time for the relevant regulatory authorities to approve new applications for permits and licenses, and complete or update registrations and we cannot assure you that we will be able to comply with these laws and regulations in a timely manner or at all. The failure to comply with these laws and regulations may delay, or possibly prevent, us to conduct business, accept foreign investments, or be listed overseas.

Recently, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Severe and Lawful Crackdown on Illegal Securities Activities, which was available to the public on July 6, 2021. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies. These opinions proposed to take effective measures, such as promoting the construction of relevant regulatory systems, to deal with the risks and incidents facing China-based overseas-listed companies and the demand for cybersecurity and data privacy protection. On December 24, 2021, CSRC published both the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Enterprises (Draft for Comments) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Enterprises (Draft for Comments), requiring that for any "indirect offering and listing" of Chinese operating enterprises, the issuer shall designate a Chinese operating entity to complete the filing with and report relevant information to CSRC. As of the date of this report, both CSRC rules are still in draft form and have not come into effect. Upon finalization of the rules and their coming into effect, we could be required to pass the filing with CSRC in order to pursue our future follow-on offerings. We thus cannot assure you that we will remain fully compliant with all new regulatory requirements of these opinions or any future implementation rules on a timely basis, or at all.

The occurrence of any of these events may materially and adversely affect our business and prospects and may result in a material change in our operations and/or the value of our ADSs or could significantly limit or completely hinder our ability to continue to offer securities to investors. In addition, if any of changes causes us unable to direct the activities of the variable interest entities or lose the right to receive its economic benefits, we may not be able to consolidate the variable interest entities into our consolidated financial statements in accordance with U.S. GAAP, which could cause the value of our ADSs to significantly decline or become worthless.

The approval of and the filing with the CSRC or other PRC government authorities may be required in connection with our future offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing.

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

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. As a follow-up, on December 24, 2021, the State Council issued a draft of the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies, and the CSRC issued a draft of Administration Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies for public comments. These draft measures propose to establish a new filing-based regime to regulate overseas offerings and listings by domestic companies. Specifically, an overseas offering and listing by a PRC company, whether directly or indirectly, an initial or follow-on offering, must be filed with the CSRC. The examination and determination of an indirect offering and listing will be conducted on a substance-over-form basis, and an offering and listing shall be deemed as a PRC company's indirect overseas offering and listing if the issuer meets the following conditions: (i) any of the operating income, gross profit, total assets, or net assets of the PRC enterprise in the most recent fiscal year was more than 50% of the relevant line item in the issuer's audited consolidated financial statement for that year; and (ii) senior management personnel responsible for business operations and management are mostly PRC citizens or are ordinarily resident in the PRC, and the principal place of business is in the PRC or carried out in the PRC. The issuer or its affiliated PRC entity, as the case may be, shall file with the CSRC for its initial public offering, follow-on offering and other equivalent offering activities. Particularly, the issuer shall submit the filing with respect to its initial public offering and listing within three business days after its initial filing of the listing application, and submit the filing with respect to its follow-on offering within three business days after the completion of the follow-on offering. Failure to comply with the filing requirements may result in fines to the relevant PRC companies, suspension of their businesses, revocation of their business licenses and operation permits and fines on the controlling shareholder and other responsible persons. These draft measures also set forth certain regulatory red lines for overseas offerings and listings by PRC enterprises.

There are substantial uncertainties as to whether these draft measures to regulate direct or indirect overseas offering and listing would be further amended, revised or updated, their enactment timetable and final content. As the CSRC may formulate and publish guidelines for filings in the future, these draft measures did not provide for detailed requirements of the substance and form of the filing documents. In a Q&A released on CSRC's official website on December 24, 2021, the respondent CSRC official indicated that the proposed new filing requirement will start with new issuers and listed companies seeking follow-on financing and other financing activities. As for the filings for other listed companies, the regulator will grant adequate transition period and apply separate arrangements. The Q&A also pointed out that, if compliant with relevant PRC laws and regulations, companies with compliant VIE structure may seek overseas listing after completion of the CSRC filings. Nevertheless, the Q&A did not specify what would qualify as a "compliant VIE structure" and what relevant PRC laws and regulations are required to be complied with. Given the substantial uncertainties surrounding the latest CSRC filing requirements at this stage, we cannot assure you that, if ever required, we would be able to complete the filings and fully comply with the relevant new rules on a timely basis, if at all.

On December 27, 2021, the NDRC and the Ministry of Commerce jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version), or the 2021 Negative List, which became effective on January 1, 2022. Pursuant to the Special Administrative Measures, if a PRC company engaging in the prohibited business stipulated in the 2021 Negative List seeks an overseas offering and listing, it shall obtain the approval from the competent governmental authorities. Besides, the foreign investors of the issuer shall not be involved in the company's operation and management, and their shareholding percentages shall be subject, *mutatis mutandis*, to the relevant regulations on the domestic securities investments by foreign investors. As the 2021 Negative List is relatively new, there remain substantial uncertainties as to the interpretation and implementation of these new requirements, and it is unclear as to whether and to what extent listed companies like us will be subject to these new requirements. If we are required to comply with these requirements and fail to do so on a timely basis, if at all, our business operation, financial conditions and business prospect may be adversely and materially affected.

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

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

Shareholder claims or regulatory investigation that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigations initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the PRC territory. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase the difficulties you face in protecting your interests.

The custodians or authorized users of our controlling non-tangible assets, including chops and seals, may fail to fulfill their responsibilities, or misappropriate or misuse these assets.

Under the PRC law, legal documents for corporate transactions, including agreements and contracts are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with relevant PRC market regulation administrative authorities.

In order to secure the use of our chops and seals, we have established internal control procedures and rules for using these chops and seals. In any event that the chops and seals are intended to be used, the responsible personnel will submit a formal application, which will be verified and approved by authorized employees in accordance with our internal control procedures and rules. In addition, in order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to authorized employees. Although we monitor such authorized employees, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us or seeking to gain control of one of our subsidiaries or our affiliated entities or their subsidiaries. If any employee obtains, misuses or misappropriates our chops and seals or other controlling non-tangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve and divert management from our operations, and we may not be able to recover our loss due to such misuse or misappropriation if the third party relies on the apparent authority of such employees and acts in good faith.

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

COVID-19 continued to have a severe and negative impact on the Chinese and the global economy in 2021. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. The growth rate of the Chinese economy had already been slowing since 2010. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. The Russia-Ukraine conflict and the imposition of broad economic sanctions on Russia could raise energy prices and disrupt global markets. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

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

In March 2019, the National People’s Congress passed the PRC Foreign Investment Law, which became effective as of January 1, 2020. The PRC Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures, the Laws on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. Meanwhile, the Implementation Regulations on the Foreign Investment Law, which was promulgated by the State Council in December 2019 and came into effect on January 1, 2020, further clarified and elaborated the relevant provisions of the Foreign Investment Law.

We set up a series of contractual arrangements among our subsidiaries in the PRC, our variable interest entities and their shareholders to obtain the necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. See “—Risks Relating to Our Corporate Structure” and “Item 4. Information on the Company—C. Organizational Structure.” While the PRC Foreign Investment Law stipulates certain forms of foreign investment, it does not explicitly stipulate the variable interest entity structure as a form of foreign investment.

Notwithstanding the above, the PRC Foreign Investment Law stipulates that foreign investment includes “foreign investors investing in China through any other methods under laws, administrative regulations, or provisions prescribed by the State Council”. Therefore, it is possible that future laws, administrative regulations, or provisions prescribed by the State Council may stipulate the variable interest entity structure as a form of foreign investment, in which case it is uncertain whether our contractual arrangements will be recognized as foreign investment, whether our contractual arrangements will be deemed to be in violation of the foreign investment access requirements and whether any further actions shall be taken to our contractual arrangements.

If our contractual arrangements are regarded as invalid and illegal, or if we are not able to complete any actions that might be required to prevent them from being regarded as invalid or illegal, we would not be able to (i) continue our business in China through our contractual arrangements with our variable interest entities and their subsidiaries, (ii) receive the economic benefits of our variable interest entities and their subsidiaries under such contractual arrangements, or (iii) consolidate the financial results of our variable interest entities and their subsidiaries. Were this to occur, our results of operations and financial condition would be materially and adversely affected and the market price of our ADSs would decline.

In addition, the PRC Foreign Investment Law may also materially impact our corporate governance practices and increase our compliance costs. For example, the PRC Foreign Investment Law imposes certain information reporting requirements on foreign investors or the applicable foreign investment entities. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Foreign Investment.”

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

We are a holding company, and we rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. In addition, the PRC tax authorities may require our PRC subsidiaries to adjust its taxable income under the contractual arrangements it currently has in place with our variable interest entities and their subsidiaries, in a manner that would materially and adversely affect their ability to pay dividends and other distributions to us.

Under PRC laws and regulations, our wholly foreign-owned subsidiaries in China may pay dividends only out of their respective accumulated after-tax profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such funds reaches 50% of its registered capital. At its discretion, a wholly foreign-owned enterprise may allocate a portion of its after-tax profits based on PRC accounting standards to certain optional reserve funds. These statutory and optional reserve funds are not distributable as cash dividends.

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In response to the persistent capital outflow and the Renminbi's depreciation against the U.S. dollar in the fourth quarter of 2016, the People's Bank of China and the State Administration of Foreign Exchange, or SAFE, have implemented a series of capital control measures, including stricter vetting procedures for China-based companies to remit foreign currency for overseas acquisitions, dividend payments and shareholder loan repayments. The PRC government may continue to strengthen its capital controls and our PRC subsidiaries' dividends and other distributions may be subjected to tighter scrutiny in the future. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

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

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to filing or registration with the relevant governmental authorities in China. In addition, any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local branches, and each of our PRC subsidiaries may not procure loans which exceed its statutory limit. Any medium or long-term loan to be provided by us to our variable interest entities must be recorded and registered by the National Development and Reform Committee and SAFE or its local branches. We may not complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the proceeds of our initial public offering and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business. In addition, SAFE regulations prohibit foreign-invested enterprises from using Renminbi funds converted from its foreign exchange capital for expenditure beyond their business scope, securities, investment (except for guarantee products issued by banks), providing loans to non-affiliated enterprises or constructing or purchasing real estate not for their own use. These regulations may significantly limit our ability to transfer to and use in China the net proceeds from our initial public offering, which may adversely affect our business, financial condition and results of operations. On October 23, 2019, the SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment, or SAFE Circular 28, which allows all foreign-invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. However, since SAFE Circular 28 is newly promulgated, it is unclear how SAFE and competent banks will carry this out in practice.

Fluctuations in exchange rates could have a material adverse effect on our results of operations and the price of our ADSs.

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

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

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

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

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our operating revenues in Renminbi. Under our current corporate structure, our holding company in the Cayman Islands relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by the beneficial owners of our company who are PRC residents. But approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiaries and variable interest entities to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi. The PRC government may at its discretion further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

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

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our PRC-based employees up to a maximum amount specified by the local government from time to time at locations where we operate our businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. Companies operating in China are also required to withhold individual income tax on our PRC-based employees' salaries based on the actual salary of each employee upon payment. As of the date of this annual report, we have made employee benefit payments and withheld individual income tax for all employees based in the PRC. However, as the interpretation and implementation of labor-related laws and regulations are still uncertain and evolving in China, with respect to the underpaid employee benefits, we may be required by the relevant governmental authorities to make additional contributions to these plans as well as to pay late fees and fines; with respect to the underwithheld individual income tax, we may be required by the relevant governmental authorities to make additional withholding and pay late fees and fines. If we are subject to late fees or fines in relation to the aforementioned additional employee benefits and individual income tax, our financial condition and results of operations may be adversely affected.

PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, originally adopted by six PRC regulatory agencies in 2006, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that the anti-monopoly law enforcement agency shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. On February 7, 2021, the Anti-Monopoly Committee of the State Council published the Anti-Monopoly Guidelines for Internet Platforms, which stipulates that any concentration of undertakings involving variable interest entities shall fall within the scope of anti-monopoly review. If a concentration of undertakings meets the criteria for declaration as stipulated by the State Council, an operator shall report such concentration of undertakings to the anti-monopoly law enforcement agency under the State Council in advance. Therefore, our potential acquisitions of other entities that we may make in the future (whether by ourselves, our subsidiaries or through our variable interest entities) and that meets the criteria for declaration may be required to be reported to and approved by the anti-monopoly law enforcement agency, and we may be subject to penalties, including but not limited to a fine of no more than RMB500,000 if we fail to comply with such requirement. In addition, the security review rules issued by the Ministry of Commerce that became effective in 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the Ministry of Commerce, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC law.

SAFE promulgated the Circular on Relevant Issues Relating to PRC Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or Circular 37, in 2014, which requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC residents or entities, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. In 2015, SAFE released the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment, or Circular 13, which has amended Circular 37 by requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

If our shareholders who are PRC residents or entities do not complete their registration as required, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

Mr. Hao Dong, Mr. Yuyang Li, Mr. Wei Wei and Mr. Jun Dong, who directly or indirectly hold shares in our Cayman Islands holding company and who are known to us as being PRC residents, have completed the foreign exchange registrations in accordance with Circular 37. However, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest in our company, nor can we compel our beneficial owners to comply with the requirements of Circular 37. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents or entities have complied with, and will in the future make or obtain any applicable registrations or approvals required by, Circular 37. Failure by such shareholders or beneficial owners to comply with Circular 37, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities and limit our PRC subsidiaries' ability to make distributions or pay dividends to us or affect our ownership structure, which could adversely affect our business and prospects.

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

Pursuant to Circular 37, PRC residents who participate in stock incentive plans in overseas non-publicly-listed companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose vehicles. In the meantime, our directors, executive officers and other employees who are PRC citizens, subject to limited exceptions, and who have been granted stock options by us, may follow the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Companies, promulgated by SAFE in 2012. PRC citizens and non-PRC citizens who reside in China for a continuous period of no less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas listed company, and complete certain other procedures. In addition, an overseas entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our directors, executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of no less than one year and who have been granted stock options have been subject to these regulations since our company became an overseas listed company upon the completion of our initial public offering. Failure to complete the SAFE registrations may subject them to fines and legal sanctions, and may also limit our ability to contribute additional capital into our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Foreign Currency Exchange—Share Option Rules."

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The State Administration of Taxation has issued certain circulars concerning employee stock options and restricted shares. Under these circulars, our employees working in China who exercise stock options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee stock options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Foreign Currency Exchange—Share Option Rules.”

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

Under the Enterprise Income Tax Law and its implementation rules, enterprises that are registered in countries or regions outside the PRC but have their “de facto management bodies” located within China may be considered as PRC resident enterprises and are therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. For detailed discussions of applicable laws, regulations and implementation rules, see “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Tax—Enterprise Income Tax.”

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Tax.” However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that Pintec Technology Holdings Limited or any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then Pintec Technology Holdings Limited or such subsidiary could be subject to PRC tax at a rate of 25% on its worldwide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, dividends that we pay and gains realized on the sale or other disposition of our ADSs or ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such dividends or gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in the ADSs or ordinary shares.

We may not be able to obtain certain tax benefits for dividends paid by our PRC subsidiaries to us through our Hong Kong subsidiaries.

Pursuant to the Enterprise Income Tax Law and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, the withholding tax rate on dividends paid by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Tax—Dividend Withholding Tax.” We cannot assure you that our determination regarding our qualification to enjoy the preferential tax treatment will not be challenged by the relevant PRC tax authority that or we will be able to complete the necessary filings with the relevant PRC tax authority and enjoy the preferential withholding tax rate of 5% under the Double Taxation Arrangement with respect to dividends to be paid by our PRC subsidiaries to Sky City Hong Kong Limited and Next Hop Hong Kong Limited, our Hong Kong subsidiaries.

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

According to the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises, or Circular 7, promulgated by the State Administration of Taxation in 2015, if a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by transfer of the equity interests of an offshore holding company (other than a purchase and sale of shares issued by a PRC resident enterprise in a public securities market) without a reasonable commercial purpose, the PRC tax authorities have the power to reassess the nature of the transaction and the indirect equity transfer will be treated as a direct transfer. As a result, the gain derived from such transfer, which means the equity transfer price minus the cost of equity, will be subject to PRC withholding tax at a rate of up to 10%. Under the terms of Circular 7, a transfer which meets all of the following circumstances shall be directly deemed as having no reasonable commercial purposes: (i) over 75% of the value of the equity interests of the offshore holding company are directly or indirectly derived from PRC taxable properties; (ii) at any time during the year before the indirect transfer, over 90% of the total properties of the offshore holding company are investments within PRC territory, or in the year before the indirect transfer, over 90% of the offshore holding company's revenue is directly or indirectly derived from PRC territory; (iii) the function performed and risks assumed by the offshore holding company are insufficient to substantiate its corporate existence; and (iv) the foreign income tax imposed on the indirect transfer is lower than the PRC tax imposed on the direct transfer of the PRC taxable properties.

We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries or investments. Our company may be subject to filing obligations or taxed or subject to withholding obligations in such transactions, under Circular 7. For transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under Circular 7. As a result, we may be required to expend valuable resources to comply with Circular 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

Risks Relating to Our ADSs

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

Since the ADSs became listed on the Nasdaq Global Market on October 24, 2018, the trading price of the ADSs has ranged from US\$15.10 to US\$0.40. The trading price of our ADSs is likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States. A number of Chinese companies have listed or are in the process of listing their securities on U.S. stock markets. The securities of some of these companies have experienced significant volatility, including price declines in connection with their initial public offerings. The trading performances of these Chinese companies' securities after their offerings may affect the attitudes of investors toward Chinese companies listed in the United States in general and consequently may impact the trading performance of our ADSs, regardless of our actual operating performance.

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

- variations in our revenues, earnings and cash flow;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;

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- detrimental adverse publicity about us, our services and solutions, or the industries in which we operate;
- additions or departures of key personnel;
- release of transfer restrictions on our outstanding equity securities or sales of additional equity securities; and
- potential litigation or regulatory investigations.

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

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

If securities or industry analysts do not publish research or reports about our business, or if they publish critical or negative research or reports or otherwise recommend that investors not purchase our ADSs, the trading volume and market price for our ADSs could decline and we may find it difficult to raise additional capital.

The trading market for our ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If securities or industry analysts do not publish research or reports about our business, then we could lose visibility in the financial markets, institutional investors may not be willing to invest in our ADSs, and it would be more difficult for us to raise additional capital through the capital markets. If analysts publish critical or negative research or reports about our business or industry or otherwise recommend that investors not purchase our ADSs, the trading volume and market price for our ADSs would likely decline.

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

Sales of substantial amounts of our ADSs in the public market, or the perception that these sales could occur, could adversely affect the market price of our ADSs and could materially impair our ability to raise capital through equity offerings in the future. We have 252,789,098 Class A ordinary shares and 50,939,520 Class B ordinary shares outstanding as of March 31, 2022, including 218,608,138 Class A ordinary shares represented by ADSs. All of our ADSs are freely tradable without restriction or further registration under the Securities Act of 1933, as amended, or the Securities Act. The lockup agreement that our directors and executive officers and all of our pre-IPO shareholders signed with the underwriters of our initial public offering expired on April 23, 2019, and these shareholders, and the remaining Class A ordinary shares are available for sale subject to volume and other restrictions under Rule 144 and Rule 701 under the Securities Act. To date, the trading volume of our ADSs on the Nasdaq Global Market has been low, so sales of even relatively small amounts of our ADSs in the public market could adversely affect the market price of our ADSs. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs.

Our dual-class share structure with different voting rights will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

We have a dual-class share structure. Our ordinary shares consist of Class A ordinary shares and Class B ordinary shares, and our ADSs represent Class A ordinary shares. In respect of matters requiring the votes of shareholders, holders of Class B ordinary shares are entitled to fifteen votes per share, subject to certain conditions, while holders of Class A ordinary shares are entitled to one vote per share. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any sale of Class B ordinary shares by a holder thereof to any person other than our three core founders, Mr. Wei Wei, Mr. Jun Dong and Ms. Xiaomei Peng, or to any entity which is not affiliated with any of the three core founders, such Class B ordinary shares are automatically and immediately converted into the same number of Class A ordinary shares. Each Class B ordinary share beneficially owned by any core founder is automatically converted into one Class A ordinary share if at any time the core founder ceases to be a director or employee of our company or ceases to have the capability to make business decisions on behalf of our company due to health reasons.

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As of March 31, 2022, two of our three core founders, Mr. Jun Dong and Mr. Wei Wei, beneficially owned all of our issued Class B ordinary shares. These Class B ordinary shares constitute approximately 16.8% of our total issued and outstanding share capital and 75.1% of the aggregate voting power of our total issued and outstanding share capital due to the disparate voting powers associated with our dual-class share structure. See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.” As a result of the dual-class share structure and the concentration of ownership, holders of Class B ordinary shares will have considerable influence over matters such as decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. Such holders may take actions that are not in the best interest of us or our other shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of our ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business, including through potential merger and acquisition opportunities. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

We are likely classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. Holders of our ADSs or ordinary shares.

A non-U.S. corporation, such as our company, will be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such taxable year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such taxable year produce or are held for the production of passive income. Passive income generally includes dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains. For this purpose, cash and assets readily convertible into cash are categorized as passive assets and the company’s unbooked intangibles associated with active business activity are taken into account as non-passive assets.

In addition, we will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, 25% or more (by value) of the stock. Although the law in this regard is unclear, we treat our variable interest entities as being beneficially owned by us for U.S. federal income tax purposes because we control their management decisions, we are entitled to substantially all of the economic benefits associated with these entities, and, as a result, we consolidate their results of operations in our U.S. GAAP financial statements.

We believe our income from and assets used in the installment-sale business are treated as passive under the PFIC provisions. Based on our current income and assets and the value of our ADSs, it is likely that we were classified as a PFIC for our taxable year ended December 31, 2021. Accordingly, U.S. Holders should consult their tax advisors regarding the advisability of making a mark-to-market election (as described in “Item 10. Additional Information—E. Taxation—U.S. Federal Income Tax Considerations—Passive Foreign Investment Company Rules”). Even if we are not currently a PFIC, changes in the nature of our income or assets, or fluctuations in the market price of our ADSs, may cause us to become a PFIC for future taxable years. In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our market capitalization, which may fluctuate over time. Among other factors, if our market capitalization declines, we may continue to be classified as a PFIC for our taxable year ending December 31, 2022. Under circumstances where revenues from our installment sale business or other activities that produce passive income increase relative to our revenues from activities that produce non-passive income or where we determine not to deploy significant amounts of cash for working capital or other purposes, our risk of becoming classified as a PFIC may substantially increase. In addition, if it were determined that that we are not the beneficial owner of our variable interest entities for U.S. federal income tax purposes, we may be treated as a PFIC for our taxable year ending December 31, 2022 and in future taxable years.

If we are classified as a PFIC for any taxable year during which a U.S. Holder (as defined in “Item 10. Additional Information—E. Taxation—U.S. Federal Income Tax Considerations”) holds our ADSs or ordinary shares, such U.S. Holder may incur significantly increased U.S. federal income tax on gain recognized on the sale or other disposition of our ADSs or ordinary shares and on the receipt of distributions on our ADSs or ordinary shares to the extent such gain or distribution is treated as an “excess distribution” under the U.S. federal income tax rules. If we are so classified during a U.S. Holder’s holding period, our ADSs or ordinary shares will generally continue to be treated as shares in a PFIC for all succeeding taxable years during which such U.S. Holder holds our ADSs or ordinary shares, even if we cease to be a PFIC, unless certain elections are made. See the discussion under “Item 10. Additional Information—E. Taxation—U.S. Federal Income Tax Considerations—Passive Foreign Investment Company Rules” concerning the U.S. federal income tax considerations of an investment in our ADSs or ordinary shares if we are or become classified as a PFIC, including the possibility of making certain elections.

Our memorandum and articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our ordinary shares and ADSs.

Our memorandum and articles of association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. Our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law and conduct our operations primarily in emerging markets.

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Companies Act (As Revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

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

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States. As a foreign private issuer, we are permitted under the Nasdaq Stock Market Rules to follow home country corporate governance practices. Specifically, we do not have a majority of independent directors serving on our board of directors. We may also continue to rely on this and other exemptions available to foreign private issuers in the future, and to the extent that we choose to do so, our shareholders may be afforded less protection than they otherwise would under the Nasdaq Stock Market Rules' corporate governance listing standards applicable to U.S. domestic issuers. See “—Risks Related to Our ADSs—As an exempted company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices for corporate governance matters that differ significantly from the Nasdaq corporate governance listing standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with the corporate governance listing standards.”

In addition, we conduct substantially all of our business operations in emerging markets, including China, and substantially all of our directors and senior management are based in China. The SEC, U.S. Department of Justice, or the DOJ, and other authorities often have substantial difficulties in bringing and enforcing actions against non-U.S. companies and non-U.S. persons, including company directors and officers, in certain emerging markets, including China. Additionally, our public shareholders may have limited rights and few practical remedies in emerging markets where we operate, as shareholder claims that are common in the United States, including class action based on securities law and fraud claims, generally are difficult or impossible to pursue as a matter of law or practicality in many emerging markets, including China. For example, in China, there are significant legal and other obstacles for the SEC, the DOJ and other U.S. authorities to obtaining information needed for shareholder investigations or litigation. Although the competent authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, the regulatory cooperation with the securities regulatory authorities in the United States has not been efficient in the absence of a mutual and practical cooperation mechanism. According to Article 177 of the PRC Securities Law which became effective in March 2020, no foreign securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Accordingly, without the consent of the competent PRC securities regulators and relevant authorities, no organization or individual may provide the documents and materials relating to securities business activities to foreign securities regulators.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States.

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

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

We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 for so long as we are an emerging growth company until the fifth anniversary from October 24, 2018.

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The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. This election allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies, and as a result of this election our financial statements may not be comparable to those of companies that comply with public company effective dates, including other emerging growth companies that have not made this election.

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

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

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

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

As an exempted company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices for corporate governance matters that differ significantly from the Nasdaq corporate governance listing standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with the corporate governance listing standards.

As an exempted company incorporated in the Cayman Islands company with limited liability that is listed on the Nasdaq, we are subject to the Nasdaq corporate governance listing standards. However, Nasdaq rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq corporate governance listing standards. We have relied on and plan to continue to rely on home country practice with respect to our corporate governance. Specifically, we do not have a majority of independent directors serving on our board of directors. For details, please refer to “Item 6. Directors, Senior Management and Employees—C. Board Practices—Board of Directors.” As a result, our shareholders may be afforded less protection than they otherwise would enjoy under the Nasdaq rules applicable to U.S. domestic issuers.

The voting rights of holders of ADSs are limited by the terms of the Deposit Agreement, and you may not be able to exercise your right to vote your Class A ordinary shares.

As a holder of our ADSs, you will only be able to exercise the voting rights with respect to the underlying Class A ordinary shares in accordance with the provisions of the Deposit Agreement. Under the Deposit Agreement, you must vote by giving voting instructions to the Depositary. If we ask for your instructions, then upon receipt of your voting instructions, the Depositary will try to vote the underlying Class A ordinary shares in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying shares unless you withdraw the shares. Under our amended and restated memorandum and articles of association, the minimum notice period required for convening a general meeting is 10 days. When a general meeting is convened, you may not receive sufficient advance notice to withdraw the shares underlying your ADSs to allow you to vote with respect to any specific matter. If we ask for your instructions, the Depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the Depositary to vote your shares. In addition, the Depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to vote and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested.

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The Depositary for our ADSs will give us a discretionary proxy to vote our Class A ordinary shares underlying your ADSs if you do not vote at shareholders' meetings, except in limited circumstances, which could adversely affect your interests.

Under the Deposit Agreement for the ADSs, if you do not vote, the Depositary will give us a discretionary proxy to vote the Class A ordinary shares underlying your ADSs on any matter at a shareholder meeting provided that we give the Depositary a written confirmation sufficiently in advance of the meeting that:

- we wish a proxy to be given to a person of our choice,
- we reasonably do not know of any substantial opposition to the matter, and
- the matter is not materially adverse to the interests of shareholders.

The effect of this discretionary proxy is that if you do not vote at shareholders' meetings, you cannot prevent our Class A ordinary shares underlying your ADSs from being voted, except under the circumstances described above. This may make it more difficult for shareholders to influence the management of our company. Holders of our ordinary shares other than the Depositary are not subject to this discretionary proxy.

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

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

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

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

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

The Deposit Agreement governing the ADSs representing our Class A ordinary shares provides that, to the fullest extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the Depositary arising out of or relating to our shares, the ADSs or the Deposit Agreement, including any claim under the U.S. federal securities laws.

If we or the Depository opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the Deposit Agreement, by a federal or state court in the City of New York, which has non-exclusive jurisdiction over matters arising under the Deposit Agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this is the case with respect to the Deposit Agreement and the ADSs. It is advisable that you consult legal counsel regarding the jury waiver provision before entering into the depositors arising under the Deposit Agreement or the ADSs, including claims under federal securities laws, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us and the Depository. If a lawsuit is brought against either or both of us and the Depository under the Deposit Agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes agreement.

If you or any other holders or beneficial owners of ADSs bring a claim against us or the Depository in connection with matters arising under the Deposit Agreement or the ADSs, including claims under federal securities laws, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us and the Depository. If a lawsuit is brought against either or both of us and the Depository under the Deposit Agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have, including results that could be less favorable to the plaintiffs in any such action.

Nevertheless, if this jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the Deposit Agreement with a jury trial. No condition, stipulation or provision of the Deposit Agreement or ADSs serves as a waiver by any holder or beneficial owner of ADSs or by us or the Depository of compliance with any substantive provision of the U.S. federal securities laws and the rules and regulations promulgated thereunder.

Item 4. Information on the Company

A. History and Development of the Company

We commenced our business in June 2015 as a business unit within our predecessor, Jimu Holdings Limited, formerly known as Pintec Holdings Limited, which is a British Virgin Islands holding company. Our predecessor had launched a peer-to-peer lending business in July 2012. We refer to this business as the Jimu business. Beginning in 2015, our predecessor started to diversify its business by offering various lending and wealth management solutions to business partners, financial partners and end users. It launched Dumiao, our lending solutions platform, in June 2015 and commenced a wealth management business by launching the Hongdian platform in September 2015 and the Polaris platform in June 2016. In 2016, in order to focus on developing an independent technology platform that enables financial services as its core competency, the shareholders initiated a restructuring and reorganization of Pintec Holdings Limited by separating our business and the Jimu business and consolidating them into separate entities. Our holding company in the Cayman Islands, Pintec Technology Holdings Limited, was incorporated in March 2017.

We have been operating our financing solutions business separately from Jimu Group's peer-to-peer funding business since June 2015, and we have been operating our company substantially as a stand-alone company since September 2016. However, Jimu Group has been a significant financial partner of ours and we collaborate with Jimu Group to provide services to end users of the platform.

In December 2017, we entered into a share purchase agreement, a shareholders agreement and other transaction documents with the existing shareholders of our predecessor to issue and distribute our shares to them in proportion to our predecessor's then shareholding structure. We also entered into agreements with Jimu Group that set forth provisions relating to the transfer of assets between us and Jimu Group, change of employment relationships and the restructuring and reorganization of our and Jimu Group's subsidiaries and variable interest entities in China. Our pre-IPO reorganization was completed in March 2018.

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On October 24, 2018, our ADSs commenced trading on the Nasdaq Global Market under the symbol “PT.” We raised approximately US\$40.7 million in net proceeds from our initial public offering, after deducting underwriting commissions and the offering expenses payable by us, including the net proceeds we received from the underwriters’ partial exercise of their over-allotment option.

In December 2018, we established Pintec Solutions Pte. Ltd. in Singapore as the headquarters for our international business expansion. We also acquired Anxunying (Tianjin) Commercial Factoring Co., Ltd. from Jimu Group in the same month.

We acquired control of Beijing Xinshun Dingye Technology Co., Ltd., or Xinshun Dingye, in January 2019. Xinshun Dingye became the major shareholder of Beijing Hongdian in January 2019. Xinshun Dingye is one of our variable interests entities and has executed new variable interest entity agreements with Beijing Hongdian.

In February 2019, we established Pintec Digital Technology (Beijing) Co., Ltd. to provide SaaS solutions to institutions, including financial institutions.

In March 2019, we purchased 100% of the equity of Ganzhou Aixin Micro Finance from Jimu Group. The purchase price of RMB230 million (US\$35 million) was netted against amounts due to us from Jimu Group. The purchase price was supported by a fairness opinion issued by a third-party valuer. Because Ganzhou Aixin Micro Finance holds a license to operate a small loan business, we believe that we can use this entity to develop and operate pilot programs for new service offerings to complement our existing services offerings. The addition of small loan services to our service scope will also allow us to further enhance our data collection capabilities and provide our partners and customers with more robust financial solutions going forward.

In April 2019, we acquired Infrarisk Pty Limited, an Australia-based SaaS company providing systems to lenders for managing the credit risk origination process.

In May 2019, we established Pintec Yunke (Ganzhou) Information Technology Co., Ltd. for the purpose of providing information services to institutions, including financial institutions.

In December 2019, we formed Huatai (Ningxia) Enterprise Consulting Service Partnership (Limited Partnership), a limited partnership between Pintec Ganzhou Technology., Ltd., which is our wholly-owned subsidiary, and Yinchuan Xingyin Investment Fund Partnership, which is jointly owned by the Yinchuan municipal government in Ningxia and the Yinchuan Economic and Technological Development Zone. Through this partnership, we will cooperate with Yinchuan Xingyin Investment Fund Partnership in the area of financial solutions and technology.

On April 30, 2020, Pintec Beijing, Xuanji Intelligence (Beijing) Technology Co., Ltd., or Beijing Xuanji, and Beijing Xuanji’s two nominee shareholders entered into an agreement to terminate the variable interest entity agreements entered into during the Reorganization. Immediately after this termination agreement, pursuant to the equity interest transfer agreements, Beijing Xuanji’s two nominee shareholders shall transfer 80% and 20% of Beijing Xuanji’s equity interests to a third party and Shenzhen Xiaogang Technology Co., Ltd, or Shenzhen Xiaogang, respectively. The consideration for the 80% of Beijing Xuanji’s equity transfer to the third party was RMB24 million. Meanwhile, this third party entered into a two-year concerted action agreement to vote in accordance with Shenzhen Xiaogang’s decision. The equity interest transfer agreements were subsequently cancelled. On June 1, 2020, the above parties entered into a supplementary agreement, pursuant which all the 80% of the equity interests in Beijing Xuanji to be transferred to the third party shall be transferred to Shenzhen Xiaogang, and Shenzhen Xiaogang shall purchase such equity interests at the consideration originally provided in the equity interest transfer agreements.

On September 25, 2020, we held an extraordinary general meeting of shareholders, or the 2020 EGM. At the 2020 EGM, the shareholders resolved that: (i) our authorized share capital be increased and amended to US\$250,000, divided into 2,000,000,000 shares of a par value of US\$0.000125 each, comprising of (i) 1,750,000,000 Class A ordinary shares and (ii) 250,000,000 Class B ordinary shares; and; and (2) our Third Amended and Restated Memorandum of Association and Articles of Association be amended and restated by their deletion in their entirety and by the substitution in their place of the Fourth Amended and Restated Memorandum of Association and Articles of Association.

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On October 22, 2020, we closed the acquisition of all the outstanding equity interests in Yinchuan Chuanxi Technology Co., Ltd., or Chuanxi Technology, from Ningxia Fengyin Enterprise Management Consulting LLP, or Ningxia Fengyin, for a total consideration of RMB400 million (US\$61.3 million), or the Consideration, pursuant to certain equity transfer agreements dated as of October 22, 2020. Chuanxi Technology currently does not have any employee or engage in any business activities. By closing the acquisition, we obtained control over Chuanxi Technology as well as RMB400 million in its bank account. Pursuant to the agreements, to satisfy the payment obligation for the Consideration, we have issued a warrant to Otov Alfa Holdings Limited, an entity designated by Ningxia Fengyin, to purchase, in a private placement, up to 320,036,576 of our Class A ordinary shares. The number of shares is calculated by the U.S. dollar equivalent of the Consideration divided by US\$0.1857 per share, which is equivalent to US\$1.30 per ADS, representing approximately a 25.0% premium to the 45-day volume weighted average price of the ADSs. The warrant is exercisable immediately at the par value per share and will expire on the third anniversary of the issuance date. As of the date of this annual report, the warrant has not been exercised.

On January 21, 2021, Pintec Beijing renewed the contractual arrangements with Beijing Jinke due to a change in Beijing Jinke' shareholding structure.

On April 9, 2021, we entered into an agreement to acquire all the equity interest in Riche Bright Securities Limited, or RB, a securities brokerage firm based in Hong Kong. RB is a registered securities dealer with the Securities and Futures Commission of Hong Kong under a Type 1 license. In connection with the acquisition, we agreed to issue 35,000,000 non-voting ordinary shares to RB's original shareholder as the consideration for the sale of RB's equity interest. On April 12, 2021, we entered into an agreement to acquire all of the equity interest in Shenzhen Jishengtai Technology Co. Ltd., or JST, which is a securities technology firm based in Shenzhen, China and the backbone technology team of RB. In connection with the acquisition, we agreed to issue certain non-voting ordinary shares, consisting of a fixed base of 38,098,200 shares and an additional maximum of 45,098,200 shares subject to downward adjustment based on certain performance target on RB, to JST's original shareholders as the consideration for the sale of JST's equity interest. On August 20, 2021, these two acquisitions were terminated by mutual agreement.

On May 7, 2021, we held an extraordinary general meeting of shareholders, or the 2021 EGM. At the 2021 EGM, the shareholders voted on two proposals including that: (i) our authorized share capital be changed to US\$250,000, divided into 2,000,000,000 shares of a par value of US\$0.000125 each, comprising of (i) 750,000,000 Class A ordinary shares, (ii) 250,000,000 Class B ordinary shares, and (iii) 1,000,000,000 shares of no specific class of a par value of US\$0.000125 each, by the re-designation of 1,000,000,000 authorized but unissued Class A ordinary shares as shares of no specific class; and (2) our Fourth Amended and Restated Memorandum of Association and Articles of Association be amended and restated by their deletion in their entirety and by the substitution in their place of the Fifth Amended and Restated Memorandum of Association and Articles of Association. Both proposals were passed as resolutions.

On August 16, 2021, we entered into an investment agreement pursuant to which we agreed to invest a cash consideration of RMB 100 million for a minority interest in Beijing Xiao Benniao Information Technology Co., Ltd. (the "XBN"). Since the business performance of XBN was not satisfying, we terminated the investment in XBN on December 28, 2021. Pursuant to the termination of investment agreement, XBN transferred 100% interest equity of its subsidiary High Vision (Beijing) Network Technology Co., Ltd. ("High Vision") with RMB100 million cash in bank and no other assets or liabilities to us. On January 10, 2022, we acquired 100% equity interest of High Vision.

In late August 2021, we expanded our technical services to focus on better empowering the small and medium enterprise ("SME") ecosystem, by leveraging our advanced technology in big data, artificial intelligence, and cloud-based infrastructure. Specifically, we plan to utilize our "SaaS + Fintech" model as a total solution in order to accelerate the digitization of SMEs, encompassing technology-based credit services and solutions to the manufacturing process and operations of the SMEs. Part of this decision requires strategic review of our existing operations in order to optimize resource and talent deployment. As a result, we determined to restructure certain non-core technical services, which require long-term investment but may generate negative earnings currently and in the foreseeable future, by transferring out 85% of our equity interest in FT Synergy Pte. Ltd. ("FT") at nil consideration (the "Deconsolidation"). Upon the completion of this deconsolidation, the subsequent financial results of FT will no longer be included in our consolidated financial statements. We currently plan to focus on offering of comprehensive technology-based credit services and solutions to SMEs.

On December 9, 2021, we received notification from NASDAQ Listing Qualifications that we are not in compliance with the minimum bid price requirement set forth in Listing Rules for continued listing on the NASDAQ Stock Exchange as the closing price of our ADSs have been less than US\$1 over a consecutive 30-trading-day period. We are currently in compliance with all other NASDAQ continued listing standards. The NASDAQ notification does not affect our business operations or its Securities and Exchange Commission reporting requirements. In order to regain compliance with the NASDAQ minimum bid price requirement, we intend to implement a reverse split.

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Our principal executive offices are located at 9/F Heng An Building, No. 17 East 3rd Ring Road, Chaoyang District, Beijing, People's Republic of China. Our telephone number at this address is +86 (10) 8564-3600. Our registered office in the Cayman Islands is located at the offices of International Corporation Services Ltd., P.O. Box 472, Harbour Place, 2nd Floor, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands. Our agent for service of process in the United States is Puglisi & Associates, located at 850 Library Avenue, Suite 204, Newark, Delaware 19711. All information filed with the SEC can be obtained over the internet at the SEC's website at www.sec.gov or inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549.

B. Business Overview

Overview

We are a leading independent technology platform enabling financial services in China. We connect business partners and financial partners on our open platform and enable them to provide financial services to end users efficiently and effectively. We empower our business partners by providing them with the capability to add a financing option to their product offerings. We help our financial partners adapt to the new digital economy by enabling them to access the online population that they could not otherwise reach efficiently or effectively. Further, in 2021, we commenced the new offering of the small and medium enterprise ("SME") technical services whereby we utilize our proven "SaaS + Fintech" model as a total solution in order to accelerate the digitization of SMEs, encompassing technology-based credit services and solutions to the manufacturing process and operations of these SMEs. We continue to deliver exceptional digitization services, and best-in-class solutions with innovative technology, thus to solidify our partnerships, satisfy our clients.

Our Network of Partners

We refer to those partners who provide access to end users as our business partners, and those partners who provide financial products as our financial partners. Partners that are financial partners in one context may be business partners in another. For example, a financial service provider that provides loans to consumers through our online consumer finance platform is a financial partner in that role, but the same financial service provider would also be a business partner if its customers registered on Hongdian to purchase wealth management products.

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We have rapidly expanded our scale and built a valuable, diverse and broad network of both business and financial partners since our inception to 2018. In 2019, we deepened our cooperation with certain business partners that have a large number of online visitors and high-quality end users. Our solutions combine diversity on both sides, enabling us to meet a wide range of needs and creating a strong network effect for our business and financial partners as well as for their users. In 2020, we optimized our product matrix by focusing on developing high-quality products with case scenarios for renowned business partners such as Ctrip and BestPay. In 2021, we expanded our technical services to focus on better empowering the SME ecosystem, by leveraging our advanced technology in big data, artificial intelligence, and cloud-based infrastructure. Specifically, we plan to utilize our “SaaS + Fintech” model as a total solution in order to accelerate the digitization of SMEs, encompassing technology-based credit services and solutions to the manufacturing process and operations of the SMEs. We believe that the optimization of our product structure has helped boost the overall quality of our partnership base and further incentivized financial institutions to cooperate with us through profit-sharing partnership models.

Our Business Partners

Our business partners include both online and offline businesses and both consumer-facing and business-facing ones. We cover a wide range of industry verticals including online travel, telecommunications, online education, SaaS platform, financial technology, internet search, and online classifieds and listings. We provide point-of-sale lending solutions to 25 business partners, including BestPay. In addition, we provide personal installment lending solutions to 14 business partners, including Ctrip and BestPay, and SME lending solutions to 19 business partners. As of December 31, 2021, we provided wealth management solutions to 10 business partners, including Xiaomi. We also provided insurance solutions to 18 business partners, including Beijing Zhongxin Yibao Technology, Hainan xinduobao Technology and Jiangxi kuaixianbao Information Consulting. Several of our partners have adopted multiple types of solutions, and as we deepen our relationships with our partners, we expect more of them to do so. The extent of our cooperation ranges from channel partnership and user acquisition to end-to-end full-service solutions. Because our business partners’ end users constitute the pool of potential borrowers for the loans that we facilitate, we are selective in our choice of business partners in order to maintain quality and manage risk.

Our Financial Partners

We had 127 financial partners as of December 31, 2021. These include 32 lending solutions partners, 77 wealth management partners and 18 insurance solution partners.

Lending solutions partners

Lending solutions partners provide the funds for the loans that we facilitate. Commencing from January 31, 2021, almost all of the loans that we facilitated have been funded by our self-owned lending solution partners (which are our subsidiaries/consolidated affiliated entities).

Jimu Box, which is the online consumer finance platform operated by Jimu Group, used to be the single largest funding source for loans facilitated through our platform since our inception to 2018. Jimu Box was the funding source for 24%, 4% and 0.19% of the outstanding loans facilitated through our platform as of December 31, 2019, 2020 and 2021, respectively. We have not been receiving any further funding from Jimu Box since February 15, 2020. Since then, we ceased cooperating with any other online consumer finance platforms. For our relationship with Jimu Box and the Jimu Group in general, see “Item 4. Information on the Company—C. Organizational Structure—Our Relationship with Jimu Group.”

Historically, a number of financial partners provided funding directly to borrowers for loans that we facilitated, including Bank of Hangzhou Consumer Finance Company, Fullerton Credit and Orange Finance. Financial partners providing non-structured direct funding were the funding source for 62%, 83% and 65% of the outstanding loans facilitated through our platform as of December 31, 2019, 2020 and 2021 respectively. Ganzhou Aixin Micro Finance, a licensed micro finance company which we acquired from Jimu Group in March 2019, also provides financing for loans. We have also entered into strategic business cooperation with Fullerton Credit, a group of micro loan companies wholly owned by Fullerton Financial Holdings Pte. Ltd.

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We have historically worked with a variety of financial partners on trusts and other structured finance since 2017. In 2020, we worked with Yunnan Trust on trusts and other structured finance. Trusts and other structured finance were the funding source for 11%, nil and nil of the outstanding loans facilitated through our platform as of December 31, 2019, 2020, and 2021, respectively. The trusts are administered by third-party trust companies, and they invest in personal and business installments loans that we recommend. We purchased subordinated tranches to provide credit support. The financing receivables due from the borrowers of the personal and business installment loans and the loan payables to the third party investors of the trust units were recorded on our balance sheet as financing receivables and funding debts, respectively. Trusts and other structured finance were an important source of funding for us in 2018 and 2019. We ceased working with any financial partners on trusts and other structured finance in 2021. Commencing from May 2020, we ceased using trusts and other structured finance as the funding source for the loans we facilitated.

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The table below sets forth the funding from different types of financial partners for our lending solutions in terms of outstanding loans as of December 31, 2019, 2020 and 2021.

	As of December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	%
Online consumer finance platform	801,676	24.3%	21,141	3.6%	409	64	0.19%
Non-structured direct funding	2,041,729	61.8%	488,823	82.9%	143,049	22,448	65.09%
Trusts and other structured finance	359,981	10.9%	20,573	3.5%	19	3	0.01%
Unsecured general loan and others	98,511	3.0%	59,147	10.0%	76,305	11,973	34.71%
Total	3,301,897	100.0%	589,684	100.0%	219,782	34,488	100.0%

Wealth management solutions partners

Our wealth management financial partners provide various mutual fund products and asset management products, accessible from our and our business partners' platforms. We enable our wealth management financial partners to distribute those products to the user bases of our business partners. Our 77 wealth management financial partners include such well-known names in China as Guangfa Asset Management, Guotai Asset Management and Penghua Fund Management. We distributed RMB1,466.2 million, RMB509.3 million, and RMB959.6 million (US\$150.6 million) of wealth management products as measured by total value in 2019, 2020 and 2021, respectively, by means of our wealth management solutions. We provide financial solutions that enable our financial partners to efficiently expand the scope of their products and services and extend them to a wider user base.

End Users

Most end users are the customers of our business partners who have borrowed loans, invested in wealth management products or purchased insurance products from our partners through one of the solutions that we provide to our partners. We also have a small number of end users who have come to us through word of mouth and access loans from our lending solutions partners. We refer to those end users who borrow loans from our lending solutions partners utilizing one of our lending solutions as borrowers, and those end users who invest in financial products offered by our wealth management solutions partners utilizing our wealth management solutions as investors.

Borrowers

We facilitate loans by our lending solutions partners primarily to individuals and small and medium enterprise ("SME"). We apply advanced credit assessment models to profile loan applicants and allocate the approved cases to our lending solutions partners according to their risk appetite. We are also expanding our lending solutions to help our lending solutions partners target SMEs and their owners. From our inception through December 31, 2021, we have facilitated a cumulative total of approximately RMB49.1 billion (US\$7.7 billion) in loans by our lending solutions partners. The cumulative number of borrowers who have utilized the solutions we provide to our lending solutions partners has grown to close to 15.6 million as of December 31, 2021.

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A geographically diverse set of borrowers stretching across 517 cities and counties in China have borrowed loans from our lending solutions partners using our solutions. The top three cities in terms of borrowers accounted for only approximately 4.1% of all such borrowers as of December 31, 2021. Approximately 52.1 million individuals have registered on our system with their name, government-issued identification number and mobile phone number. According to the information provided to us by these individuals, approximately 46.0% are between the ages of 22 and 30 and another 22.0% are between the ages of 30 and 35.

Investors

By our self-owned partners (which are our subsidiaries/consolidated affiliated entities) and our business partners to offer and distribute mutual fund products to their investors. As of December 31, 2021, over 306,000 cumulative retail investors on Hongdian and Polaris had made transactions on our platforms, with an average amount under management of over RMB4,600 (US\$721.8) per user compared to that of RMB1,054 as of December 31, 2020, primarily due to the increasing market awareness and recognition of wealth management products as an effective means of investment for retail investors, which in turn was primarily attributable to (i) the further institutionalization and internationalization of Chinese stock markets, in particular China's A shares market, and (ii) the successful promotion and marketing of wealth management products among retail investors.

Our Financial Solutions

We offer six types of solutions that are tailored to the needs of our business and financial partners: point-of-sale installment loan, personal installment loan, business installment loan, international installment loan, wealth management and insurance. These solutions and services in turn serve the credit needs and investment demands of our partners' users. We implement these solutions through a comprehensive set of modules that can be seamlessly integrated with the operations and systems of our business partners and financial partners through application programming interfaces, or APIs, and software development kits, or SDKs. Our partners can adopt our solutions to provide financial services as a white label solution, through co-branding or under our own brands, allowing them to leverage our expertise while focusing on their own core businesses.

Point-of-sale Financing Solutions

We offer point-of-sale financing solutions to our business partners on their platforms or on our own platform under the "Dumiao" brand.

Our point-of-sale financing solutions enable our business partners to make installment purchase loans available to their customers. Our point-of-sale lending solutions facilitate the purchase of online travel products and services such as air tickets and hotel room reservations on travel sites such as Qunar and Ctrip, and mobile devices and services such as BestPay provided to China Telecom's customers. Our business partners typically integrate our lending solutions in the payment stage of a transaction, offering end users installment payment options when they satisfy our pre-screening procedures and certain criteria stipulated by our business partners. An end user who selects the installment payment option is guided through the application process and can use the approved credit line to finance his purchase from our business partner. End users have the option to choose different combinations of terms which are agreed with our business partners, and our system will automatically calculate monthly payments and service fees. In 2019, 2020 and 2021 the total volume of point-of-sale installment loans we facilitated was approximately RMB2.4 billion, RMB0.3 billion, and RMB25.6 million (US\$4.0 million), respectively. Our point-of-sale lending solutions function as a virtual credit card featuring a one-month interest free period and flexible installment terms. We believe such features are attractive to end users and enhance user experience. The weighted average APR for point-of-sale installment loans outstanding more than a month was 11.5% of the principal amount in 2021. The application process of point-of-sale installment loan products are easy and simple, supported by intuitive user interface. The following are screenshots of the application process for Qunar point-of-sale installment loans.



Personal Installment Loan Solutions

We offer personal installment loan solutions to our financial and business partners on our business partners’ platforms. Our personal installment loan solutions enable our business partners to make unsecured personal credit available to their customers. All loans are funded by our lending solutions partners and end users access the loans through the mobile apps or websites of our business partners. We help our lending solutions partners determine the amount of the credit line for each customer based on the result of our credit assessment. The initial credit line is typically between RMB500 (US\$78) and RMB100,000 (US\$15,692). As end users start building their credit history with us, they will gradually get access to higher credit lines and more favorable credit terms. Normally, each drawdown on the credit line must be individually approved, but we can provide solutions to our lending solutions partners that permit end users to draw down multiple loans without additional approval as long as the aggregate outstanding balance of the loans does not exceed the approved credit limit. The loan proceeds are transferred to the user’s bank account when the loan is drawn down. We charge our financial partners technical service fees. In 2021, approximately 60,586 customers were approved for personal installment loan credit lines with an average credit limit of approximately RMB8,117 (US\$1,274) through solutions that we provided to lending solutions partners. The aggregate amount of credit lines approved was RMB60.3 billion, RMB60.3 billion and RMB61.9 billion (US\$9.7 billion), respectively, and the amount outstanding was RMB2.2 billion, RMB0.3 billion and RMB132.9 million (US\$20.9 million) as of December 31, 2019,2020 and 2021, respectively.

We stopped facilitating offline personal installment loans in the fourth quarter of 2018.

Business Installment Loan Solutions

We offer business installment loan solutions to our business partners on their platforms or on our own platform. Our business installment loan solutions enable our business partners to arrange financing for their customers. These business partners are typically online platforms that provide goods and services to sole proprietors and to SMEs and possess significant data about their customers which can aid credit assessment. These borrowers include both online merchants and owners of traditional enterprises in various industries such as manufacture, retail and wholesale, dining, transportation and other service industries. Such businesses usually have annual sales turnover up to RMB70 million (US\$11 million). Loans are intended to be used for business purposes such as to expand operations, purchase inventory or meet day-to-day operational cash flow needs. The business installment loan products are unsecured and repayable in installments ranging from three months to 24 months, with loan size ranging from RMB1,000 (US\$157) to RMB1,000,000 (US\$156,922). Because we build our end-to-end solution and credit assessment system for business installment loans specifically to evaluate SME creditworthiness on the basis of our massive big data storage, an application is typically approved within 15 minutes, as compared to a few days or weeks by traditional financial institutions. The total volume of business installment loans we facilitated was approximately RMB781.6 million, RMB122.8 million and RMB76.7 million (US\$12.0 million) for the years ended December 31, 2019,2020 and 2021, respectively.

We also provide loan solutions to SMEs. In June 2021, we established an offline team that dedicate to providing loan solutions to the SMEs. We generally source our SME customers offline, and assess their financial needs and conduct due diligence on-site. We also evaluate the SME customers’ credit profile online based on our big data analytic capabilities to determine their credit worthiness. If the loan application is approved, our self-owned lending solution partners (which are our subsidiaries/consolidated affiliated entities) would provide funds to the SME customers on an average term of 12 months, which term generally shall not exceed 18 months. Proceeds from such loans shall be applied for operational purposes. For the years ended December 31, 2020 and 2021, loans provided for SMEs amounted to approximately RMB52 million and RMB124.0 million (US\$19.5 million), respectively.

The table below sets forth certain information about the loans we have facilitated in 2021.

	Point-of-sale Installment Loans	Personal Installment Loans	Business Installment Loans
Loans facilitated	RMB25.6million (US\$4.0 million)	RMB644.6million (US\$101.2 million)	RMB76.7 million (US\$12.0 million)
Outstanding loans as of December 31, 2021	RMB28.8 million (US\$4.5 million)	RMB132.9 million (US\$20.9 million)	RMB51.0 million (US\$8.0 million)
Loan size	RMB1,000 to RMB50,000 (US\$156.9 to US\$7,846.1)	RMB1,000 to RMB200,000 (US\$156.9 to US\$31,384.4)	RMB1,000 to RMB1,000,000 (US\$156.9 to US\$156,921.8)
Average loan size ⁽¹⁾	RMB923.6 (US\$144.9)	RMB7,490.0 (US\$1,175.3)	RMB148,135.1 (US\$23,245.6)
Loan term	1 to 24 months	3 to 12 months	3 to 24 months
Average loan term ⁽²⁾	24 months	7 months	11 months
Weighted average APR ⁽³⁾	11.5%	17.1%	13.3%

(1) Average loan size is calculated as the total amount of loans facilitated in the period divided by the total number of loans facilitated in the period.

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- (2) Average loan term is weighted by the amount of loans that originated in the relevant period; only the amount of loan at the origination was considered for this purpose.
- (3) APR is the annualized percentage rate of all-in interest costs and fees to the borrower over the net proceeds received by the borrower. Weighted average APR is weighted by loan origination amount for each loan originated in the period. We do not charge any interest fees to customers who select a one-month loan term for our point-of-sale installment loans and these loans are excluded from the calculation of weighted average APR for point-of-sale installment loans.

International Installment Loan Solutions

We offer international installment loan solutions through our own platforms, including Wagepay and Janko. Based on our big data and AI-driven risk control modeling capabilities, we can automatically perform credit worthiness assessment, bank flow analysis and process real-time payment, providing our customers with more efficient and lower cost digital credit services and further the advancement of financial inclusion in Australia. We are still looking for opportunities to expand our platforms beyond China.

Wealth Management Solutions

Our wealth management solutions include product distribution and robo-advisory modules.

Hongdian fund distribution solution. Our Hongdian solution enables our partners to offer and distribute mutual fund products to their customers, either under our Hongdian brand or as a white label solution. Registered end users can select a variety of mutual fund products through our platform's website and mobile applications or our partners' platforms, which are sourced from our financial partners. All of the mutual fund products that are available to retail investors on Hongdian are publicly listed for trading in China and are regulated by the CSRC. As of December 31, 2021, we had partnered with 77 fund management companies and listed over 5,230 different mutual fund products on Hongdian. The wealth management service fee primarily consists of commission fees charged to third-party asset management companies for participating in our online wealth management platform. We operate Hongdian through Beijing Hongdian, our variable interest entity, which possesses a brokerage license to conduct an investment fund sales business. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Fund Sales Business."

Polaris robo-advisory solution. We offer robo-advisory solutions under our Polaris brand to both financial partners and business partners, which they leverage to offer robo-advisory services to their customers. These solutions utilize assets both from Hongdian and from our partners.

We customize our robo-advisory services to the specific requirements of our business partners, such as risk-return parameters, asset allocation strategies, product offering mix, and target customer base and related specifics. These requirements are factored into the product and service designs and a customized wealth management solution for a particular business partner is designed and implemented. The assets are provided by the financial partners. Wealth management services are personalized for each retail investor through a similar process. See "—Our Modules and Transaction Process—Wealth Management Solution Modules" for descriptions of user assessment and portfolio construction approach.

We charge investment management fees and portfolio rebalancing fees to users. As of December 31, 2021, we had facilitated transactions for approximately over 306,000 cumulative unique investors through our wealth management solutions with a cumulative transaction amount of RMB10.40 billion, as compared to over 300,000 cumulative unique investors and a cumulative transaction amount of RMB8.4 billion as of December 31, 2020. As of the date of this annual report, we had ceased obtaining new customers for our Polaris robo-advisory solutions.

Insurance Solutions

Myfin insurance solution. We launched our Myfin solution in July 2016. Myfin enables our partners to offer and distribute insurance products to our users. We are still in the early stages of developing this business. We had insurance premiums of RMB406.8 million (US\$63.8 million) and served 310 thousand end users in 2021, as compared to insurance premiums of RMB7.3 million and 324 thousand end users in 2020. As of December 31, 2021, we provided insurance solutions to 18 insurance companies, as compared to 11 insurance companies as of December 31, 2020. We used to solicit businesses for our insurance solutions primarily through cross-selling through retail credit channels. In 2020, we have strategically shifted to follow a market-oriented approach in promoting our insurance solutions instead of relying on cross-selling and have experienced a decline in related revenues. In 2021, our revenues from provision of insurance solutions increased as compared to that of 2020, primarily attributable to our efforts to continuously improve and diversify our product offerings as well as our marketing strategies. We believe that, along with our efforts in enriching Myfin’s key features and use cases, our insurance solutions will grow substantially in 2022. We operate Myfin through our variable interest entity Beijing Myfin, a subsidiary of which possesses an insurance brokerage license. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Insurance Brokerages.”

Value Added Tools

We provide value added tools to our business partners and financial partners to enable them to quickly deploy our solutions, monitor and evaluate performance and scale their business. We have pre-designed and ready-to-use mobile product templates that can be seamlessly integrated with their existing ecosystem and product features. They can also be customized to account for a variety of factors, such as consumption scenarios and target customers, to ensure a smooth application process and superior user experience. With our big data analytics capabilities, we offer digital marketing tools to our business and financial partners to precisely target users, implement intelligent digital marketing activities and increase marketing efficiencies and effectiveness. Our real time monitoring tools provide comprehensive yet highly visualized performance monitoring interface. We track liquidity and risk performance of loan applications and loan portfolio, as well as general business operation data, and present the information in a simple and transparent way to our partners.

Our Big Data Storage and Computation System

Our proprietary big data database, which we call Data Lake, and our highly scalable external data querying and computation system, which we call Data Service Bus, drive our advanced risk assessment and our credit assessment engine. Data Lake is a dynamic data pool that is constantly evolving with increasing credit bureau data, transactional data, behavioral data, social data and demographic data accumulated on our platforms and additional data accessed from third parties. With the support of strong underlying infrastructure such as Data Lake and Data Service Bus, we designed and patented a risk assessment and credit assessment engine which evaluates both fraud and credit risks on the basis of over 10,000 data points and a series of different credit models utilizing machine learning technologies to automatically provide personalized, accurate and instant credit decisions with risk-based pricing. The combination of our advanced risk assessment and credit assessment engine with Data Lake and Data Service Bus enables us to make pricing decisions in most cases within seconds with no manual intervention. We apply big data analytics and machine learning technologies to the entire value chain of our lending solutions, from user acquisition to credit assessment, user valuations, customer management and collection services. Because we do not rely only on proprietary data from a single ecosystem, we can aggregate data from a variety of sources and serve the many different needs of our partners and end users. We also partner with a few independent third parties with unique in-house data to customize a set of data features specifically catered for our lending and wealth management solutions.

Our Modules and Transaction Process

Modules for POS Installment Loan, Personal Installment Loan and Business Installment Loan Solutions

Our modules cover every step of the loan transaction process, providing seamless integrated solutions to our business partners and a superior experience to end users. We are able to provide customized combinations and configurations of these modules to cater to the specific needs of different business and financial partners.

Our proprietary credit assessment system, backed by our continually growing big data database and our sophisticated algorithms, can quickly provide end users with a credit decision. We match borrowing requests with our financial partners in a smooth and efficient fashion, though our financial partners have the final decision as to whether they will approve the loan applications. Our service is provided in a seamless fashion to credit applicants and make it possible for customers who are approved for our credit lines to receive funds within 10 seconds following their applications, in the case of point-of-sale and personal installment loans, and 15 minutes, in the case of business installment loans. We believe these features are essential to meeting borrowers' financing needs.

- *Module 1: traffic router*

We have a variety of access points to our services, including directly on our business and partners' platforms and through our mobile website. Some of our business partners only have limited acquisition channels with high acquisition costs and are unable to accurately locate potential end users for point-of-sale installment loan services. Through our end user acquisition module, we analyze a variety of data and predicatively push service options to potential end users. Our customized interface and access point functionalities improve the user acquisition process by accurately identifying potential end users, increasing the conversion rate and lowering acquisition costs for our business partners.

- *Module 2: data aggregation and processing*

Our partners often lack a comprehensive set of relevant data from reliable data sources for them to utilize in providing financial services and developing effective risk management. Through our proprietary big data database, Data Lake, we access and aggregate a wide variety of data from more than 50 data sources, including both traditional and non-traditional sources and types of data. We restructure and reorganize these data into our various data models for further processing, and they can be independently updated to support fast model iteration for our credit assessment system. We maintain multiple data sources to increase our data aggregation efficiency and lower data collection and sourcing cost. These data models could also be separately provided to our partners depending on their specific needs. We collect the following information for our credit assessment system:

- basic personal background and demographic information, including name, ID, mobile number, bank card number, address, age, educational background, occupation and employment history;
- third-party bureau data including credit history, application, overdue payments and blacklist information; credit card and bankcard transactional information, including spending power and behavioral patterns;
- transactional information from e-commerce websites and other data provided by our business partners, including spending power, transaction history and high-risk transactions;
- other information on an end user's online behavior;
- mobile device and carrier information and mobile data; and
- for repeat end users, historical loan performance accumulated on our platform.
- *Module 3: risk management modeling*

Our risk management modeling module adopts a vigorous process of customer identification and anti-fraud detection, in which we match the application with data from both internal and external sources. Our sources of data on users include third-party credit ratings, blacklists, information on the user's patterns of communication, consumption, bank card usage and e-commerce purchases, information from the user's GPS and mobile devices, and the user's historical borrowing history and other information, all collected and aggregated through our data integration and aggregation module. We cross check the data through identification numbers, device IP addresses, application frequency and timing of application and compile a blacklist based on our assessment and public information. We customize our risk management measures to flexibly adapt to the needs of our partners, based on their business targets and product positioning.

- *Module 4: credit pricing and credit strategy*

We utilize a rigorous pricing framework to produce risk-based pricing decisions while taking into account price sensitivity to maximize value generation. Our credit assessment system groups users on the basis of identification, education background, location, bankcard spending pattern, mobile information and other available information as well as our insights of similarly situated customers. On this basis, a credit line is assigned that could be drawn down by each end user approved by our credit assessment system, subject to the independent credit assessment process described below. More than 99% of all loan applications are handled and approved automatically.

- *Module 5: funding router*

We connect to our financial partners' systems in real time. We analyze the various aspects of a loan request and the characteristics of the borrower, and allocate the funding needs to the most suitable funding source based on the risk-and-return parameters specified by our financial partners and other asset preferences.

- *Module 6: independent credit assessment*

Our financial partners retain their independent credit assessment functions and screen the borrowers we refer to them through a final approval process. Borrowers not approved will be referred back to our platform and we aim to match these borrowers with other financial partners who have suitable risk appetite. Module 4 and module 6 constitute an integrated two-step credit assessment process that is fully compliant with the relevant regulatory requirements.

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- *Module 7: customer service and maintenance*

Our customer service operation efficiently handles questions from end users as well as from business partners about our financial solutions and modules. Our online customer service bots handle more than 90% of customer requests automatically. Our intelligent customer maintenance program predicts potential loss of a customer and automatically alerts our customer service team to engage in customer maintenance efforts. Our business partners can rely on us to provide high-quality customer service throughout the transaction process.

- *Module 8: repayment management*

We cooperate with over a dozen payment service providers to provide efficient and stable payment services that cover all of the major Chinese banks. End users are able to select from multiple repayment options including autopay. Payments are automatically directed to the optimal payment route maintained by a particular payment service provider for a given payment option based on cost and stability.

- *Module 9: loan servicing*

We provide a comprehensive set of post-origination loan servicing solutions to our business partners, including loan collection. We have established a scoring model to determine the priorities of our collection efforts and collection process based on the level of delinquency, which dictates the level of collection steps taken. Our collection activities are highly automated, are accomplished through digital means such as payment reminder notifications in our app, reminder text messages, voice messages and e-mails and are supplemented by direct phone calls. To better focus on developing collection strategy and management and optimizing operational efficiency, we contract with third-party collection service providers which provide collection personnel to conduct all collection activities. However, they are under our close supervision and management and are equipped with the collection system and scoring model we develop. We carefully select these third-party contractors, establish guidelines and limitations on their collection actions, and take measures to enforce those guidelines and limitations.

Wealth Management Solution Modules

Our wealth management solutions include fund aggregation and trade clearing, end user assessment and modeling, portfolio construction, and transaction optimization modules.

- *Module 1: fund aggregation and trade clearing*

We aggregate over 4,000 public mutual fund products from 77 mutual fund asset management companies in our Hongdian trade clearing system that provide the users of our financial partners with a comprehensive selection of underlying assets. We are fully compliant with laws and regulations for trade clearing. In order to control risk of cash flow, our trading system is provided by Shenzhen Jinzheng, a large financial IT system provider in China, to ensure professional and accurate transaction execution.

- *Module 2: user assessment and modeling*

For individual investors using our Polaris platform or financial partners that use our proprietary robo-advisory services, we offer tailored portfolio recommendations through a customized investment decisioning process enabled through our user assessment and modeling module. We evaluate end users' risk tolerance on the basis of an investor questionnaire that they complete upon registration and update periodically over time.

- *Module 3: portfolio construction*

Accurate and customized user assessment serves as the basis for individualized portfolio constructions. Depending on the user's risk tolerance, we offer and recommend one of five primary investment strategies ranging from very conservative to very aggressive and construct an investment portfolio for a particular user to achieve target risk-adjusted returns within the specified risk parameters. Using our Polaris algorithm, we select the products offered by our financial partners through our different business partners and construct them into globally diversified portfolios tailored to each user's needs. Utilizing our sophisticated proprietary algorithms in both investment strategy and transaction optimization, our robo-advisory technology not only provides an automated recommendation for the initial asset allocation to the user based on an assessment of the individual's risk appetite but also recommends rebalancing of investment portfolios to end users and will execute rebalancing if the user specifically approves the rebalancing or does not reject it within a certain period of time.

In addition, by configuring and customizing our robo-advisory technological capabilities, we are able to provide our robo-advisory services as a comprehensive end-to-end solution engine to our financial partners. In this respect, we cater to the specific needs of our financial partners, taking into account their overall business strategy and target customer segments. Financial partners have their own investment model to make independent decisions after we provide investment recommendations. With the depth of the customer data that we have accumulated directly from our financial partners and our ability to use big data technologies to gain insights into that data, our algorithms create personalized asset allocations within the risk and return parameters specified by our financial partners, and significantly streamlined their internal decisioning process.

- *Module 4: transaction optimization*

Our Hongdian platform comprises a significant portion of all the available mutual funds in the domestic market in China and provides a one-stop shopping portal for mutual fund products. It streamlines the transaction process and lowers transaction costs for both investors and our financial partners. Polaris, on the other hand, structures and packages different underlying investment assets and achieves diversification for investors at a lower cost than traditional wealth managers. Leveraging our sourcing capabilities and our distribution channels, we establish connections between our financial partners and investors to facilitate a more efficient transaction process.

Insurance Solution Modules

Our insurance solution modules include a smart product recommendation module that offers comprehensive product recommendations to clients of insurance partners with low cost, scalable operation, and easy access, and a customization and innovation module that helps business partners bring customized and innovative insurance solutions to market.

Risk Management

We have an advanced and customized risk management capability driven by our proprietary credit approval engine and strong risk management expertise. We believe that our strength in risk management enables us to prevent fraud and provides effective and efficient credit assessment services to our business partners as well as their target customer cohorts. This approach provides for extremely high levels of automation in the underwriting process and, as a result of recent economic headwind both in China and abroad, our management has adopted a more cautious position and took proactive steps to slow down the asset growth. Our risk grading, risk-based pricing and credit limit strategies improve our business and financial performance by controlling overall risk in line with financial partner's risk appetite.

We provide end-to-end risk management solutions for the entire lending process from fraud detection and credit assessment through account management and collection services. Pre-loan risk management is based on an automated fraud detection and credit risk assessment process that utilizes multiple sources of data and modular modeling techniques, with real-time collection, cleaning and arrangement of data, to carry out a modeling assessment and produce a credit decision. During and after the term of the loan, our quantitative modeling tools raise the efficiency of our account management and collection based on our rating of the user's activity. Real-time risk modeling and control and rapid refresh capability help ensure that we are able to quickly react and adjust to changes in risk.

Our Fraud Detection and Prevention Mechanism

We are well equipped to detect sophisticated fraudulent activities. We maintain a fraud-related database within Data Lake consisting of data sourced internally and from our partners, including a comprehensive blacklist based on our own assessment and publicly available information. During the initial application process and throughout the transaction life-cycle, we cross-check data such as individual identification numbers, device IP addresses, application frequency and timing of applications. We also utilize social network analysis to uncover potential fraud schemes. We consistently fine tune our anti-fraud rules and blacklist rules by leveraging our sophisticated big data analytics and by analyzing fraud cases and the massive amount of data we have accumulated. We have not experienced any significant third party fraudulent losses from our platforms as of the date of this annual report.

Our Proprietary Credit Assessment Process

Our credit assessment process utilizes sophisticated algorithms and credit assessment models. Our credit assessment engine utilizes over 10,000 data points and a series of different machine learning models to evaluate a single loan application, and we apply a rigorous test-and-learn pricing framework to produce risk-based pricing decisions to maximize value generation. Our credit assessment groups end users on the basis of identification, education background, location, bankcard spending pattern, mobile information and other available information as well as our insights of similarly situated customers. Our newly acquired end users share similar risk profiles and certain key group or risk characters which we believe adequately account for a majority of their credit risks. We analyze end users' credit history with us and with financial institutions, their employment and income information, and other data we have accumulated. We also continue to track the performance of repayment of the loan for future reference. Based on the assessment results, our credit assessment engine assigns a credit risk level from 1 to 5 to each prospective customer. We are in the process of increasing the credit lines that may be available to our customers and may have additional levels with higher credit lines for prospective customers. We cooperate with third parties such as data providers in the credit assessment process.

Credit Performance

Our risk management approach has proven to be highly effective, as evidenced by the performance of various loan vintages originated through our platform over time.

We define delinquency rate as outstanding principal balance of loans that were from 16 to 30 calendar days, from 31 to 60 calendar days and from 61 to 90 calendar days past due as a percentage of the total outstanding principal balance of the loans as of a specific date. Loans that are delinquent for more than 90 days are charged off in operating entities in PRC, while 60 days in operating entities in Australia. The following table provides our delinquency rates for all loans we facilitated as of December 31, 2019, 2020 and 2021, including both on-balance sheet loans and off-balance sheet loans.

	Delinquency rate by balance		
	16 - 30 days	31 - 60 days	61 - 90 days
December 31, 2019	1.72%	2.98%	2.86%
December 31, 2020	0.77%	0.97%	0.95%
December 31, 2021	1.00%	1.30%	1.18%

Government initiatives such as Circular 141 and The Notice on Inspection of Rectification of Online Lending Information Intermediaries, also known as Circular 57, both of which were released in December 2017, fostered negative publicity about the industry that contributed to higher delinquency rates in 2018. Customers' willingness to repay their loans was adversely affected, and our financial partners suffered significantly from industry volatility particularly in the second half of 2018. In 2019, due to the tightening regulatory policies, we made some adjustments to our product pricing and customer application process. We adopted a more conservative risk control policy and proactively tightened our approval rate, which reduced loan facilitation volume. Thus, our outstanding balance volume and the denominator of our delinquency rate were also affected. In 2020, as part of our business transformation and in response to challenges caused by the COVID-19 outbreak, we significantly decreased our activities with funding partners who require us to share risks and abandoned the guarantee model. In 2021, we commenced facilitating loans for the SMEs, which primarily use the proceeds thereof for operational purposes and generally demonstrated better loan repayment performance. In addition, we continued to optimize our product matrix by focusing on our development of high-quality products, prioritizing asset quality over asset quantity, and partnering with high-caliber industry leaders, leading to improved loan repayment performance.

COVID-19 has had an adverse impact on the global economy and has, adversely impacted our customers' ability to pay. Benefiting from China's effective epidemic control and prevention work, the spread of COVID-19 has been gradually contained. We experienced a higher level of delinquency in our overall portfolio in the early days of the COVID-19 outbreak. However, we were still in a favorable position compared with our peers, because (i) our business comes from consumption scenarios, which makes the overall traffic relatively high-quality, and (ii) we were able to quickly adjust our traffic operations, customer screening and risk management strategies in response to the outbreak.

Risk Management Team

We have established strong risk management expertise with nine independent risk management functions spanning functions such as audit, regulatory compliance and risk management research and development. Our management team has significant experience in the credit industry with expertise in risk management, fraud detection and prevention, and data analytics. We have also built risk management-related performance metrics into our business unit and employee review procedures.

Technology

The success of our business depends on our strong technological capabilities that support us in delivering innovative and effective financial solutions to our partners, providing a seamless user experience, making accurate credit assessments, protecting information and increasing our operational efficiency. Diversified data collection and aggregation and robust credit assessment through advanced technologies have strengthened our risk management capability, creating value for our business and financial partners.

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The entire loan underwriting procedure, including application, verification, authorization, granting credit, execution of agreements, release of funds and collection of repayment, can be completed automatically without human intervention for a substantial majority of our loan applications. Our user-friendly interactive interface allows the user to complete the entire loan application and loan repayment process by himself. Highly optimized stream computing methods for data reporting, retrieval and indexing allow the entire loan application and credit approval procedure to be completed within 10 seconds for a majority of our loan applications. Our management system provides completely automatic control and routing of application volume, data reporting and retrieval volume, indexing distribution, approval amount, credit grade distribution, loan disbursement amounts and loan repayment amounts and enables the healthy and stable operation of the system.

R&D Lab

Our R&D lab is the source of our continued innovations. It not only supports our existing business and enhances our product and service offerings, but also incubates new technological and business initiatives that allow us to continue to evolve. We have teams within the R&D Lab working on artificial intelligence, robotic process automation, data source assessments and other projects of possible application to our business.

Our R&D lab is empowered by a team of experienced engineers dedicated to research and development. As of December 31, 2021, we have 35 technology employees, representing approximately 28.2% of our total employees. Our engineers are based in our headquarters in Beijing and our offices in Shanghai. We recruit most of our engineers from prestigious universities and hire experienced laterals from well-established internet and software companies. We compete aggressively for engineering talent to help us address challenges and maintain our technology advantages over our competitors. We invest significantly in research and development. In 2021, we incurred RMB22.7 million (US\$3.6 million) in research and development expenses, primarily of salaries and benefits (including share-based compensation) for our research and development team.

Big Data Analytics

We have developed a proprietary big data database, which we call Data Lake, which drives our advanced risk assessment and our credit assessment engine. Data Lake is a dynamic data pool that is constantly evolving with increasing credit bureau data, transactional data, behavioral data, social data and demographic data accumulated on our platforms and additional data accessed from third parties. Our extensive database has over 10,000 variables for users, covering a wide range of information pertinent to a user's creditworthiness. By tapping into the ecosystems of our partners, we have accumulated a large amount of data that has been authorized and released by users. We also source, aggregate, process and analyze voluminous structured and unstructured data from over 50 internal and external data sources in multiple formats, including credit assessment agencies, payment companies, e-commerce platforms and mobile carriers.

Our strong data-mining capabilities also enable us to collect a large amount of data concerning prospective customers. We apply big data analytics and machine learning to the entire value chain of consumer finance, from credit decision to payment channel to collection services. Leveraging our research and development team, we have developed a number of proprietary automated programs that are capable of searching, aggregating and processing massive amounts of data from the internet in a short period of time. New analytical methods allow us to process these large amounts of untapped data, for example through statistical modelling of past behaviors and patterns.

We value data privacy of users and have stringent data protection and retention policies. We do not share end users' data with third parties without end users' prior consent.

Artificial Intelligence and Machine Learning

Technology has revolutionized the way that financial services are provided, particularly through the application of advanced artificial intelligence. We apply our artificial intelligence technology in multiple areas, such as fraud detection, credit risk pricing and asset allocation, which leads to improved operational efficiencies and enables us to provide significant value to our partners.

We have integrated a variety of advanced analytical and modelling techniques into our risk management and credit assessment systems by applying artificial intelligence, including machine learning. For example, we make use of social network analysis techniques to discover connections between loan applicants and known or suspected fraud rings and leverage the special characteristics of social networks in our anti-fraud and risk management models to reduce the rate of fraud. We have constructed a real-time online dynamic risk modelling system which, unlike traditional credit score card technology, is able to implement continual updates to our automated models based on the newest risk metrics, and at the same time implement mechanical learning algorithms online, and based on the real-time results of the model, automatically distribute application volume and ensure the stability and highly efficient operation of the model, and timely and reliably control risk. Building on our modelling technology, we carry out automatic clustering based on differences in the user's personal characteristics, and we use different collections of characteristics between clusters to construct mechanical learning models to determine user risk and greatly raise the predictive power of the risk management model.

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The robo-advisory services for our wealth management solutions are also based on machine learning technologies. We adopt modern portfolio theory as the main allocation methodology and use a supervised learning method to estimate market return. Machine learning regression algorithms are used to forecast future prices and therefore market return within a defined time period, while market condition classification algorithms classify the market along a spectrum of bullishness and bearishness. Market risk is measured by an estimated covariance matrix. Our algorithms link investor characteristics including risk preference, life cycle stage, and source of income to investment constraints for true personalization. Rebalancing decisions are made dynamically as inputs change.

Our Cloud-based Infrastructure

We depend on cloud-based services for computing power for our customer-facing systems and services. Cloud-based technology allows us to process large amounts of complicated data in-house, which significantly reduces cost and improves operational efficiency. Our business is growing at a tremendous pace and we need to scale up services to fit our needs and customize the applications that we use. Our cloud-based services allow us to maintain flexibility in managing our IT resources with improved manageability and less maintenance, so that we can more rapidly adjust resources to meet any fluctuating or unpredictable business demand.

Our system is highly secure. Our systems infrastructure is hosted in data centers located in different locations in China. We maintain redundancy through a real-time multi-layer data backup system to ensure the reliability of our network. Our in-house developed security system analyzes and predicts malicious attacks. The response time of our cloud system has been shortened to within one second, resulting in enhanced responsiveness to any challenges or attacks. Our platforms adopt modular architecture that consists of multiple connected components, each of which can be separately upgraded and replaced without compromising the functioning of other components. This makes our platforms both highly reliable and scalable. We have developed a business continuity plan and have implemented a disaster recovery program, which enables us to move operations to a back-up data center in the event of a catastrophe.

Our system uses local deployment to run business processes in our data center. Data is stored on our local server and hosted in internet data centers. All services and data use highly available architecture. We have never experienced data loss as of the date of this annual report.

Business Development

Our “Dumiao” brand is widely recognized by major potential business and financial partners for financial solutions in consumer lending in China, and our “Polaris” brand similarly for wealth management solutions. Our partners can adopt our solutions to provide financial services to their users, allowing them to leverage our expertise while focusing on their own core businesses. We believe that our strong brand recognition and proven track record will enable us to build a large and loyal partner base with a high retention rate. We employ a variety of marketing methods to promote our image.

We have built a sales and marketing team with extensive experience in both the financial service and internet industries. This team is dedicated to establishing long-term relationships with our business and financial partners. We work closely with our business and financial partners to gain insights into the competitive dynamics of the industry and to identify new market opportunities. With our understanding of their needs, we are able to offer customized services and solutions. We also utilize our proprietary data analytical capabilities to conduct cost-efficient marketing.

We have sales and marketing personnel based at our headquarters in Beijing. This allows our sales and marketing team to remain in close contact with the research and development team and operations team at our headquarters to align our sales and business development strategies.

Data Privacy and Security

We have access to a large amount of data and personal information of our end users. We also have access to certain operating and other data of our financial and business partners. We take the privacy of personal data and confidential information seriously and have designed stringent data protection and retention policies to ensure compliance with applicable laws and regulations. We do not share end users' data with third parties without their prior consent. In addition, we utilize a system of firewalls to prevent unauthorized access to our internal systems. We also maintain a real-time backup system in a leased facility where we host most of our hardware, and a remote backup system at a separate facility. Our IT department monitors the performance of our websites, technology systems and network infrastructure to enable us to respond promptly to potential problems. We also continuously review, improve and iterate our data privacy policies and security foundation.

As of the date of this annual report, we have not received any claim from any third party against us on the ground of infringement of such party's right to data protection as provided by applicable laws and regulations in China and other jurisdictions, and we have not experienced any material data loss or breach incidents.

International Expansion

We have set up seven joint ventures or subsidiaries outside of China to offer our solutions in additional markets in conjunction with local partners. In October 2017, we formed a joint venture named PIVOT Fintech Pte. Ltd. together with FWD Group and certain angel investors to provide robo-advisory services in Southeast Asia. In April 2018, we formed a joint venture named Avatec.ai (S) Pte. Ltd. together with United Overseas Bank Limited to offer credit services and solutions primarily in Southeast Asian countries. In addition, we set up Pintec Solutions Pte. Ltd. in Singapore in November 2018 as the international headquarters for our international business development. In April 2019, we acquired Infrarisk Pty Limited, an Australia-based SaaS company providing systems to lenders for managing the credit risk origination process. In 2020, we established a new portfolio of Fintechs, including Wagepay and Janko Loans, to provide automated credit service in Australia while leveraging open banking technologies. This move further validates that our lending technology stack is applicable to a wide variety of international markets. Furthermore, the Overseas Finance business unit was established to devise a holistic strategy to extend our financing service offerings globally. In September 2021, we transferred out 85.0% of our equity interest in FT Synergy Pte. Ltd. (formerly known as Pintec Solutions Pte. Ltd.), while keeping 15% equity interests in FT Synergy Pte. Ltd. In December 2022, we set up a wholly owned subsidiary Pintec Australia Pty Ltd in Australia, which holds 50.0% equity interest in Wagepay Pty Ltd, 50.0% equity interest in Janko Loans Pty Ltd, 15.56% of Leasgo Pty Ltd and 100.0% in Suppy Pty Ltd. Further, in January 2022, we acquired 25% equity interest in Ziitech Pty Ltd, an Australia-based service provider which offers SMEs one-stop financial solutions, which subsequently became a consolidated subsidiary of ours. See "Item 4. Information on the Company—A. History and Development of the Company." We expect to provide individuals and small businesses with timely access to low-cost credit through AI, data and automation technologies.

Competition

Consumer finance, wealth management and insurance are emerging industries in China. We enable our business and financial partners to provide innovative consumer finance, wealth management and insurance services to their customers. With respect to consumer finance enablement, OneConnect shares a similar business model with us where it provides technology enablement services to business partners and financial partners, and we compete with respect to acquiring partners and customers. Some independent platforms also provide such enablement services to partners as one segment of their business. With respect to wealth management and robo-advisory enablement, we compete with companies such as Yingmi.cn. We also compete across consumer finance, wealth management and insurance with platforms affiliated with major internet companies and business ecosystems in China, such as Lexin, 360 DigiTech and QuantGroup. In addition, our business and financial partners may develop their own in-house capabilities that compete with the services we currently provide. Some of our larger competitors have substantially broader product or service offerings and greater financial resources to support their spending on sales and marketing. We believe that our ability to compete effectively for business partners, financial partners and end users depends on many factors, including the variety of our modules and solutions, the diversity of our products, user experience with our solutions, the effectiveness of our risk management and the strength the partnership with our financial and business partners.

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

Intellectual Property

We seek to protect our proprietary technology, including our risk management technologies and technology infrastructure, through a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure by confidentiality and non-compete agreements. We have applied for five patents and have registered 48 copyrights with the PRC National Copyright Administration. We have eight registered domain names that are currently used in our business and operations, including *pintec.com*, *idumiao.com*, *ixuanji.com* and *hongdianfund.com*. As of the date of this annual report, we have 66 registered trademarks, including the Chinese name for Dumiao, Hongdian, Myfin, Pintec and Anquying.

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We intend to protect our technology and proprietary rights vigorously, but there can be no assurance that our efforts will be successful in every circumstance. Even successful efforts to defend our rights, including resorting to litigation, may incur significant costs. In addition, third parties may initiate litigation against us alleging infringement of their intellectual property or seeking to declare non-infringement of our intellectual property. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position” and “—We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.”

Seasonality

We experience a certain degree of seasonality in our business, reflecting seasonal fluctuations in internet usage and personal consumption patterns. For example, we generally experience higher transaction volume in our online travel agency point-of-sale installment loans and personal installment loans before and after the various peak travel seasons throughout the year, including the Chinese New Year holiday, the Labor Day holiday in May, the summer holidays and the National Day holiday in October. At the same time, we generally experience somewhat lower transaction volume in our online travel agency point-of-sale installment loans, and personal installment loans during national holidays in China, particularly around the Chinese New Year holiday.

Insurance

We provide social security insurance, including pension insurance, unemployment insurance, work-related injury insurance and medical insurance, for our PRC-based employees. Meanwhile, we provide supplemental commercial medical insurance for all of our PRC-based employees. We do not maintain any property insurance policies covering equipment and other properties that is essential to our business operations, nor do we maintain business interruption insurance, general third-party liability insurance, product liability insurance or key-man insurance. We consider our insurance coverage to be sufficient for our business operations in China.

Regulations

This section sets forth a summary of the most significant laws, rules and regulations that affect our business activities in the PRC and our shareholders’ rights to receive dividends and other distributions from us.

Regulations Relating to Foreign-Investment

The PRC Foreign Investment Law

The establishment, operation, and management of corporate entities in the PRC, including foreign-invested companies, are subject to the Company Law of the PRC, or the Company Law, which was issued by the Standing Committee of the National People’s Congress on December 29, 1993 and took effect on July 1, 1994. The Company Law was last amended on October 26, 2018. Unless otherwise provided in the PRC Foreign Investment Law, the provisions of the Company Law shall prevail.

In March 2019, the National People’s Congress passed the PRC Foreign Investment Law, which became effective as of January 1, 2020. When it took effect, the PRC Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures, the Laws on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises to become the legal foundation for foreign investment in the PRC. In December 2019, the State Council promulgated the Implementation Regulations on the PRC Foreign Investment Law, which came into effect on January 1, 2020 and further clarified and elaborated the relevant provisions of the PRC Foreign Investment Law. The PRC Foreign Investment Law and its implementation regulations embody the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

The Implementation Regulations on the PRC Foreign Investment Law require that existing foreign-invested enterprises established before the effectiveness of the PRC Foreign Investment Law must change to their chosen organizational forms and structures and go through the change of registration procedures at any time prior to January 1, 2025. Otherwise, the relevant local branch of the State Administration for Market Regulation will not process other registration matters for the enterprise and will publicize relevant information of such enterprise. The PRC Foreign Investment Law further provides that a foreign investment information reporting system will apply to foreign-invested enterprises. In December 2019, the Ministry of Commerce and the State Administration for Market Regulation jointly issued the Measures for Reporting of Foreign Investment Information, which came into effect on January 1, 2020. Beginning on January 1, 2020, foreign investors carrying out investment activities directly or indirectly in the PRC and the relevant foreign-invested enterprises must disclose their investment information to the competent commercial department by means of submitting various reports, including the establishment reports, modification reports and annual reports, through the Enterprise Registration System and the National Enterprise Credit Information Publicity System.

In December 2020, the National Development and Reform Commission and the Ministry of Commerce promulgated Measures for Security Review of Foreign Investment, which became effective on January 18, 2021. The Foreign Investment Security Review Mechanism, or the Security Review Mechanism, in charge of organization, coordination and guidance of foreign investment security review is thereunder established. A working mechanism office shall be established under the National Development and Reform Commission and led by the National Development and Reform Commission and the Ministry of Commerce to undertake routine work on the security review of foreign investment. According to the Security Review Mechanism, in terms of foreign investment activities falling in the scope such as important cultural products and services, important information technologies and internet products and services, important financial services, key technologies and other important fields that concern state security, while obtaining the actual control over the enterprises invested in, a foreign investor or a party concerned in the PRC shall take the initiative to make a declaration to the working mechanism office prior to making the investment.

For more details, see “Item 3. Key Information—Risks Relating to Doing Business in China—Substantial uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.”

Industry Catalog Relating to Foreign Investment

The PRC Foreign Investment Law reiterates and officially establishes the pre-access national treatment plus negative list management system for foreign investment. In December 2021, the Ministry of Commerce and the National Development and Reform Commission promulgated the Special Management Measures for Foreign Investment Access (Negative List) (2021 version), or the Negative List (2021 version), which became effective on January 1, 2022. The Negative List (2021 version) further expands the scope of industries where foreign investment is permitted by reducing the number of industries where restrictions on the shareholding percentage or requirements for the composition of board or senior management still exist. Industries listed in the Negative List (2021 version) are divided into two categories: restricted and prohibited. Industries in the restricted category are subject to a variety of restrictions. For example, some restricted industries are limited to Sino-foreign joint ventures, and in some cases, the Chinese partners are required to hold the majority interests in such joint ventures. Furthermore, foreign investors are not allowed to invest in companies in industries under the prohibited category. For industries not in the restricted or prohibited categories, the restrictions applicable to the restricted category do not apply in principle, and establishment of wholly foreign-owned enterprises, or WFOEs, in such industries is generally allowed.

We provide value-added telecommunication services, which is an industry in the restricted category pursuant to the Negative List (2021 version), through our consolidated variable interest entities.

Regulations Relating to Insurance Brokerage

The primary regulation governing insurance intermediary services is the PRC Insurance Law, originally enacted in 1995. According to the PRC Insurance Law, the China Insurance Regulatory Commission (which was integrated into the CBIRC with other governmental departments in April 2018) is the regulatory authority responsible for the supervision and administration of the PRC insurance companies and the intermediaries in the insurance sector, including insurance agencies and brokers.

The principal regulations governing insurance brokerage are the Provisions on the Supervision and Administration of Insurance Brokers, promulgated by the China Insurance Regulatory Commission in February 2018. According to these regulations, an insurance broker refers to an entity that receives commissions for providing intermediary services to policyholders and insurance companies to facilitate their entering into insurance contracts. An insurance broker established in China must meet the qualification requirements specified by the CBIRC and obtain a license from the CBIRC or its local branches to operate insurance brokerage business.

On March 12, 2002, the Circular of China Insurance Regulatory Commission on Distributing the Contents Related to Insurance Industry in the Legal Documents of China’s Accession to WTO, or the Circular 12, became effective and provided that foreign shareholders of a Chinese insurance broker shall (i) be foreign insurance brokers with more than 30 years of experience in establishing commercial institutions in WTO member countries; (ii) have established a representative office in China for two successive years; and (iii) have total assets of more than US\$200 million at the end of the year preceding the investment application in a Chinese brokerage business. On October 30, 2019, the Opinions of the State Council on Furthering Effective Use of Foreign Capital was promulgated, which became effective the same day. The State Council presented several opinions to further the effective use of foreign capital, including canceling the years of business operation and the total assets requirements for foreign insurance brokerage institutions to operate insurance brokerage business. According to the Service Guide for the Establishment and Examination and Approval of Insurance Brokers, published by the CBIRC in September 2021, foreign shareholders of a Chinese Insurance Broker shall be (i) foreign insurance brokers with more than 30 years of experience in establishing commercial institutions in WTO member countries; and (ii) have total assets of more than US\$200 million at the end of the year preceding the investment application in a Chinese brokerage business.

However, on December 3, 2021, the Notice of the CBIRC General Office on Clarifying Relevant Measures for the Opening up of the Insurance Intermediary Market was released and provided that overseas insurance brokerage companies with actual business experience and complying with the relevant provisions of the CBIRC are allowed to invest in and establish insurance brokerage companies in China to engage in insurance brokerage business. The relevant requirements that an investor that intends to establish a foreign-funded insurance brokerage company in China shall have more than 30 years of business experience in any WTO member country, have established a representative office in China for two consecutive years and have total assets of not less than US \$200 million in the year prior to the application as prescribed in the Circular 12 shall no longer be implemented.

The subsidiary of one of our variable interest entities, Beijing Myfin, has obtained a license for insurance brokerage from the Beijing Bureau of the CBIRC, which allows Beijing Myfin to conduct an insurance brokerage business within the territory of the PRC and will remain valid until June 2022.

Regulations Relating to Fund Sales Business

The Law on Securities Investment Funds, originally promulgated in 2003, sets forth the principal requirements applicable to fund service institutions, including fund sales institutions. This law subjects institutions that engage in fund sales and other fund services related to publicly raised securities investment funds to registration or record-filing requirements with the securities regulatory authority. The Measures for the Supervision and Administration of Publicly-offered Securities Investment Fund Distributors, originally promulgated by the CSRC in August 2020, govern the qualification of publicly raised securities investment fund sales, payments and settlement for publicly raised securities investment fund sales, publicly raised securities investment fund sales charges and other aspects of publicly raised securities investment fund sales business.

Independent fund sales institutions must apply for registration with the local branch of the CSRC at their place of industrial and commercial registration and obtain a license for a publicly raised securities investment fund sales business. In order to obtain such a license, an independent fund sales institution must meet certain requirements, including, but not limited to: (i) having good financial position and regulated operation; (ii) having business premises, security protection and other facilities commensurate with fund distribution business, and its information management platform for handling fund distribution business complies with the requirements of the CSRC; (iii) having sound and efficient business management and risk management systems, its systems for anti-money laundering, counter-terrorism financing and due diligence on tax-related information in terms of non-resident financial accounts, etc., comply with the requirements of laws and regulations, and its systems for fund distribution settlement capital management, investor eligibility management, internal control, etc., comply with the requirements of the CSRC; (iv) having at least 20 employees obtained the fund practice qualification; (v) it has been subjected to neither a criminal penalty nor major administrative punishment during the last three years, it has been subjected to no major administrative regulatory measures due to any analogous business during the last one year, it does not fall within the rectification period due to any major act in violation of laws and regulations, or is under investigation by the competent regulator due to being suspected of committing any major act in violation of laws and regulations, and it involves no matter concerning a major alteration that has affected or may affect the normal company operation, or major litigation, arbitration, etc.; (vi) its shareholders make capital contributions with their self-owned capital, rather than non-self-owned capital such as debt capital or entrusted capital, and its overseas shareholders make capital contributions in freely convertible currencies; (vii) having net assets of no less than RMB50 million; and (viii) the senior executives have obtained the fund practice qualification, are familiar with the fund distribution business and comply with the post-holding conditions for senior executives in the fund industry as required by the CSRC.

The Measures for the Administration of the Raising of Privately Raised Investment Funds, promulgated in April 2016 by the Asset Management Association of China, govern the raising of privately raised investment funds. A member institution of the Asset Management Association of China which has registered with the CSRC and obtained a license for a publicly raised securities investment fund sales business can be entrusted by managers of privately raised investment funds to raise privately raised investment funds. “Raising” refers to the promotion, sale, purchase and redemption of privately raised investment fund units and other related activities.

On March 28, 2018, the Office of the Leading Group for the Special Rectification for Internet Financial Risks issued the Notice on Strengthening the Rectification and Conducting Review and Acceptance of Asset Management Business Conducted through the Internet, also known as Circular 29. Circular 29 emphasized that an asset management business conducted through the internet is subject to the oversight of financial regulatory authorities and the relevant licensing requirements. Any public issuance or sales of asset management products through the internet would be deemed to be a financing business and the relevant asset management licenses or permits would be required to conduct such a business. Internet asset management platforms are not allowed to publicly raise funds through “directed commission plans”, “directed financing plans”, “wealth management plans”, “asset management plans”, “credit asset transfers” or similar products, or to act as an agent for any types of trading exchanges to sell asset management products.

In addition, the securities regulatory bureaus of Beijing has issued the Circular of Regulating Fund Investment Recommendation Activities, or the Recommendation Circular, in 2021, which requires that a fund sales agency shall not provide any investment recommendations for fund portfolio strategies without the fund investment advisory licenses. The Recommendation Circular further prohibits institutions from developing new business of making recommendations for fund portfolio strategies in violation of the requirements of the Pilot Notice. Specifically, they shall not display or launch new fund portfolio strategies, provide existing fund portfolio strategies to new clients, or allow existing clients to make additional fund portfolio strategy investments. Moreover, the Recommendation Circular sets different rectification timelines for institutions with and without fund investment advisory licenses.

Our variable interest entity, Beijing Hongdian, is a member of the Asset Management Association of China, has obtained a license for a publicly raised securities investment fund sales business from the CSRC and is qualified to conduct both publicly raised and privately raised securities investment fund sales businesses.

Regulations Relating to Value-added Telecommunication Service

The Telecommunications Regulations, originally promulgated by the State Council in 2000, and its related implementation rules, including the Catalog of Classification of Telecommunications Business issued and amended by the Ministry of Industry and Information Technology, or the MIIT, categorize various types of telecommunications and telecommunications-related activities into basic or value-added telecommunications services. The Administrative Measures on Telecommunications Business Operating Licenses, promulgated by the MIIT in 2009 and most recently amended in 2017, set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. Under these regulations, a commercial operator of value-added telecommunications services must obtain a value-added telecommunications service license from the MIIT or its provincial level counterparts.

According to the Provisions on the Administration of Foreign-Invested Telecommunications Enterprises, originally issued by the State Council in 2001, foreign-invested value-added telecommunications enterprises must be in the form of sino-foreign equity joint ventures. The regulations restrict the ultimate capital contribution percentage held by foreign investors in a foreign-invested value-added telecommunications enterprise to 50% or less and require the primary foreign investor in a foreign-invested value-added telecommunications enterprise to have a good track record and operational experience in the value-added telecommunications industry.

In 2006, the Ministry of Information Industry (which was integrated into the MIIT with other governmental departments in 2008) issued the Notice of the Ministry of Information Industry on Strengthening the Administration over Foreign Investment in the Operation of Value-Added Telecommunications Business. According to this notice, a foreign investor in the telecommunications service industry must establish a foreign-invested enterprise and apply for a telecommunications service license. The notice also requires that: (i) PRC domestic telecommunications enterprises must not, through any form, lease, transfer or sell a telecommunications service license to a foreign investor, or provide resources, offices and working places, facilities or other assistance to support illegal telecommunications services operations by a foreign investor; (ii) value-added telecommunications enterprises or their shareholders must directly own the domain names and trademarks used in their daily operations; (iii) each value-added telecommunications enterprise must have the necessary facilities for its approved business operations and maintain such facilities only in the regions covered by its license; and (iv) all value-added telecommunications enterprises are required to maintain network and internet security in accordance with the standards set forth in relevant PRC regulations. If a license holder fails to comply with these requirements and cure any non-compliance, the MIIT or its local counterpart has the discretion to take measures against such license holder, including revoking its value-added telecommunications service license.

Administration of mobile internet application information services is subject to the Regulations for Administration of Mobile Internet Application Information Services, which were issued in June 2016 and became effective in August 2016. These regulations were enacted to regulate mobile application information services, including app providers, app owners, app operators and online app stores. Providers of mobile application information services are required to obtain specified qualifications pursuant to PRC laws and regulations.

Our Dumiao platform, which are operated by Shanghai Anquying Technology Co., Ltd., a subsidiary of one of our variable interest entities, may be required to obtain a telecommunication service license for our mobile applications in accordance with the Regulations for Administration of Mobile Internet Application Information Services and other relevant laws and regulations. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—We may be required to obtain value-added telecommunication service licenses by the PRC regulatory authorities.”

Regulations Relating to Loan Interest

The Civil Code of PRC, which was promulgated by the National People’s Congress in May 2020 and became effective in January 2021, requires that the interest rates charged under a loan agreement must not violate applicable provisions of the PRC laws and regulations. In addition, under the Civil Code of PRC, the interest shall not be deducted from the proceeds of the loan in advance; and if the interest is deducted from the proceeds in advance, the loan shall be repaid and the interest shall be calculated based on the actual loan amount.

In accordance with the Provisions on Several Issues Concerning Laws Applicable to Trials of Private Lending Cases issued by the Supreme People’s Court in August 2015 and effective in September 2015, or the 2015 Private Lending Judicial Interpretations, agreements between a lender and a borrower on loans with annual interest rates below 24% are valid and enforceable. With respect to loans with annual interest rates between 24% and 36%, if the interest on the loans has already been paid to the lender, and so long as such payment has not damaged the interest of the state, the community or any third parties, the courts will likely turn down the borrower’s request to demand the return of the interest payment. If the annual interest rate of a private loan is higher than 36%, the obligations to pay interest payment in excess of the maximum interest rate allowed will be invalidated.

In December 2020, the Supreme People's Court issued the Decision on Amending the Provisions of the Supreme People's Court on Several Issues the Application of Law in the Trial of Private Lending Cases (second revisions in the year of 2020), or the Private Lending Judicial Interpretation Amendment, which amended several provisions of the 2015 Private Lending Judicial Interpretation including the upper limit of judicial protection for private lending interest rates. The Private Lending Judicial Interpretation Amendment provides that where the lender requests the borrower to pay interest in accordance with the interest rate agreed upon in the agreement, the people's court shall support such request, except where the interest rate agreed by both parties exceeds four times of the LPR at the time of the establishment of the agreement, or the Quadruple LPR Limit. The one-year Loan Prime Rate refers to the one-year loan market quoted interest rate issued by the National Bank Interbank Funding Center which was authorized by the People's Bank of China, on the 20th of each month since August 20, 2019. According to the Private Lending Judicial Interpretation Amendment, the upper limit of interest rates of 24% and 36% provided in the 2015 Private Lending Judicial Interpretation, are replaced by the Quadruple LPR Limit. Moreover, if the lender and the borrower agree on both the overdue interest rate and the liquidated damages or other fees, the lender may choose to claim any or all of them, but the portion in total exceeding the Quadruple LPR Limit shall not be supported by the people's court.

In addition, the Supreme People's Court issued the Official Reply to Issues on the Application of the Interpretations of the Supreme People's Court of New Private Lending, or the Official Reply on the Application of Interpretations of New Private Lending, in December 2020, which became effective in January 2021. The Official Reply on the Application of Interpretations of New Private Lending confirms that any disputes arising from the relevant financial business conducted by the microcredit companies, financing guarantee companies, regional equity market, pawn enterprises, financial leasing companies, business factoring companies and local assets management companies that are supervised by the local financial supervision governmental authorities, shall not apply to the Interpretations of the Supreme People's Court of New Private Lending.

In March 2021, the PBOC releases Announcement No.3 to ensure orderly competition in the loan market and protect the legitimate rights and interests of financial consumers. Announcement No.3 requires all loan products to list their annualized interest rates expressly. Specifically, (i) all lending institutions are required to display the annualized rate of each loan product prominently on the website, mobile app, poster, and any other channels where the product is marketed, and specify the annualized rate in the loan contract. Daily and monthly interest rates may also be displayed if necessary, but not more prominently than the annualized interest rates; (ii) lending institutions include but are not limited to depository financial institutions, automobile finance companies, consumer finance companies, micro-lending companies, and internet platforms that advertise or display loan services; (iii) the annualized rate of a loan should be calculated as the annualized ratio of total costs (to the borrower) to the outstanding principal amount. The costs include interest and other fees and charges directly related to the loan. The amount of principal should be specified in the loan contract or other loan certificates. If the loan is repaid in installments, the outstanding principal amount should be the balance after each repayment; and (iv) the calculation of the annualized interest rate may be based on compound interest or simple interest. The calculation based on compound interest is equivalent to that of the internal rate of return, and the simple-interest approach should be specified as such.

Regulations Relating to Cooperation with Institutional Funding Partners

The PRC laws and regulations governing our cooperation with institutional funding partners are developing and evolving.

In December 2017, the National Internet Finance Rectification Office and the National Online Lending Rectification Office jointly issued the Circular 141, outlining the general features and the principal requirements on "cash loan" businesses conducted by internet micro finance companies, banking financial institutions and online lending information intermediaries. "Cash loans" are generally described as a loan that is unrelated to the circumstances of its use, with no designated use for the loan proceeds, no qualification requirement for the borrower and no collateral for the loan. The definition of a cash loan under Circular 141 is vague and subject to further regulatory interpretation. The principal requirements with respect to "cash loan" businesses are (i) no organizations or individuals may conduct a lending business without obtaining approvals for the lending business; (ii) the annualized all-in borrowing costs to borrowers charged in the form of interest and various fees are subject to the limit on interest rate for private lending as set forth in the Provisions on Several Issues Concerning Laws Applicable to Trials of Private Lending Cases issued by the Supreme People's Court in 2015; (iii) all relevant institutions shall follow the "know-your-customer" principle to assess and determine the borrower's eligibility, credit limit, and cooling-off period with prudence, and a loan to a borrower without any source of income is prohibited; (iv) all relevant institutions shall improve their internal risk control and use a data-driven risk management model with prudence; and (v) relevant institutions and their third-party collection service providers may only use lawful means of collection, and shall not use illegal or inappropriate means of collection such as threats, intimidation or harassment. With respect to internet micro finance companies, Circular 141 requires the regulatory authorities to suspend the approval of the establishment of internet micro finance companies and the approval of any micro finance business across provincial lines. Circular 141 also specifies that internet micro finance companies may not provide campus loans, and should suspend the funding of internet micro loans unrelated to the circumstances of their use, gradually reduce the volume of the existing business relating to such loans and take rectification measures within a given period. Further requirements on internet micro finance companies will be detailed in a rectification implementation plan that is to be issued by the national financial regulator. Circular 141 also sets forth several requirements on the banking financial institutions participating in "cash loan" businesses, including that: (i) extension of loans jointly with any third-party institution that have not obtained approvals for the lending business, or funding to such institutions for the purpose of extending loans in any form, is prohibited; (ii) with respect to a loan business conducted in cooperation with a third-party institution, outsourcing of the core business (including the credit assessment and risk control) is prohibited, and any credit enhancement service whether or not in disguised form (including the commitment to bear the risk of default) provided by any third-party institutions with no guarantee qualification shall be prohibited, and (iii) such banking financial institutions must require and ensure that the third-party institutions shall not collect any interests or fees from the borrowers. In addition, Circular 141 emphasizes several requirements applicable to online lending information intermediaries. For example, it is prohibited to facilitate any loans to students or other persons without repayment source or repayment capacity, or loans with no designated use of proceeds. Also it is not permitted to charge upfront fees to the borrowers. Any violation of Circular 141 may result in a variety of penalties, including sanctions, rectification and revocation of license, an order to cease business operation, and criminal liabilities.

On December 8, 2017, the Online Lending Rectification Office promulgated the Rectification Implementation Plans of Network Microcredit Companies, detailing the requirements on network microcredit companies. Pursuant to the Rectification Implementation Plans of Network Microcredit Companies, “network micro-loans” are defined as micro-loans provided through the internet by network microcredit companies controlled by internet enterprises. The features of network micro-loans include online borrower acquisition, credit assessment based on the online information collected from the business operation and internet consumption, as well as online loan application, approval and funding.

The Interim Measures for the Administration of Network Microcredit Companies Business (Draft), or the Draft Network Microcredit Measures, was released by the CBIRC and the PBOC in November 2020 to solicit public comments. The Draft Network Microcredit Measures makes it clear that internet-based microcredit business shall be carried out mainly within the provincial administrative areas in which the entity is registered and shall not be cross-provincial without prior approval. The registered capital of a company operating internet-based microcredit business shall be no less than RMB1 billion and shall be a one-time paid-in monetary capital. The Draft Network Microcredit Measures would expressly prohibit loans from being used to invest in bonds, stocks, financial derivatives, or asset management products to purchase houses or to repay mortgage loans. The Draft Network Microcredit Measures would establish a three-year transition period, during which entities operating cross-provincial network microcredit businesses without approval will be phased-out.

Regulations Relating to Campus Online Lending

In April 2016, the General Office of the Ministry of Education and the General Office of the China Banking Regulatory Commission jointly issued the Notice on Education and Guidance Work and Strengthening the Risks Prevention of Campus Delinquency Online Lending, or the Education and Guidance Work Notice. The Education and Guidance Work Notice provides that (i) the local financial regulatory authority shall closely monitor the online lending intermediaries’ actions, such as false and misleading advertising and promotion, or other actions that may mislead lenders or borrowers, and strengthen the supervision and the risk warnings of online lending intermediaries’ advertising and promotional activities focusing on college students, as well as those online lending intermediaries who neglect to conduct borrower qualification examinations; and (ii) the corresponding response measures and plan for non-compliant campus online lending shall be established and improved; and any non-compliant online lending intermediary that has advertised and promoted its services within the campus and thus may infringe upon the legal rights of the students, cause safety hazards or lack advance permission, shall promptly be reported to the relevant regulatory authorities and be dealt with pursuant to the applicable laws.

In October 2016, six PRC regulatory agencies, including the China Banking Regulatory Commission, the Office of the Central Leading Group for Cyberspace Affairs and the Ministry of Education, jointly issued the Notice on Further Strengthening the Rectification of Campus Online Lending, or Rectification of Campus Online Lending Notice. The Rectification of Campus Online Lending Notice strengthens and details the remediation measures for online lending businesses focusing on students, or campus online lending, and provides the following:

- Online lending services may not be provided to college students under the age of eighteen.
- For college students over eighteen, the person engaging in campus online lending must verify the secondary repayment source of such borrower, which could be the borrower’s parents, guardian, or other custodian, obtain written undertaking documents consenting to the loan and the repayment guarantee from the secondary repayment source of such borrower, and verify the identity of the secondary repayment source of such borrower through the phone or other methods.
- False and fraudulent advertising and promotion through the use of discriminatory and misleading language or other methods, and the distribution of false or incomplete information to mislead college students borrowers, are prohibited.
- Publicizing or promoting lending services at physical locations (excluding electronic means such as the internet) either by persons engaging in campus online lending themselves or by a third party is prohibited.
- Usurious loans in disguised forms such as charging various fees such as procedure fees, overdue fines, service fees and recovery fees, and forcing repayment by illegal collection, are prohibited.

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In addition, the Rectification of Campus Online Lending Notice requires that the person engaging in campus online lending shall establish three mechanisms, namely borrower qualification examination, risk monitoring and customer information protection, as follows:

- It must establish borrower qualification examinations and classification systems to ensure that the borrowers have the repayment capacity for the loan pursuant to the relevant agreement.
- It must establish risk monitoring systems to further strengthen information disclosure and to provide risk warnings to borrowers, and ensure that the lending procedures and the key elements of the loan are open and transparent.
- It must establish a customer information protection mechanism by implementing the Order for the Protection of Telecommunication and Internet User Personal Information and other relevant criteria and by conducting information system gradation registration and testing, to strengthen customer information protection and ensure the legality and information security during the collection, settlement and use of lenders' and borrowers' information.

Pursuant to the Rectification of Campus Online Lending Notice, the local financial regulatory authorities and the branches of the China Banking Regulatory Commission shall jointly conduct a thorough examination and centralized rectification of persons engaging in campus online lending. When a violation is determined to be minor, rectification shall be made within a prescribed time limit, but when the conduction of the rectification is refused or the violation is determined to be material, such person's business of campus online lending could be suspended, shut down or banned according to the applicable laws. Any person that is suspected to be involved in any malicious fraud or other serious extraordinary activities shall be severely punished. In any case involving criminal activities, the relevant person shall be dealt with by relevant judicial authorities.

In April 2017, the China Banking Regulatory Commission issued the Guidelines on Prevention and Control of the Risks in Banking Industry, to further emphasize the relevant requirements on campus online lending businesses provided in the Rectification of Campus Online Lending Notice, which include prohibitions on:

- marketing to individuals unable to repay loans;
- providing online lending service to college students under the age of eighteen;
- conducting false and fraudulent advertising and promotion; and
- providing usurious loans in disguised forms.

In May 2017, the China Banking Regulatory Commission, the Ministry of Education and the Ministry of Human Resources and Social Security issued the Notice on Further Strengthening the Regulation and Management Work of Campus Online Lending Business, or the Circular 26. This circular provides that:

- Commercial banks and policy banks may research and develop financial products and provide loans that provide general assistance to college students and support them in areas such as learning and training, consumption and entrepreneurship, and provide customized and quality financial services to college students with reasonable credit limits and interest rates.
- Any entity established without approval of the relevant banking regulatory authority shall not provide any credit services to college students so as to eliminate fraud, usurious loans or violent loan collections.
- All campus online lending businesses conducted by online lending information intermediaries shall be suspended and the outstanding balance of online campus lending loans shall be gradually reduced to zero.

In February 2021, the CBIRC, the PBOC, the Ministry of Education, the Office of the Central Cyberspace Affairs Commission and the Ministry of Public Security jointly issued the Notice on Further Strengthening the Regulation and Management Work of Internet Consumer Loan for College Students, or the Notice on Internet Consumer Loan for College Students. The Notice on Internet Consumer Loan for College Students provides that the microcredit companies are prohibited from providing internet consumer loans to college students. In addition, it sets forth several requirements on the banking financial institutions participating in internet consumer loans for college students, including without limitation: (i) the banking financial institutions and its cooperative institutions shall not conduct online precision marketing aimed at college students, and shall complete necessary filings and reports with relevant authorities before offline promotion on campus; (ii) the banking financial institutions shall strictly check credit qualifications and identities of college students and their use of loans, conduct comprehensive credit assessment, and receive the written confirmation from the second repayment sources (such as parents, guardians, or other administrator of the college students) that they agree such internet consumer loans to be provided to such college student and they will guarantee the repayment of such internet consumer loans; and (iii) all credit information of internet consumer loans for college students shall be submitted to the financial credit information database in a timely, complete and accurate manner, and college students who do not agree to submit such credit information shall not be extended the loan.

Regulations Relating to Commercial Factoring

The Notice on the Pilot Launch of Commercial Factoring, issued by the Ministry of Commerce in 2012, approves the pilot launch of commercial factoring in the Shanghai Pudong New Area and the Tianjin Binhai New Area. The Ministry of Commerce also issued another notice to expand the list of pilot areas to include the Chongqing Liangjiang New Area, Sunan Modern Construction Demonstration Zone and Suzhou Industrial Park. In 2015, the Ministry of Commerce issued the Opinions on Supporting the Innovative Development of Pilot Free Trade Zones, which approved the pilot commercial factoring businesses in all the free trade zones. Under these notices issued by the Ministry of Commerce and local implementing rules, commercial factoring companies may be established in these areas upon the approval of the local counterpart of the Ministry of Commerce or other competent authorities.

On May 8, 2018, the Ministry of Commerce issued the Notice of Matters concerning the Adjustments to the Duties of Administration of Financial Leasing Companies, Commercial Factoring Companies and Pawnshops, according to which the Ministry of Commerce has transferred the duties of developing business operation and supervision rules for commercial factoring companies to the CBIRC effective April 20, 2018. In October 2019, the CBIRC issued the Notice on Strengthening the Supervision and Administration over Commercial Factoring Enterprises. This notice clarifies the commercial factoring business as to the following services provided by a commercial factoring enterprise to the supplier that transfers its account receivable based on the real transaction to the commercial factoring enterprise: (i) factoring financing; (ii) maintenance of the sales breakdown (ledger); (iii) collection of account receivables; and (iv) non-commercial bad debt guarantee. Commercial factoring enterprises may concurrently engage in client credit investigation and evaluation and the consulting services relating to commercial factoring. A commercial factoring enterprise may not engage in the following activities or businesses: (i) taking or taking in a disguised manner the deposits from the public; (ii) obtaining funds through online lending information intermediaries, local trading places in various types, asset management institutions, private investment fund or any other institutions; (iii) borrowing or borrowing in a disguised manner funds from other commercial factoring enterprises; (iv) offering loans or offering loans as entrusted; (v) specially engaging in or carrying out as entrusted a collection business or debt repayment demand business irrelevant to commercial factoring; and (vi) carrying out a factoring financing business based on an illegal underlying transaction contract, consignment contract, account receivable with unclear ownership or the right to demand payment arising out instrument or other negotiable securities.

Minheng, a subsidiary of one of our variable interest entities, and Anxunying (Tianjin) Commercial Factoring Co., Ltd., a wholly foreign-owned enterprise, are qualified to conduct our commercial factoring business.

Regulations Relating to Financing Guarantee

The State Council promulgated the Regulations on the Administration of Financing Guarantee Companies, or the Financing Guarantee Rules, effective as of October 1, 2017. Pursuant to the Financing Guarantee Rules, “financing guarantee” refers to the activities in which guarantors provide guarantees to the guaranteed parties as to loans, bonds or other types of debt financing, and “financing guarantee companies” refer to companies legally established and operating financing guarantee businesses. According to the Financing Guarantee Rules, the establishment of financing guarantee companies shall be subject to the approval by the competent government department, and unless otherwise stipulated by the state, no entity may operate a financing guarantee business without such approval. If any entity violates these regulations and operates a financing guarantee business without approval, the entity may be subject to penalties including ban or suspension of business, fines of RMB500,000 (US\$78,461) to RMB1,000,000 (US\$156,922), and confiscation of any illegal gains, and if the violation constitutes a criminal offense, criminal liability shall be imposed in accordance with the law.

On October 9, 2019, the CBIRC and eight other PRC regulatory agencies promulgated the Supplementary Provisions on the Supervision and Administration of Financing Guarantee Companies, or the Financing Guarantee Supplementary Provisions, which became effective the same day and was amended in June 2021. The Financing Guarantee Supplementary Provisions provide that institutions providing services such as client recommendation and credit assessment to various institutional funding partners shall not render any financing guarantee service, whether in direct form or disguised form, without the approval of the competent authorities.

In July 2020, the CBIRC issued the Guidelines for Offsite Supervision of Financing Guarantee Companies, or the Offsite Supervision Guidelines, which took effect in September 2020. The Offsite Supervision Guidelines stipulate the guidelines for the competent regulatory authorities to continuously analyze and evaluate the risk of financing guarantee companies and the financing guarantee industry, by way of collecting report data and other internal and external data of the financing guarantee companies and carrying out corresponding measures. Pursuant to the Offsite Supervision Guidelines, financing guarantee companies shall establish and implement an offsite supervision information report system and submit related data and non-data information in accordance with the requirements of the competent regulatory authorities. The Offsite Supervision Guidelines note that the corporate governance, internal control, risk management capabilities, guarantee business, associated guarantee risks, asset quality, liquidity indicators and investment conditions of financing guarantee companies shall be the key areas for the offsite supervision.

Regulations Relating to Anti-Money Laundering

The Anti-money Laundering Law, which became effective in 2007, sets forth the principal anti-money laundering requirements applicable to financial institutions as well as non-financial institutions with anti-money laundering obligations, including the adoption of precautionary and supervisory measures, establishment of various systems for client identification, retention of clients' identification information and transactions records, and reports on large transactions and suspicious transactions. Financial institutions subject to the Anti-money Laundering Law include banks, credit unions, trust investment companies, stock brokerage companies, futures brokerage companies, insurance companies, fund management companies and other financial institutions as listed and published by the State Council, while the list of the non-financial institutions with anti-money laundering obligations will be published by the State Council. The People's Bank of China and other governmental authorities issued a series of administrative rules and regulations to specify the anti-money laundering obligations of financial institutions and certain non-financial institutions, such as fund sales institutions.

The Administrative Measures for Internet Finance Service Providers Regarding Anti-Money Laundering and Counter Terrorism Financing (Trial Version), or the Administrative Measures Regarding AML and CTF, which were issued jointly by the People's Bank of China, the CBIRC and the CSRC on October 10, 2018 and became effective on January 1, 2019, require internet finance service providers (including service providers of internet fund sale or internet insurance brokerage) to comply with certain anti-money laundering and counter terrorism financing requirements, including (i) establishing an internal control system for anti-money laundering and counter terrorism financing, (ii) establishing a customer identification program, (iii) monitoring terrorist organizations and terrorists, (iv) monitoring and reporting suspicious transactions and (v) preserving customer information and transaction records. The Administrative Measures Regarding AML and CTF define internet service providers as institutions which are approved or filed by the relative authorities to operate internet financial business in accordance with the law. However, the specific applicable scope of the Administrative Measures Regarding AML and CTF has yet to be determined.

The Measures for the Supervision and Administration of Publicly-offered Securities Investment Fund Distributors, originally promulgated by the CSRC in August 2020, require independent fund sales institutions to comply with certain anti-money laundering requirements, including providing fund managers with necessary information for anti-money laundering, such as clients' statutory basic identity information, as well as assistance in performing such relevant duties as anti-money laundering, counter-terrorism financing and due diligence on tax-related information in terms of non-resident financial accounts.

On June 1, 2021, the PBOC released the Anti-Money Laundering Law (Draft for Comment), or the Draft Anti-money Laundering Law, expands the definition of money laundering activities and broadens the scope of institutions subject to the performance of the duties of anti-money laundering.

The Notice on Anti-Money Laundering Operations of the Insurance Industry, promulgated by the China Insurance Regulatory Commission in 2011, requires insurance brokerage agencies to establish anti-money laundering internal control systems and provide assistance to public security departments and judicial authorities in investigations.

In April 2021, the Measures for Supervision and Administration of Anti-Money Laundering and Anti-Terrorism Financing of Financial Institutions, or the Anti-Money Laundering Measures for Financial Institutions, was officially released by the People's Bank of China, which took effect on August 1, 2021. According to the Anti-Money Laundering Measures for Financial Institutions, the following financial institutions duly established within the PRC territory are clearly required by the People's Bank of China to fulfill anti-money laundering and anti-terrorism financing related obligations: (i) developmental financial institution, policy banks, commercial banks, rural cooperative banks, rural credit cooperatives and village/township banks; (ii) securities companies, futures companies and fund management companies; (iii) insurance companies and insurance asset management companies; (iv) trust companies, financial asset management companies, finance companies of enterprise groups, financial leasing companies, auto finance companies, consumer finance companies, currency brokerage companies, loan companies and wealth management subsidiaries of commercial banks; and (v) other financial institutions that shall perform their obligations of anti-money laundering and counter-terrorism financing as determined and announced by the People's Bank of China. Besides, such obligations also apply to the non-bank payment institutions, banks card organization, fund clearing center, microcredit companies engaging in the internet microcredit lending business and the institutions engaging exchange business, funds sales business, insurance agency and brokers business. The People's Bank of China and its branches shall carry out the supervision and administration of the financial institutions' work with regard to the anti-money laundering and anti-terrorism financing pursuant to the relevant laws and regulations. The Anti-Money Laundering Measures for Financial Institutions require the financial institutions to draft and improve the anti-money laundering and anti-terrorism financing internal control policy, evaluate the anti-money laundering and anti-terrorism financing risks, establish the risks management mechanism according to its risk conditions and operation scale, construct anti-money laundering system, and set up or appoint institutions equipped with qualified staff, to perform its anti-money laundering and anti-terrorism financing obligations.

Regulations on Anti-Monopoly Matters Related to Internet Platform Companies

The PRC Anti-Monopoly Law, which took effect on August 1, 2008, prohibits monopolistic conducts such as entering into monopoly agreements, abusing market dominance, and undertaking concentrations that may have the effect of eliminating or restricting competition. On February 7, 2021, the Anti-Monopoly Commission of the State Council officially promulgated the Anti-Monopoly Guidelines for Internet Platforms. The guidelines prohibit certain monopolistic conducts of internet platforms to protect market competition, safeguard interests of users and operators who participate in internet platform economics, including without limitation, prohibiting platforms with dominant position from abusing their market dominance (such as discriminating customers in terms of pricing and other transactional conditions using big data and analytics, coercing counterparties into exclusivity arrangements, using technology methods to block competitors' interface, tying or attaching unreasonable trading conditions, compulsory collection of unnecessary user data). In addition, the guidelines also reinforce the requirement of antitrust merger review for internet platform related transactions to safeguard market competition. On October 23, 2021, the Standing Committee of the National People's Congress promulgated the PRC Anti-Monopoly Law (Draft Amendments), or the Draft Anti-Monopoly Law, which suggests raise maximum fines applicable for gun-jumping cases. According to the Draft Anti-Monopoly Law, if a concentration that reaches the filing thresholds but fails to be notified, a fine of less than 10% of the previous year's turnover of the filing obligor will be imposed if the concentration has or may have the effect of eliminating or restricting competition, and a fine of less than RMB 5 million if the concentration does not have such effect.

Regulations Relating to Internet Information Security and Privacy Protection

Internet information in China is regulated from a national security standpoint. The Decisions on Preserving Internet Security, originally enacted by the Standing Committee of the National People's Congress in 2000, subject violators to potential criminal punishment in China for any effort to: (i) gain improper entry into a computer or system of strategic importance, (ii) disseminate politically disruptive information, (iii) leak state secrets, (iv) spread false commercial information or (v) infringe intellectual property rights. The Ministry of Public Security has promulgated measures that prohibit the use of the internet in ways which, among other things, result in a leak of state secrets or a spread of socially destabilizing content. If an internet information service provider violates these measures, the Ministry of Public Security and its local branches may revoke its operating license and shut down its websites.

In recent years, PRC government authorities have enacted laws and regulations on internet use to protect personal information from any unauthorized disclosure. Under the Several Provisions on Regulating the Market Order of Internet Information Services, which was issued by the MIIT and became effective in 2012, an internet information service provider may not collect any user personal information or provide any such information to third parties without the consent of the user. An internet information service provider must expressly inform the users of the method, content and purpose of the collection and processing of such users' personal information and may only collect such information necessary for the provision of its services. An internet information service provider is also required to properly maintain the user personal information, and in case of any leak or likely leak of the user's personal information, the internet information service provider must take immediate remedial measures and, in severe circumstances, immediately report to the telecommunications authority. In addition, pursuant to the Decision on Strengthening the Protection of Online Information issued by the Standing Committee of the National People's Congress in 2012 and the Order for the Protection of Telecommunication and Internet User Personal Information issued by the MIIT in 2013, any collection and use of user personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or providing such information to other parties. An internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss. Any violation of these laws and regulations may subject the internet information service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities.

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Moreover, pursuant to the Ninth Amendment to the Criminal Law issued by the Standing Committee of the National People's Congress in August 2015, any internet service provider that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses to rectify upon orders, shall be subject to criminal penalty for (i) any dissemination of illegal information on a large scale, (ii) any severe effects due to the leakage of the client's information, (iii) any serious loss of criminal evidence or (iv) any other severe situation arising from a violation of the applicable laws or regulations. Any individual or entity that sells or provides personal information to others in violation of applicable law, or that steals or illegally obtains any personal information, is subject to criminal penalties in severe situations. In addition, the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate of the PRC on Several Issues Concerning the Application of Law in Handling Criminal Cases of Infringing Personal Information, issued in May 2017 and effective in June 2017, clarified certain standards for the conviction and sentencing of criminals in relation to personal information infringement.

In November 2016, the Standing Committee of the National People's Congress released the Internet Security Law, which took effect in June 2017. The Internet Security Law requires network operators to perform certain functions related to internet security protection and the strengthening of network information management. For instance, under the Internet Security Law, network operators of key information infrastructure generally shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of the PRC.

In January 2019, the Central Cyberspace Affairs Commission, the MIIT, the Ministry of Public Security, and the State Administration for Market Regulation jointly issued the Announcement of Launching Special Crackdown Against Illegal Collection and Use of Personal Information by Apps to carry out special campaigns against mobile apps collecting and using personal information in violation of applicable laws and regulations. The announcement prohibits business operators from collecting personal information irrelevant to their services or forcing users to give authorization in disguised manner. In November 2019, the Cyberspace Administration of the PRC, the MIIT, the Ministry of Public Security and the State Administration for Market Regulation promulgated the Identification Method of Illegal Collection and Use of Personal Information by Apps, which provides guidance for the regulatory authorities to identify the illegal collection and use of personal information through mobile apps, for the app operators to conduct self-examination and self-correction, and for other participants to voluntarily monitor compliance.

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

The Civil Code of PRC, which was promulgated by the National People's Congress in May 2020 and became effective in January 2021, provides that:

(i) the personal information of a natural person shall be protected by law. Personal information shall refer to various types of information recorded electronically or otherwise that can identify a specific natural person either alone or in combination with other information, including the natural person's name, date of birth, identity document number, biometric information, residential address, phone number, email address, health information, and location information;

(ii) the processing of personal information shall include the collection, storage, use, processing, transmission, provision, and disclosure of personal information. The processing of personal information shall be carried out pursuant to the principles of lawfulness, appropriateness and necessity, and excessive processing shall not be allowed. In addition, the following conditions shall be satisfied: (a) the consent of the natural person who is the owner of the personal information or his/her guardian shall be obtained, unless otherwise prescribed by laws and administrative regulations; (b) the rules for information processing shall be made public; (c) the purposes, methods and scope of information processing shall be made public; and (d) the provisions of laws and administrative regulations and the agreements of both parties shall not be violated; and

(iii) an information processor shall not divulge or tamper with the personal information it collects or stores; and, without the consent of a natural person, the information processor shall not illegally provide others with the personal information of the natural person, except for information that is rendered unrecoverable after processing and from which no specific individual may be identified.

An information processor shall take technical and other necessary measures to ensure the security of the personal information it collects and stores, and prevent information from being leaked, tampered with or lost; and, if personal information has been or may be leaked, tampered with or lost, the information processor shall take remedial measures in a timely manner, inform the natural persons concerned in accordance with relevant provisions, and report the situations to competent departments concerned.

On September 1, 2021, the Data Security Law officially took effect, which mainly sets forth specific provisions regarding establishing basic systems for data security management, including data classification management system, risk assessment system, monitoring and early warning system, and emergency disposal system. In addition, it clarifies the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility, including but not limited to that no entity or individual may acquire such data by stealing or other illegal means, and the collection and use of such data shall not exceed the necessary limits.

On November 1, 2021, the Personal Information Protection Law officially took effect, which sets a high bar for Chinese personal information protection, taking consent as basis for data processing, introducing restrictions on international data transfers and imposing revenue-based fines as the penalty for non-compliance.

On November 14, 2021, the consultation draft of its Cyber Data Security Administration Regulations, or the Draft Cyber Data Administration Regulations, was proposed by the Cyberspace Administration of China for public comments. The Draft Cyber Data Administration Regulations require the data processors that carry out the following activities to apply for cybersecurity review in accordance with the relevant laws and regulations: (i) the merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests affects or may affect national security; (ii) the listing of the data processor in Hong Kong affects or may affect the national security; and (iii) other data processing activities that affect or may affect national security. In addition, the processors of important data or data processors who are listed overseas shall carry out data security assessments by themselves or by entrusting data security service agencies every year, and submit the previous year's data security assessment report to the cyberspace administration at the districted city level before January 31 of each year.

In addition, on October 29, 2021, the Measures for the Security Assessment of Cross-border Data Transmission (Draft for Comment) was proposed by the Cyberspace Administration of China for public comments, which requires that any data processor providing important data collected and generated during operations within the PRC or personal information that should be subject to security assessment according to law to an overseas recipient shall conduct security assessment. As of the date of this annual report, the Draft Administration Regulations and its anticipated adoption or effective date are subject to further changes with substantial uncertainty.

On September 17, 2021, the Cyberspace Administration of China, together with eight other governmental authorities, jointly issued the Guidelines on Strengthening the Comprehensive Regulation of Algorithm for Internet Information Services, which provides that daily monitoring of data use, application scenarios and effects of algorithms shall be carried out by the relevant regulators, and security assessments of algorithm shall be conducted by the relevant regulators. The guidelines also provide that an algorithm filing system shall be established and classified security management of algorithms shall be promoted. On December 31, 2021, the Cyberspace Administration of China, the MIIT, the MPS and the SAMR jointly issued Administrative Provisions on Algorithm Recommendation of Internet Information Services, which became effective from March 1, 2022 and clearly requires algorithm recommendation service providers: (i) not to use algorithms to block information, over-recommend; (ii) not to set up algorithm models such as inducing users to indulge, over-consumption; or (iii) not to use algorithms to implement unreasonable differential treatment on transaction prices or other transaction conditions.

Regulations Relating to Intellectual Property Rights

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, patents, trademarks and domain names.

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Copyright. Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law, which was originally promulgated in 1990, and related rules and regulations. Under the Copyright Law, the term of protection for copyrighted software is 50 years.

Patent. The Patent Law, which was originally promulgated in 1984, provides for patentable inventions, utility models and designs. An invention or utility model for which patents may be granted must have novelty, creativity and practical applicability. The State Intellectual Property Office under the State Council is responsible for examining and approving patent applications.

Trademark. The Trademark Law, which was originally promulgated in 1982, and its implementation rules protect registered trademarks. The Trademark Office of the State Administration for Industry & Commerce is responsible for the registration and administration of trademarks throughout the PRC. The Trademark Law has adopted a “first-to-file” principle with respect to trademark registration.

Domain Name. The MIIT is the major regulatory body responsible for the administration of PRC internet domain names. Domain names are protected under the Measures for the Administration of the Internet Domain Names, promulgated by the MIIT in August 2017 and effective in November 2017. These measures have adopted a “first-to-file” principle with respect to the registration of domain names.

Regulations Relating to Tax

Enterprise Income Tax

Enterprise income tax is calculated based on taxable income, which is determined under the Enterprise Income Tax Law, promulgated by the National People’s Congress and implemented in 2008, and the implementation rules promulgated by the State Council and implemented at the same time. The Enterprise Income Tax Law was further amended in February 2017 and again in December 2018 and the implementation rules to the Enterprise Income Tax Law were amended in April 2019. The Enterprise Income Tax Law imposes a uniform enterprise income tax rate of 25% on all resident enterprises in the PRC, including both foreign-invested enterprises and domestic enterprises, unless they qualify for certain exceptions. The income tax rate of an enterprise that has been determined to be a high and new technology enterprise may be reduced to 15% with the approval of relevant tax authorities. Sky City Beijing is qualified as a “high and new technology enterprise” under the Enterprise Income Tax Law and is eligible for a preferential enterprise income tax rate of 15% from 2022 to 2024, so long as it obtains approval from the relevant tax authority.

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In addition, enterprises registered in countries or regions outside the PRC which have their “de facto management bodies” located inside the PRC may be considered PRC resident enterprises and therefore be subject to enterprise income tax in the PRC at the rate of 25% on their worldwide income. The implementation rules of the Enterprise Income Tax Law define “de facto management bodies” as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise.” However, the only detailed guidance currently available for the definition of “de facto management body” as well as the determination and administration of tax residency status of offshore-incorporated enterprises is set forth in the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, originally promulgated by the State Administration of Taxation in 2009, and the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Overseas Incorporated Resident Enterprises (Trial Version), or Bulletin No. 45, originally issued by the State Administration of Taxation in 2011. Circular 82 and Bulletin No. 45 provide guidance on the administration as well as determination of the tax residency status of a Chinese-controlled offshore-incorporated enterprise, defined as an enterprise that is incorporated under the law of a foreign country or territory and that has a PRC company or PRC corporate group as its primary controlling shareholder.

According to Circular 82, a Chinese-controlled offshore-incorporated enterprise will be regarded as a PRC resident enterprise by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met:

- the primary location of the day-to-day operational management and the places where the “de facto management bodies” perform their duties are in the PRC;
- decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval of organizations or personnel in the PRC;
- the enterprise’s primary assets, accounting books and records, company seals and board and shareholder resolutions are located or maintained in the PRC; and
- 50% or more of voting board members or senior executives habitually reside in the PRC.

Bulletin No. 45 further clarifies certain issues related to the determination of tax resident status and competent tax authorities. It also specifies that when provided with a copy of Recognition of Residential Status from a resident Chinese-controlled offshore-incorporated enterprise, a payer does not need to withhold income tax when paying certain PRC-sourced income such as dividends, interest and royalties to such Chinese-controlled offshore-incorporated enterprise.

Income Tax for Share Transfers

According to the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises, or Circular 7, promulgated by the State Administration of Taxation in 2015 and amended in 2017, if a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by transfer of the equity interests of an offshore holding company (other than a purchase and sale of shares issued by a PRC resident enterprise in a public securities market) without a reasonable commercial purpose, the PRC tax authorities have the power to reassess the nature of the transaction and the indirect equity transfer will be treated as a direct transfer. As a result, the gain derived from such transfer, which means the equity transfer price less the cost of equity, will be subject to PRC withholding tax at a rate of up to 10%. Under the terms of Circular 7, a transfer which meets all of the following circumstances shall be directly deemed as having no reasonable commercial purposes: (i) over 75% of the value of the equity interests of the offshore holding company are directly or indirectly derived from PRC taxable properties; (ii) at any time during the year before the indirect transfer, over 90% of the total properties of the offshore holding company are investments within PRC territory, or in the year before the indirect transfer, over 90% of the offshore holding company’s revenue is directly or indirectly derived from PRC territory; (iii) the function performed and risks assumed by the offshore holding company are insufficient to substantiate its corporate existence; and (iv) the foreign income tax imposed on the indirect transfer is lower than the PRC tax imposed on the direct transfer of the PRC taxable properties.

There is uncertainty as to the application of Circular 7. Circular 7 may be determined by the PRC tax authorities to be applicable to our prior private equity financing transactions that involved non-resident investors, if any of such transactions is determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our non-resident investors in such transactions may be at risk of being taxed under Circular 7.

Dividend Withholding Tax

Pursuant to the Enterprise Income Tax Law and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise, which is the beneficial owner of such dividends, is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% share ownership in the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements, or Circular 81, promulgated by the State Administration of Taxation in 2009, a Hong Kong resident enterprise, which is the beneficial owner of applicable dividends, must meet the following conditions, among others, in order to enjoy the reduced withholding tax: (i) it must be a company as provided in the tax treaty, (ii) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise and (iii) it must have directly owned such percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. The Administrative Measures for Non-Resident Taxpayers to Enjoy Treatments under Tax Treaties, also known as Circular 60, promulgated by the State Administration of Taxation in 2015 and amended in June 2018, provides that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax rate. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities.

In February 2018, the State Administration of Taxation promulgated the Notice on Issues Related to the “Beneficial Owner” in Tax Treaties, according to which, when determining the applicant’s status as the “beneficial owner”, as stipulated in the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income and Circular 81, regarding tax treatment in connection with dividends in the tax treaties, several factors will be taken into account, including whether the applicant is obligated to pay more than 50% of its income in twelve months to residents in a third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grants a tax exemption on the relevant income or levies tax at an extremely low rate, and the tax treatment will be analyzed according to the actual circumstances of the specific cases. In October 2019, the State Administration of Taxation promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatment under Tax Treaties, or Circular 35, which became effective as of January 1, 2020 and superseded Circular 60 on the same date. In contrast to Circular 60, Circular 35 provides that where non-resident taxpayers determine on their own that they meet the conditions for enjoying the treatment under tax treaties, they may automatically enjoy such treatment when filing tax returns or filing tax returns for tax withheld by withholding agents, provided that they collect and retain relevant materials for reference, subject to further determination by the tax authorities.

Accordingly, Sky City Hong Kong Limited and Next Hop Hong Kong Limited, our wholly owned subsidiaries in Hong Kong, may be able to enjoy the 5% withholding tax rate for the dividends they receive respectively from Pintec (Ganzhou) Technology Co., Ltd. and Anxunying (Tianjin) Commercial Factoring, their wholly owned subsidiaries in China, if they satisfy the conditions prescribed under Circular 81, the Notice on Issues Related to the “Beneficial Owner” in Tax Treaties, the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income and other relevant tax rules and regulations. However, according to Circular 81, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

Regulations Relating to Foreign Currency Exchange

Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the Regulations of the People’s Republic of China on Foreign Exchange Control, originally promulgated by the State Council in 1996. Under these regulations, the Renminbi is freely convertible for current account items, including trade and service-related foreign exchange transactions and other current exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities, unless the prior approval of SAFE is obtained and prior registration with SAFE is made.

The Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting the Foreign Exchange Administration Policies on Direct Investments, originally promulgated by SAFE in 2012 and most recently amended in December 2019, permitted the opening of various special purpose foreign exchange accounts, such as pre-establishment expense accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of Renminbi proceeds by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders without the approval or verification of SAFE. It also permitted for multiple capital accounts for the same entity to be opened in different provinces, which had not been possible previously. In addition, the Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors and the Supporting Documents, promulgated by SAFE in 2013 and amended in October 2018 and October 2019, specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

In 2015, SAFE released the Notice of the State Administration of Foreign Exchange on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises, or Circular 19. This notice, which became effective in 2015 was amended in December 2019, has made certain adjustments to some regulatory requirements on the settlement of foreign exchange capital of foreign-invested enterprises and lifted some foreign exchange restrictions. However, Circular 19 continues to prohibit foreign-invested enterprises from among other things, using Renminbi fund converted from its foreign exchange capitals for expenditure beyond its business scope, providing entrusted loans or repaying loans between non-financial enterprises.

In June 2016, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement, or Circular 16. Compared to Circular 19, Circular 16 provides that, in addition to foreign exchange capital, foreign debt funds and proceeds remitted from foreign listings should also be subject to the discretionary foreign exchange settlement. In addition, it also lifted the restriction, that foreign exchange capital under the capital accounts and the corresponding Renminbi capital obtained from foreign exchange settlement should not be used for repaying the inter-enterprise borrowings (including advances by the third party) or repaying bank loans in Renminbi that have been sub-lent to the third party.

In January 2017, SAFE issued the Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving Authenticity and Compliance Review, or Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting profits. Moreover, pursuant to Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Foreign Exchange Registration of Overseas Investment by PRC Residents

The Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Return on Investment Conducted by Residents in China via Special-Purpose Companies, or Circular 37, promulgated by SAFE in 2014, requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity for the purpose of overseas investment and financing, referred to in Circular 37 as a "special purpose vehicle," using such PRC residents' onshore or offshore assets or equity interests. Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

The Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment, or Circular 13, released by SAFE in 2015, has amended Circular 37 by requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

Share Option Rules

Pursuant to Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. In addition, under the Notice of the State Administration of Foreign Exchange on Issues Related to Foreign Exchange Administration in Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Abroad, issued by SAFE in 2012, PRC residents who are granted shares or share options by companies listed on overseas stock exchanges under share incentive plans are required to (i) register with SAFE or its local branches, (ii) retain a qualified PRC agent, which may be a PRC subsidiary of the overseas listed company or another qualified institution selected by the PRC subsidiary, to conduct SAFE registration and other procedures with respect to the share incentive plans on behalf of the participants, and (iii) retain an overseas institution to handle matters in connection with their exercise of share options, purchase and sale of shares or interests and funds transfers.

Regulations Relating to Dividend Distribution

Under our current corporate structure, our Cayman Islands holding company may rely on dividend payments from Pintec (Ganzhou) Technology Co., Ltd. and Anxunying (Tianjin) Commercial Factoring Co., Ltd., our WFOEs incorporated in China, to fund any cash and financing requirements we may have. The principal legislation with respect to payment or distribution of dividends by WFOEs include the Company Law, originally promulgated by the Standing Committee of the National People's Congress in 1999 and most recently amended in October 2018, and the PRC Foreign Investment Law. Under these laws, WFOEs in the PRC may pay dividends only out of accumulated profits, after setting aside annually at least 10% of accumulated after-tax profits as statutory reserve fund, if any, unless these reserves have reached 50% of the registered capital of the enterprises. These statutory reserve funds may not be distributed as cash dividends. A wholly foreign-owned enterprise may allocate a portion of its after-tax profits to certain optional reserve funds at its discretion. Profit of a wholly foreign-owned enterprise may not be distributed before its losses for the previous accounting years have been made up. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Regulations Relating to M&A and Overseas Listings

Six PRC regulatory agencies, including the CSRC, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules. The M&A Rules became effective in 2006. Among other things, they require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange.

Regulations Relating to Employment

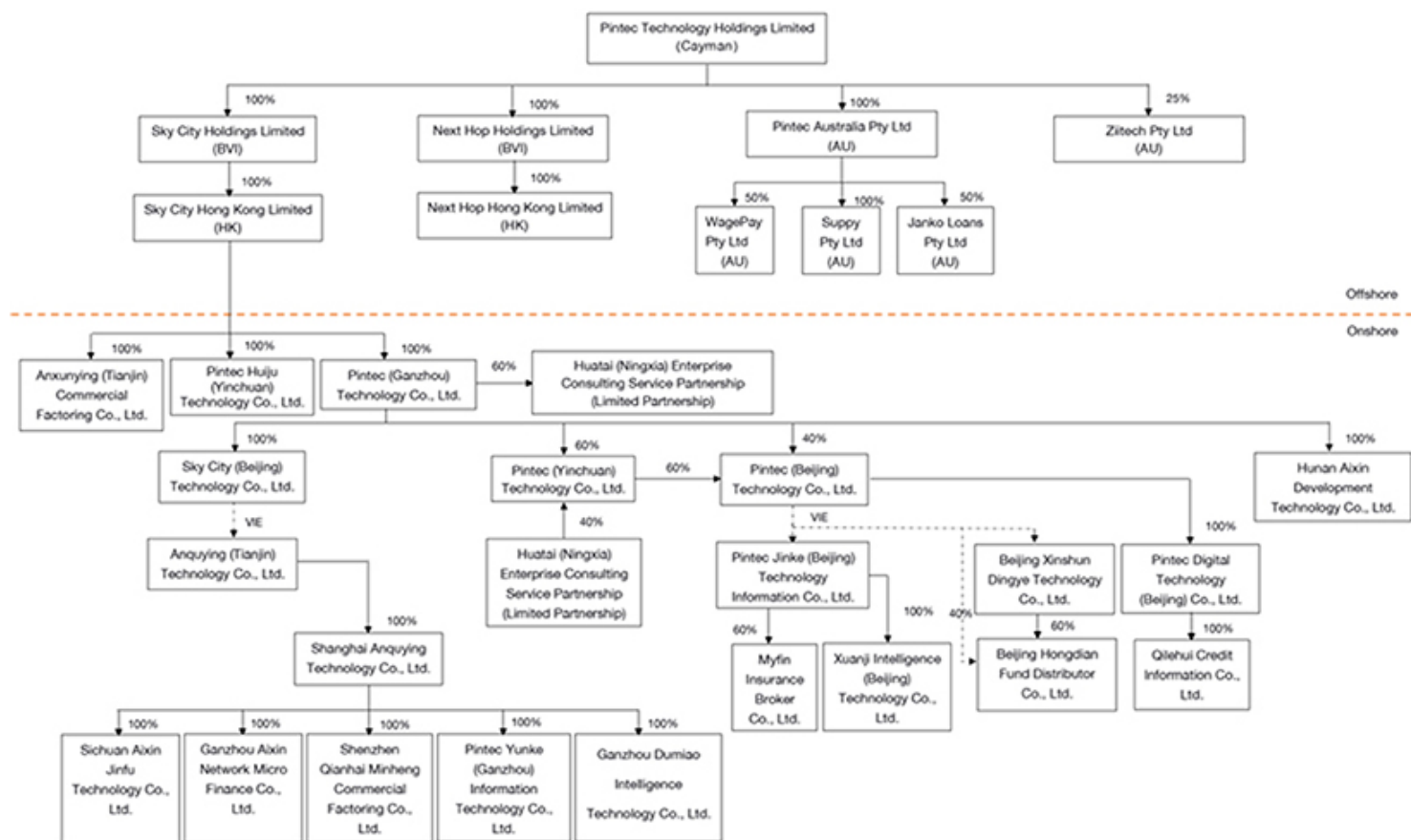
The Labor Law, originally promulgated by the National People's Congress in 1994 and most recently amended in December 2018, and the Labor Contract Law, originally promulgated by the Standing Committee of the National People's Congress in 2007, require employers to execute written employment contracts with full-time employees. If an employer fails to enter into a written employment contract with an employee for more than a month but less than a year from the date on which the employment relationship is established, the employer must rectify the situation by entering into a written employment contract with the employee and paying the employee twice the employee's salary for the period from the day following the lapse of one month from the date of establishment of the employment relationship to the day prior to the execution of the written employment contract. If an employer fails to conclude a written labor contract with a worker within one year of the date when it employs the worker, it will be deemed to have concluded an open-ended labor contract with the worker. All employers must compensate their employees with wages equal to at least the local minimum wage. Violations of the Labor Law and the Labor Contract Law may result in fines and other administrative sanctions, and serious violations may result in criminal liabilities.

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The Social Insurance Law, which became effective in 2011 and was recently amended in December 2018, the Regulations on Management of Housing Provident Fund, originally released by the State Council in 2002, and other related rules and regulations require enterprises in China to participate in certain employee benefit plans, including social insurance funds, a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan, a maternity insurance plan, and a housing provident fund, and to contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government. Failure to make adequate contributions to various employee benefit plans may subject the employer to fines and other administrative sanctions. According to the Social Insurance Law, an employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late fee of 0.05% per day, as the case may be. If the employer still fails to rectify the failure to make social insurance contributions within the deadline, it may be subject to a fine ranging from one to three times the amount overdue. According to the Regulations on Management of Housing Fund, an enterprise that fails to make housing fund contributions may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement.

C. Organizational Structure

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



Our Relationship with Jimu Group

We and Jimu Group have a certain degree of overlap in shareholding as of the date of this annual report. Our predecessor, Jimu Holdings Limited, formerly known as Pintec Holdings Limited, was founded in 2013 and has grown to become a large financial services company focusing on providing peer-to-peer lending and financial solutions in China. Prior to our pre-IPO reorganization and the establishment of Pintec Technology Holdings Limited, our business was carried out by various subsidiaries and variable interest entities of our predecessor. Since September 2016, our business and the Jimu business have been operating substantially independent of each other. Pursuant to our pre-IPO reorganization, all of the shares of Pintec Technology Holdings Limited were issued to the shareholders of Jimu Group's holding company such that our company had the same shareholders, in the same proportions and with the same rights, immediately after the reorganization as Jimu Group's holding company did. In addition, there used to be two of the directors on our board, namely, Mr. Jun Dong and Ms Xiaomei Peng, who also sits on the board of Jimu Holdings Limited, until Ms. Xiaomei Peng resigned from the board of Jimu Holdings Limited and the board of our company in June 2020 and August 2020, respectively. We entered into various transaction agreements in connection with our pre-IPO reorganization in December 2017. The reorganization was completed in March 2018. The peer-to-peer lending business and provision of related services are now carried out by Jimu Group, while our business is carried out by our own subsidiaries and variable interest entities and their subsidiaries. In February 2020, Jimu Group became insolvent and announced its exit from the online lending platform business pursuant to relevant regulations.

Jimu Box used to be the single largest funding source for loans facilitated through our platform since our inception to 2018. Jimu Box was the funding source for 24%, 4% and 0.19% of the outstanding loans facilitated through our platform as of December 31, 2019, 2020 and 2021, respectively. We have not been receiving any further funding from Jimu Box since February 15, 2020. In the past, we also relied on Jimu Group's brand to have more accessible funding sources by way of relying on certain guarantee arrangement between Jimu Group and our financial partners. We ceased our reliance on Jimu Group for the provision of guarantee services in 2019.

Jimu Box was previously involved in providing credit enhancement to individual investors for loans that we have referred and funded through Jimu Group, but it discontinued this practice in 2018. Effective April 1, 2019, Jimu Group required that we provide credit enhancement for the loans we facilitated that were funded through Jimu Box. We and Jimu Group entered into a supplement to the information service cooperation agreement in December 2019, pursuant to which both parties agree to settle all transactions under the information service cooperation agreement occurring prior to January 1, 2020, and that we will not bear any guarantee obligation for transactions occurring after January 1, 2020. In addition, we entered into two loan agreements with Jimu Group on July 19, 2019, to formally document the amounts due from Jimu Group that were attributable to the cash advances we made to Jimu Group outside of the ordinary course of business prior to May 31, 2019. As of December 31, 2019, the principal amount due under the U.S. dollar-denominated loan agreement was US\$18.4 million, and the principal amount due under the Renminbi-denominated loan agreement was RMB154.6 million. As of December 31, 2019, we had RMB866.0 million in amounts due from Jimu Group, including the amounts due under these loans, as compared to RMB4.5 million in amounts due to Jimu Group. The U.S. dollar-denominated loan matured on January 31, 2020 but Jimu Group failed to repay the amount due by the maturity date. The Renminbi-denominated loan matures on January 31, 2022. We have officially initiated the collection process and formally notified Jimu Group for the repayment of the outstanding balances. However, we determined that it was not probable for the amounts due from Jimu Group to be collected or recovered as a result of Jimu Group's insolvency. As of December 31, 2019, we made a provision of RMB856.0 million for the amount due from Jimu Group. We made an additional provision of RMB7.8 million for the year ended December 31, 2020. We had a reversal of RMB6.7 million (US\$1.1 million) for the year ended December 31, 2021 due to the collection received from Jimu Group. See "Item 7. Major Shareholders and Related Party Transactions—Transactions and Agreements with Jimu Group" for more details.

We entered into a series of agreements with Jimu Group with respect to our pre-IPO reorganization and the post-reorganization relationship between us and Jimu Group, including a master transaction agreement, a cooperation framework agreement, a non-competition agreement and an intellectual property license agreement. The following are summaries of these agreements.

Master Transaction Agreement

The master transaction agreement contains provisions relating to our pre-IPO reorganization and our ongoing relationship with Jimu Group after the reorganization. Pursuant to this agreement, we are responsible for all financial liabilities associated with our business, whether current or historical, and operations that have been conducted by or transferred to us, and Jimu Group is responsible for financial liabilities associated with all of Jimu Group's other current and historical businesses and operations, in each case regardless of the time those liabilities arise. The master transaction agreement also contains indemnification provisions under which we and Jimu Group agree to indemnify each other with respect to breaches of the master transaction agreement or any related inter-company agreement.

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In addition, we agreed to indemnify Jimu Group against liabilities arising from misstatements or omissions in our prospectus or the registration statement of which it was a part, except for misstatements or omissions relating to information that Jimu Group provided to us specifically for inclusion in our prospectus or the registration statement of which it formed a part. Jimu Group agreed to indemnify us against liabilities arising from misstatements or omissions in its subsequent filings, if any, or with respect to information that Jimu Group provided to us specifically for inclusion in our prospectus, the registration statement of which our prospectus formed a part, or our annual reports or other SEC filings following the filing of the registration statement with the SEC of which our prospectus was a part, but only to the extent that the information pertains to Jimu Group or the Jimu business or to the extent we provided Jimu Group prior written notice that the information would be included in our prospectus or other SEC filings and the liability does not result from our action or inaction.

The master transaction agreement also contains a general release, under which the parties will release each other from any liabilities arising from events occurring on or before the initial filing date of the registration statement of which our prospectus formed a part, including in connection with the activities undertaken to implement our initial public offering. The general release does not apply to liabilities allocated between the parties under the master transaction agreement or the other inter-company agreements.

The master transaction agreement will automatically terminate five years after October 29, 2018. This agreement can be terminated early or extended by mutual written consent of the parties. The termination of this agreement will not affect the validity and effectiveness of the cooperation framework agreement, the non-competition agreement and the intellectual property license agreement.

Cooperation Framework Agreement

Under the cooperation framework agreement, Jimu Group agrees to fund the loans to borrowers referred and approved by us up to an aggregate of no less than 50% of all of the loans matched on Jimu Group's online peer-to-peer lending platform each month. We agree to provide Jimu Group with certain services and support, including borrower referral, repayment management and transaction and technology support.

We and Jimu Group agree that the fee rate, if any, charged by one party to the other party in connection with any of the foregoing areas of cooperation will be negotiated on an arm's length basis. We will enter into separate specific agreements from time to time as necessary and appropriate for the purpose of the cooperation.

This agreement became effective on October 29, 2018 and expires on the later of (i) the date that is 15 calendar days after the first quarter-end date that the common shareholding between Jimu Group's holding company and Pintec drops below 20%; and (ii) the 15th anniversary of October 29, 2018.

Non-competition Agreement

Our non-competition agreement with Jimu Group provides for a non-competition period beginning upon October 29, 2018 and ending on the later of (i) the date that is 15 calendar days after the first quarter-end date that the common shareholding between Jimu and Pintec drops below 20%; and (ii) the 15th anniversary of October 29, 2018.

We agree not to compete with Jimu Group during the non-competition period in any business that is of the same nature as the peer-to-peer lending business, excluding, for the avoidance of doubt, any part of the business that we currently conduct or contemplate to conduct. Jimu Group agrees not to compete with us during the non-competition period in the businesses conducted by us, other than any peer-to-peer lending business, excluding, for the avoidance of doubt, any part of the business that we currently conduct or contemplate to conduct.

The non-competition agreement also provides for a mutual non-solicitation obligation that neither Jimu Group nor we may, during the non-competition period, hire or solicit for hire any active employees of or individuals providing consulting services to the other party, or any former employees of or individuals that provided consulting services to the other party within the previous six months, without the other party's consent, except for solicitation activities through generalized non-targeted advertisement not directed to such employees or individuals that do not result in a hiring within the non-competition period.

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Intellectual Property License Agreement

Under the intellectual property license agreement, Jimu Group grants us and our subsidiaries and variable interest entities a worldwide, royalty-free, fully paid-up, sublicensable, non-transferable, unlimited, exclusive license of certain intellectual property owned by Jimu Group to use, reproduce, modify, prepare derivative works of, perform, display, transfer or otherwise exploit, until and unless, with respect to each intellectual property, such intellectual property is transferred to our company or any of our subsidiaries or consolidated variable interest entities.

This agreement has become effective and will expire on the date on which all relevant intellectual property have been transferred to Pintec.

Contractual Arrangements with Our Variable Interest Entities

PRC laws and regulations impose restrictions on foreign ownership and investment in internet-based businesses such as distribution of online information, insurance brokerage, fund distribution and other value-added telecommunications services. We are a Cayman Islands company and our PRC subsidiaries are considered foreign-invested enterprises. To comply with PRC laws and regulations, we have entered into a series of contractual arrangements, through our PRC subsidiaries, with our variable interest entities and the shareholders of our variable interest entities to obtain effective control over our variable interest entities and their subsidiaries.

We currently conduct our business through our variable interest entities and their subsidiaries based on these contractual arrangements, which allow us to:

- exercise effective control over our variable interest entities and their subsidiaries;
- receive substantially all of the economic benefits from our variable interest entities and their subsidiaries; and
- have an exclusive option to purchase all or part of the equity interests in our variable interest entities and when and to the extent permitted by PRC law.

As a result of these contractual arrangements, we have become the primary beneficiary of our variable interest entities under U.S. GAAP. We have consolidated the financial results of our variable interest entities and their subsidiaries in our consolidated financial statements in accordance with U.S. GAAP.

The following is a summary of the currently effective contractual arrangements between our PRC subsidiaries, our variable interest entities and their shareholders.

Agreements that Allow Us to Receive Economic Benefits from Our Variable Interest Entities

Exclusive Business Cooperation Agreements. Our PRC subsidiaries entered into exclusive business cooperation agreements with each of our variable interest entities. Pursuant to these agreements, our PRC subsidiaries or their designated parties have the exclusive right to provide our variable interest entities with comprehensive business support, technical support and consulting services. Without our PRC subsidiaries' prior written consent, our variable interest entities shall not accept any consulting and/or services covered by these agreements from any third party. Our variable interest entities agree to pay service fees based on services provided and their commercial value on a quarterly basis or other service fees for specific services as required and as otherwise agreed by both parties. Our PRC subsidiaries own the intellectual property rights arising out of the services performed under these agreements. Unless our PRC subsidiaries terminate these agreements or pursuant to other provisions of these agreements, these agreements will remain effective for ten years. These agreements can be terminated by our PRC subsidiaries with 30 days' advance written notice, our variable interest entities have no right to unilaterally terminate these agreements, subject to certain exceptions.

Agreements that Provide Us with Effective Control over Our Variable Interest Entities

Power of Attorney. Through a series of powers of attorney, each shareholder of our variable interest entities irrevocably authorizes our PRC subsidiaries or any person(s) designated by our PRC subsidiaries to act as its attorney-in-fact to exercise all of such shareholder's voting and other rights associated with the shareholder's equity interest in our variable interest entities, including but not limited to the right to attend shareholder meetings on behalf of such shareholder, the right to appoint legal representatives, directors, supervisors and chief executive officers and other senior management, and the right to sell, transfer, pledge and dispose of all or a portion of the shares held by such shareholder. The power of attorney is irrevocable and remains in force continuously upon execution.

Equity Pledge Agreement. Our PRC subsidiaries have entered into an equity pledge agreement with each shareholder of our variable interest entities. Pursuant to these equity pledge agreements, each shareholder of our variable interest entities has pledged all of his or her equity interest in our variable interest entities to our PRC subsidiaries to guarantee the performance by such shareholder and our variable interest entities of their respective obligations under the exclusive business cooperation agreements, the power of attorney, the exclusive option agreements, and any amendment, supplement or restatement to such agreements. If our variable interest entities or any of their shareholders breach any obligations under these agreements, our PRC subsidiaries, as pledgee, will be entitled to dispose of the pledged equity and have priority to be compensated by the proceeds from the disposal of the pledged equity. Each of the shareholders of our variable interest entities agrees that before his or her obligations under the contractual arrangements are discharged, he or she will not dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests which may result in the change of the pledged equity that may have adverse effects on the pledgee's rights under these agreements without the prior written consent of our PRC subsidiaries. These equity pledge agreements will remain effective until our variable interest entities and their shareholders discharge all their obligations under the contractual arrangements, except that the equity pledge under (i) the equity pledge agreement entered into by and among Pintec Beijing, Beijing Hongdian and Beijing Hongdian's shareholders and (ii) the equity pledge agreement entered among Pintec Beijing, Xinshun Dingye and Xinshun Dingye's shareholders, would not be deemed validly created until it is registered with the competent government authorities.

Agreements that Provide Us with the Option to Purchase the Equity Interest in Our Variable Interest Entities

Exclusive Option Agreements. Our PRC subsidiaries have entered into exclusive option agreements with our variable interest entities and their respective shareholders. Pursuant to these exclusive option agreements, the shareholders of our variable interest entities have irrevocably granted our PRC subsidiaries or any third party designated by our PRC subsidiaries an exclusive option to purchase all or part of their respective equity interests in our variable interest entities. In addition, our variable interest entities have irrevocably granted our PRC subsidiaries or any third party designated by our PRC subsidiaries an exclusive option to purchase all or part of their respective assets in our variable interest entities. The purchase price of equity interests in our variable interest entities will be the lower of RMB1.00 per share or the lowest price permitted by law. The purchase price of assets in our variable interest entities will be the lower of the book value of the asset or the lowest price permitted by law. Without our PRC subsidiaries' prior written consent, our variable interest entities shall not, among other things, amend their articles of association, increase or decrease the registered capital, sell, dispose of or set any encumbrance on their assets, business or revenue, enter into any material contract outside the ordinary course of business, merge with any other persons, make any investments or distribute dividends. The shareholders of our variable interest entities also undertake that they will not transfer, gift or otherwise dispose of their respective equity interests in our variable interest entities to any third party or create or allow any encumbrance on their equity interests within the term of these agreements. These agreements will remain effective for ten years and will be extended at the sole discretion of our PRC subsidiaries.

In the opinion of Shihui Partners, our PRC counsel, the ownership structures of our variable interest entities, currently do not result in any violation of the applicable PRC laws or regulations currently in effect; and the contractual arrangements among our PRC subsidiaries, our variable interest entities and their shareholders, are governed by PRC laws or regulations, and are currently valid, binding and enforceable in accordance with the applicable PRC laws or regulations currently in effect, and do not result in any violation of the applicable PRC laws or regulations currently in effect, except that the equity pledge under (i) the equity pledge agreement entered into by and among Pintec Beijing, Beijing Hongdian and Beijing Hongdian's shareholders and (ii) the equity pledge agreement entered among Pintec Beijing, Xinshun Dingye and Xinshun Dingye's shareholders, would not be deemed validly created until it is registered with the competent government authorities. However, Shihui Partners has also advised us that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations and there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of our PRC counsel.

However, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. In particular, in March 2019, the National People's Congress passed the PRC Foreign Investment Law, which became effective as of January 1, 2020. Notwithstanding the above, the PRC Foreign Investment Law stipulates that foreign investment includes "foreign investors investing in China through any other methods under laws, administrative regulations, or provisions prescribed by the State Council". Therefore, it is possible that future laws, administrative regulations, or provisions prescribed by the State Council may stipulate the variable interest entity structure as a form of foreign investment. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to the above opinion of our PRC counsel. If the PRC government finds that the agreements that establish the structure for operating our internet-based businesses such as distribution of online information, insurance brokerage, fund distribution and other value-added telecommunications services do not comply with PRC government restrictions on foreign investment in these areas, we could be subject to severe penalties, including being prohibited from continuing operations. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure" and "—Risks Relating to Doing Business in China."

D. Property, Plant and Equipment

Our corporate headquarters are located in Beijing, China, where we leased office space with an area of approximately 1,886 square meters as of December 31, 2021. As of December 31, 2021, we also leased office space in Shanghai, China, with an area of approximately 444 square meters. We lease our premises from unrelated third parties under operating lease agreements. The two leases will expire in June 2024 and June 2022, respectively. As of December 31, 2021, we also leased office space in Sichuan province, China, with an area of approximately 526 square meters. We also lease office space in Ganzhou, Jiangxi province, which will expire in November 2022. Our servers are primarily hosted at internet data centers owned by major domestic internet data center providers. We believe that our existing facilities are generally adequate to meet our current needs, but we expect to seek additional space as needed to accommodate future growth.

In December 2020, we purchase a commercial property with a total construction area of approximately 15,700 square meters located in Yinchuan, Ningxia province, China. The state-owned construction land use right in relation to this property will expire in April 2044. We currently have no plan to sell or lease it, subject to future changes in market conditions.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The following discussion of our financial condition and results of operations is based upon, and should be read in conjunction with, our audited consolidated financial statements and the related notes included in this annual report. This report contains forward-looking statements. See “Forward-Looking Information.” In evaluating our business, you should carefully consider the information provided under the caption “Item 3. Key Information—D. Risk Factors” in this annual report. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.

A. Operating Results

Overview

We are a leading independent technology company enabling financial services in China. We connect business partners and financial partners with our solutions and enable them to provide financial services to users efficiently and effectively.

We generate our revenues primarily from technical service fees and installment service fees. We generate technical service fee revenue by providing online credit assessment and referral services, post-lending management services and, historically, financial guarantee services. We generate installment service fee revenue through the point-of-sale installment payment services that we provide to the users of the business partners’ platforms or the provision of personal and business installment loans to borrowers through trust arrangements. Installment service fees are recognized on a gross basis, with the interest from the borrower recognized as revenue and the corresponding funding cost recognized as cost of revenues. As of December 31, 2021, we bore credit risk in connection with a small fraction of the loans that we facilitate. See “—Funding Sources and Credit Risk.”

We experienced significant growth in the first three years after we launched our platform in June 2015, until challenges facing the consumer finance industry in the second half of 2018. In 2019, 2020 and 2021, we processed approximately 8.6 million, 4.8 million and 1.2 million loan applications, respectively, and facilitated a total of approximately RMB11.0 billion, RMB1.8 billion and RMB0.8 billion (US\$0.1 billion) in loans, respectively. Due to the continued effect from the difficult environment in the second half of 2018, our revenues decreased from RMB1,285.2 million in 2019 to RMB378.3 million in 2020, and decreased to RMB173.2 million (US\$27.2 million) in 2021.

Key Factors Affecting Our Results of Operations

Consumer Finance Market

The consumer finance market in China has grown rapidly in recent years, as Chinese consumers have been more willing to incur debt to support their lifestyle. Consumption growth has been outpacing gross domestic product growth since 2008. We expect that continued growth in the consumer finance market will create favorable conditions for our company to continue to grow, provided that PRC government fiscal and economic policies remain broadly supportive of growth in debt-financed consumption. In addition, macroeconomic conditions affect consumers’ willingness to incur debt more generally, though not necessarily in a straightforward way. For example, consumers may be willing to incur more debt when they are confident about their future, but they may also feel compelled to incur debt when they suffer a reduction or interruption in their income. Adverse economic conditions would likely cause defaults to increase.

SME Financing Market

The SME Financing Market in China has been developing in recent years, in particular after the COVID-19 outbreak, as the SMEs in China are increasingly in need of funds and financial solutions during the pandemic. In addition, the PRC government is in support of the development of SME financing market, deeming it a viable solution for difficulties confronted by the SMEs in China. The use of technology for the provision of financial services, or FinTech, is playing an important role in the complex landscape of SME financing. We commenced offering the SMEs technical services in 2021. Specifically, we utilize our proven “SaaS + Fintech” model as a total solution in order to accelerate the digitization of SMEs, encompassing technology-based credit services and solutions to the manufacturing process and operations of these SMEs. Further adverse changes in the economic conditions in the PRC, however, may cause defaults by SMEs to increase.

Ability to Collaborate with Business Partners

The growth of our business will depend in part on our ability to expand into new verticals and increase penetration in existing verticals to increase the number of our business partners, in particular business partners with large user bases. We acquire substantially all of our users through our business partners, not only the users who borrow point-of-sale installment loans when buying goods or services from our business partners but also the users who borrow personal installment loans. Whether and how quickly we can acquire new business partners, whether in new verticals or in existing verticals, and especially business partners with large user bases, will have a significant impact on the rate of growth of our revenues.

Ability to Collaborate with Financial Partners

The growth of our business will depend on our ability to seek sufficient funding sources for the loans that we facilitate. Jimu Box was the funding source for 24%, 4% and 0.19% of the outstanding loans facilitated through our platform as of December 31, 2019, 2020 and 2021, respectively. We did not have any further funding from Jimu Box since February 15, 2020. We are likely to need more capital as we acquire additional financial partners, expand our business in both domestic and international markets, and explore other funding product types.

Ability to Manage Risk

We offer risk management solutions to our partners, including both anti-fraud and risk-based pricing capabilities. If we are unable to prevent fraud or price risk properly, our partners may choose not to continue to use our solutions and we may find it difficult to attract new partners. Furthermore, while our business model is to connect business and financial partners and enable them to provide financial services to end users, we do bear credit risk under most of our funding arrangements. We generally enjoy a larger proportion of the profits when we bear credit risk, but if our risk management capabilities are not effective, we may suffer higher-than-expected losses. Therefore, we must continually improve our risk management and risk-based pricing capability.

Margin Contribution and Product Mix

Our gross margin for point-of-sale lending solutions has historically been low compared to the gross margin for our personal installment loans. The relatively low fees we charge for point-of-sale lending solutions are an inducement for business partners to share traffic with us. Our success in attracting users of point-of-sale installment loans to borrow personal installment loans or to engage in other transactions that we facilitate will play a significant role in our ability to achieve profitability. As our product mix shifts to include a higher proportion of personal installment loans, we expect our overall margin to trend higher. We also believe that our margin should trend higher as our solutions earn increasing acceptance among existing and potential business and financial partners. In addition, our success in further diversifying our product mix and generating revenues from wealth management and other products will further increase our growth potential. However, if we cannot manage our product mix to continue to attract new users through point-of-sale installment loans while simultaneously maintaining or improving our overall gross margins by cross-selling other services to our users, our overall margin and may not trend higher as expected and our ability to achieve profitability may be negatively affected.

Regulations

The PRC government is in the process of developing and implementing a regulatory framework to govern the consumer finance market. We expect that the regulatory framework will remain unclear for some time to come. If the PRC governmental authorities adopt stringent regulations on financial service providers in this market, our business and financial partners may be unable or unwilling to adopt our solutions. If the authorities impose specific requirements (including licensing requirements) on us, it may be difficult or costly for us to comply. Regulations may be adopted in a way that favor competing business models or that disadvantage the consumer finance industry as a whole in comparison to more traditional forms of offline lending.

Impact of COVID-19

As a result of the COVID-19 pandemic and a series of challenges we encountered, including changes in market conditions, market regulations, external partners and management members, our loan volume in 2020 decreased by 83.2% compared with 2019. Our loan volume in 2021 further decreased by 59% compared with that of 2020, primarily because we continued to vigilantly manage our risk profile amid the COVID-19 pandemic, and as a result facilitated fewer loans in 2021. We have taken measures in response to the outbreak to protect our employees, including temporarily closing our offices, facilitating remote working arrangements for our employees and cancelling business meetings and travel. Furthermore, in part in response to the challenges, we are now shifting our business focus by increasing the digital-centric services and substantially reducing our risk-sharing services.

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The COVID-19 pandemic may also affect our business, financial condition and results of operations for the full year 2022 to some extent. Except for the impact discussed above, we do not anticipate any prolonged material adverse impact on our business, results of operations and financial condition from the COVID-19 pandemic. The government has gradually lifted the restrictions and other quarantine measures in China and economic activities have begun to recover and return to normal nationwide. We are nonetheless closely monitoring the development of the COVID-19 pandemic and continuously evaluating any potential impact on our business, results of operations and financial condition. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—Our business has been and is likely to continue to be materially adversely affected by the outbreak of COVID-19.”

Our Relationship with Jimu Group

We commenced our business in June 2015 as a business unit within our predecessor, Jimu Holdings Limited, which is Jimu Group's holding company. Pintec Technology Holdings Limited was incorporated in the Cayman Islands as a holding company for our business in March 2017. Pursuant to our pre-IPO reorganization, all of the shares of Pintec Technology Holdings Limited were issued to the shareholders of Jimu Group's holding company such that Pintec Technology Holdings Limited had the same shareholders, in the same proportions and with the same rights, as Jimu Group's holding company did immediately prior to our initial public offering. One of the directors on our board, namely, Jun Dong, also sits on the board of Jimu Holdings Limited.

Previously, our business was carried out by various subsidiaries and variable interest entities of Jimu Group's holding company. These subsidiaries have been transferred to Pintec Technology Holdings Limited as part of our pre-IPO reorganization, and our business is now carried out by our own subsidiaries and consolidated variable interest entities. Our consolidated financial statements included elsewhere in this annual report include the assets, liabilities, revenues, expenses and cash flows that were directly attributable to us throughout the periods presented. See “—Critical Accounting Policies, Judgments and Estimates—Basis of Presentation and Combination.”

In the past, our business shared certain facilitation and servicing, sales and marketing, and general and administrative expenses with the peer-to-peer funding business of Jimu Group, as well as the services of a number of employees. In preparation for our initial public offering, Jimu Group began to establish separate functions for the two businesses. We have been operating our financing solutions business separately from Jimu's peer-to-peer funding business since June 2015, and we have been operating our company substantially as a stand-alone company since September 2016. We no longer share any employees or administrative, accounting or legal functions with Jimu Group. The accompanying consolidated financial statements include both our direct expenses and allocations for various facilitation and servicing, sales and marketing, general and administrative expenses incurred by Jimu Group that are related to the financing solutions business. These allocations were made based on the actual amount incurred and borne by Jimu Group on behalf of us. See “—Critical Accounting Policies, Judgments and Estimates—Reorganization.”

Jimu Box, the online consumer finance platform operated by Jimu Group, was the single largest funding source for loans facilitated through our platform in the past. Jimu Box was the funding source for 24%, 4% and 0.19% of the outstanding loans facilitated through our platform as of December 31, 2019, 2020 and 2021, respectively. We did not have any further funding from Jimu Box since February 15, 2020.

Jimu Box was previously involved in providing credit enhancement to individual investors for loans that we have referred and funded through Jimu Group, but it discontinued this practice in 2018. Effective April 1, 2019, Jimu Group required that we provide credit enhancement for the loans we facilitated that were funded through Jimu Box. We and Jimu Group entered into a supplement to the information service cooperation agreement in December 2019, pursuant to which both parties agree to settle all transactions under the information service cooperation agreement occurring prior to January 1, 2020, and that we will not bear any guarantee obligation for transactions occurring after January 1, 2020.

As of December 31, 2019, we had RMB748.4 million in current amounts due from Jimu Group and RMB117.6 million in non-current amounts. As of December 31, 2020, we had RMB851.2 million in current amounts due from Jimu Group and RMB7.4 million in non-current amounts. As of December 31, 2021 we had RMB846.3 million in current amounts due from Jimu Group and nil in non-current amounts. Since Jimu Group became insolvent and announced its exit from the online lending platform business in February 2020 pursuant to relevant regulations, there are significant outstanding balances on its platform unpaid to investors that have priority over any other debts, including the balance due to us. We determined that it was not probable for the amounts due from Jimu Group to be collected or recovered and made provisions accordingly. See “Item 7. Major Shareholders and Related Party Transactions—Transactions and Agreements with Jimu Group” for more details.

We have acted as a business counterparty with Jimu Group including loan borrower referrals and collection channel. For purpose of repayments to Jimu Box's online platform lenders, the repayments from borrowers in connection with the remaining loans funded by Jimu Box has been collected through us and repaid to Jimu Box's online lenders through custody bank account of Jimu Group. As the custody bank account of Jimu Group established for online lending platform business has been frozen following its insolvency and exit from online lending platform business in February 2020, in order to facilitate Jimu Box's platform unwinding plan, we entered into an agreement with Jimu Group, under which we are obligated to transfer principal and interest collected from the borrowers to the party designated by Jimu Group for purpose of Jimu Box's online borrowers repayment to lenders. In September 2020, we paid RMB100.0 million to the party designated by Jimu Group according to the agreement and plan to do so for all collected amount of related loans.

We entered into a series of agreements with Jimu Group with respect to our pre-IPO reorganization and the post-reorganization relationship between us and Jimu Group. For a description of the terms of these agreements, see “Item 4. Information on the Company—C. Organizational Structure—Our Relationship with Jimu Group.”

Funding Sources and Credit Risk

Our goal is to act as a financial solutions provider and to reduce the credit risk we take on the loan products that we facilitate. However, independent financial solution providers that bear minimal credit risks, such as ourselves, have generally experienced unfavorable market conditions in China. To address the market challenges, in 2019, we had credit risk for a higher proportion of our funding than we did at the time of our initial public offering. Starting from 2020, aligned with our strategic shift of business focus towards providing digital-centric services, we have gradually reduced a significant portion of our technical services using a risk-sharing model, leading to lower credit risk (without taking into account the impact of COVID-19). In 2021, we continued to vigilantly manage our risk profile, aiming to further refine our asset quality.

Personal and business installment loans. We facilitate personal and business installment loans by entering into financing service agreements with borrowers and financial partners. We provide online credit assessment and referral services, post-lending management services and, historically, financial guarantee services under these arrangements. For regulatory and commercial strategy reasons, we are in the process of amending our agreements with our lending solutions partners so that we no longer have contractual relationships with their borrowers.

In 2016, Jimu Box was the sole lending solutions partner to enter into these financing service agreements with us, and it provided peer-to-peer matching services to the borrowers. In 2017, other lending solutions partners also began to provide funds for the personal and business installment loans that we facilitate. In 2018 and 2019, we continued to diversify our funding partners and deepened our cooperation with several existing lending solution partners. Our reliance on Jimu Group as a lending solutions partner declined to a significant extent. In February 2020, Jimu Box announced its exit from the online lending platform business and its plans to transform into a micro finance company, starting from when it ceased providing funding to us until its successful transition. As a result, our credit risk for funding through Jimu Box was minimal in 2021, and we expect that our credit risk for funding through Jimu Box will be minimal for the foreseeable future.

Previously, under most funding arrangements, the financial partner bore the credit risk for personal and business installment loans, and we did not bear credit risk ourselves. However, we did fund some personal and business installment loans through trust structures where we retained some liability or through our own online micro finance license that we acquired in March 2019 where we retained full liability. In some circumstances we provided credit enhancement through our subsidiaries or consolidated variable interest entities for personal and business installment loans. In both of these latter cases, we did bear credit risk.

We historically have cooperated with two independent guarantee companies to provide credit enhancement services to the end users of our financial partners. In our cooperation with these independent guarantee companies, they will provide guarantees to the end users of our financial partners, but if they fail to perform their obligations to provide guarantees, we will provide supplementary guarantees to them. As of the date of this annual report, we only cooperated with one of the aforementioned independent guarantee companies, and we had ceased providing credit enhancement through our variable interest entities for loans that we facilitated with any financial partners. We currently do not expect to cooperate with additional independent guarantee companies due to our strategic shift of business focus towards providing digital-centric services and optimizing our product matrix and organizational structure.

Point-of-sale installment loans. We facilitate the purchase of online products and services by providing point-of-sale lending solutions to our business partners. They integrate our lending solutions in the payment stage of a transaction, offering users installment payment options when they satisfy our pre-screening procedures and the criteria mutually agreed between us and our business partners. To meet the requirements of our business partners for quick settlement of purchases on their platforms, in some cases we finance the purchase by the end users initially ourselves, in which case the corresponding financing receivables are recorded on our balance sheet.

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In 2016, we funded the financing receivables that we generated from the provision of point-of-sale lending solutions entirely through funds received from individual investors via Jimu Box. In 2017, we began to securitize a significant proportion of our financing receivables through public or private asset-backed securities. In 2018, we stopped funding financing receivables from our provision of point-of-sale lending solutions using funds received from individual investors through Jimu Box. Instead, we significantly expanded our use of trusts and other structured finance as compared to 2017. We also entered into an unsecured general loan with an individual in early 2018. Later in 2018, we entered into two loan agreements with a shareholder allowing us to make early repayment on that loan due to an individual. See “Item 7. Major Shareholders and Related Party Transactions—Shareholder Loans.” In 2019, 2020, point-of-sale lending solutions were mainly funded through direct institutional funding arrangements, which resulted in the decrease in financing receivables. In 2021, the trust arrangement was ended and we relied more on financing for loans ourselves, which resulted in an increase in financing receivables.

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We historically bore credit risk for most of the point-of-sale installment loans that we facilitated. Beginning in 2018, we have begun to negotiate settlement arrangements between our business partners and financial partners that do not result in the recognition of financial receivables on our balance sheet. Therefore, we do not bear credit risk on some of the point-of-sale installment loans that we have facilitated since 2018. As of the date of this annual report, we ceased bearing credit risk on any of the new point-of-sale installment loans that we facilitated.

Balance sheet. The financing receivables on our balance sheet are generated primarily from our use of trust arrangements and other structured finance products in 2020. As of December 31, 2021, we had ended the trust arrangement and recorded short-term financing receivables, net, of RMB97.2 million (US\$15.3 million) and long-term financing receivables, net, of RMB0.6 million (US\$0.1 million) primarily from our own fund.

Funding debts represent the proceeds from individual investors through Jimu Box and other financial partners, the asset-backed securitized debts, the consolidated trusts or the unsecured general loan from an individual lender and a shareholder that we use to fund our financing receivables. We had short-term funding debts of RMB0.03 million and long-term funding debts of nil as of December 31, 2021.

We maintain a provision for credit losses based on delinquency levels and historical charge offs of the underlying on- and off-balance sheet loans, where applicable, using an established systematic process on a pooled basis within each credit risk level of the borrowers. For each credit risk level, we estimate the expected loss rate based on the delinquency status of the financial assets to be within that level: current, 1 to 30 days past due, 31 to 60 days past due, 60 to 90 days past due, or 91 days or greater past due. These loss rates in each delinquency status are based on average historical loss rates of financial assets subject to credit losses associated with each of the abovementioned delinquency categories. The expected loss rate of the specific delinquency status category within each risk level will be applied to the outstanding balances of the applicable financial assets within that level to determine the provision for credit losses for each reporting period. We had a reversal of provision for credit losses related to financing receivables of RMB1.9 million (US\$0.3 million) for the year ended December 31, 2021.

For those off-balance sheet loans where we provide a financial guarantee to the financial partner who funds the loans, we account for the financial guarantee at fair value on the balance sheet as a financial guarantee liability. As of December 31, 2021, the maximum potential future payment that we could be required to make would be RMB30.28 million (US\$4.8 million). We expect our financial guarantee liabilities to decrease in 2022 as we reduce the risk-sharing services and gradually cease to provide financial guarantees for loans that are funded through financial partners.

The following table presents information about our sources of funds for the year ended December 31, 2021.

	For the Year Ended December, 2021		
	RMB	US\$	%
	(in thousands)		
Point-of-sale installment loans	28,845	4,526	13.13%
Online consumer finance platform	35	5	0.02%
Non-structured direct funding	28,777	4,516	13.09%
Unsecured general loan and others*(1)	33	5	0.02%
Personal installment loans	132,911	20,857	60.48%
Online consumer finance platform	374	59	0.17%
Trusts and other structured finance*	19	3	0.01%
Non-structured direct funding	114,067	17,900	51.90%
Unsecured general loan and others*(1)	18,451	2,895	8.40%
Business installment loans	51,014	8,005	23.21%
Non-structured direct funding	205	32	0.09%
Unsecured general loan and others*(1)	50,809	7,973	23.12%
International installment loans	7,012	1,100	3.18%
Unsecured general loan and others*	7,012	1,100	3.18%
Total	219,782	34,488	100.0%

(1) Others include receivables held by Ganzhou Aixin Micro Finance and Minheng before those receivables are funded by our financial partners.

* On balance sheet sources.

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Key Operating and Financial Metrics

We regularly review a number of metrics to evaluate our business, measure our performance, identify trends, formulate financial projections and make strategic decisions. The main metrics we consider are set forth in the two tables below.

	As of and for the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Total revenues	1,285,236	378,264	173,240	27,185
Total amount of loans facilitated during the period	11,013,920	1,846,438	819,558	128,606
Point-of-sale installment loans	2,448,372	269,172	25,619	4,020
Personal installment loans	7,783,997	1,453,091	644,621	101,155
Business installment loans	781,551	124,175	76,734	12,041
International installment loans	—	—	72,584	11,390
Outstanding balance	3,301,896	589,744	219,782	34,488
Point-of-sale installment loans	850,038	263,576	28,845	4,527
On-balance sheet	149,033	30,564	247	39
Off-balance sheet	701,005	233,012	28,598	4,488
Personal installment loans	2,199,258	297,869	132,911	20,856
On-balance sheet	296,909	49,078	18,470	2,898
Off-balance sheet	1,902,349	248,791	114,441	17,958
Business installment loans	252,600	28,299	51,014	8,005
On-balance sheet	12,549	23	50,809	7,973
Off-balance sheet	240,051	28,276	205	32
International installment loans	—	—	7,012	1,100
On-balance sheet	—	—	7,012	1,100
Net loss	(906,490)	(296,140)	(108,820)	(17,077)
Adjusted net loss(1)	(888,643)	(284,242)	(105,027)	(16,481)
Total operating expenses	(1,243,983)	(299,329)	(154,857)	(24,301)
Adjusted operating expenses(1)	(1,226,136)	(287,431)	(151,064)	(23,705)

- (1) Adjusted net (loss)/income and adjusted operating expenses are non-GAAP financial measures. For more information regarding our use of these measures and a reconciliation of these measures to the most comparable GAAP measures, see “Non-GAAP Financial Measures.”

	As of and for the Year Ended December 31,		
	2019	2020	2021
	(in thousands)		
Cumulative registered users as of the end of the period	39,086	42,758	52,124
Unique borrowers for the period(1)	1,673	278	76
Unique borrowers of point-of-sale installment loans	1,227	189	15
Unique borrowers of personal and business installment loans	471	90	61
Number of loans facilitated during the period	4,549	888	114
Number of point-of-sale installment loans facilitated	3,469	56	25
Number of personal and business installment loans facilitated	1,080	26	89

- (1) The number of unique borrowers for the period is less than the sum of the following two lines because a person who borrows both point-of-sale installment loans and personal installment loans during the same period only counts as one unique borrower for the period.

Non-GAAP Financial Measures

We use adjusted operating expenses and adjusted net loss/income, which are non-GAAP financial measures, in evaluating our operating results and for financial and operational decision-making purposes. We believe that these non-GAAP financial measures help identify underlying trends in our business that could otherwise be distorted by the effect of the expenses that we include in total operating expenses, loss from operations and net loss. We believe that these non-GAAP financial measures also provide useful information about our operating results, enhance the overall understanding of our past performance and future prospects and allow for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

These non-GAAP financial measures are not defined under U.S. GAAP and are not presented in accordance with U.S. GAAP. They should not be considered in isolation or construed as alternatives to total operating expenses, net loss or any other measure of performance or as an indicator of our operating performance. Investors are encouraged to review these historical non-GAAP financial measures in light of the most directly comparable GAAP measures, as shown below. The non-GAAP financial measures presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

Adjusted operating expenses represents total operating expenses before share-based compensation expense. Adjusted net loss represents net loss before share-based compensation expenses.

The table below sets forth a reconciliation of these non-GAAP financial measures for the periods indicated.

	For the Year Ended December 31,			US\$
	2019 RMB	2020 RMB	2021 RMB	
	(in thousands)			
Total operating expenses	(1,243,983)	(299,329)	(154,857)	(24,301)
Add: share-based compensation expenses	17,847	11,898	3,793	596
Adjusted operating expenses	(1,226,136)	(287,431)	(151,064)	(23,705)
Net loss	(906,490)	(296,140)	(108,820)	(17,077)
Add: share-based compensation expenses	17,847	11,898	3,793	596
Adjusted net loss	(888,643)	(284,242)	(105,027)	(16,481)

Key Components of Results of Operations

Revenues

Our revenues are derived from technical service fees, installment service fees and wealth management service fees and others. The following table sets forth the breakdown of our total revenues, both in absolute amount and as a percentage of our total revenues, for the years indicated.

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	%	RMB	%	RMB	US\$
	(in thousands, except percentages)					
Revenues:						
Technical service fees	1,077,760	83.8	330,665	87.4	115,272	18,088
Installment service fees	187,359	14.6	42,707	11.3	16,949	2,660
Wealth management service fees and others	20,117	1.6	4,892	1.3	41,019	6,437
Total revenues	1,285,236	100.0	378,264	100.0	173,240	27,185

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We generate technical service fee revenue by providing online credit assessment and referral services, post-lending management services and, historically, financial guarantee services. We also receive fees contingent on future events, such as penalty fees for early repayments as well as fees for collection services for late payments. Prior to 2018, we bore minimal credit risk for providing technical services. Independent financial solution providers that bear minimal credit risks, such as ourselves, have generally experienced unfavorable market conditions in China. In 2018, we began to share the credit risks for off-balance sheet loans with select financial partners due to market challenges. Revenues from our risk-sharing model accounted for approximately 37.8%, 41.9% and 23.5% of our technical service fees for the years ended December 31, 2019, 2020 and 2021, respectively.

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We generate installment service fee revenue through the point-of-sale installment loan services and personal and business installment loan services that we provide on our business partners' platforms. For the point-of-sale installment loan services, we pay the full amount of the order that a qualified customer makes on the partner's platform and collect the original order amount plus the installment service fee in installments from the customer. Installment service fee revenue is recognized ratably by applying the effective interest rate. Installment service fee revenue is not recorded when reasonable doubt exists as to the full or timely collection of installment service fee or principal. We also receive fees contingent on future events, such as penalty fees for late payments. These contingent fees are recognized when the event occurs and the payment is made by the customer as that is when collectability is reasonably assured.

Wealth management service fees primarily consist of commission fees charged to third-party asset management companies for their use of our online wealth management platform and insurance brokerage service fees primarily distributing insurance product as broker to insurance companies. For commission fees charged to third-party asset management companies, we earn commissions which are generally determined as a percentage based on the fees charged to customers by the asset management companies through our online wealth management platform. Transaction service commissions are recognized on a net basis when the services are rendered, which occurs when the underlying transaction is executed. For insurance brokerage service fees charged to third-party insurance companies, we earn service fees determined as a percentage of premiums paid by the insured. The commission rate is based on the bill provided by the insurance company, and it is also under tight regulation of the China Banking and Insurance Regulatory Commission ("CBIRC"). Brokerage services revenue is recognized on a gross basis when the insurance policy is signed and the premium is collected by insurance company.

Cost of Revenues

The following table sets forth our cost of revenues, both in absolute amount and as a percentage of total revenues, for the years indicated.

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	%	RMB	%	RMB	US\$
	(in thousands, except percentages)					
Cost of revenues:						
Funding cost	(51,759)	(4.0)	(16,525)	(4.4)	(583)	(91)
Provision for credit losses	(33,942)	(2.6)	(45,090)	(11.9)	1,934	303
Origination and servicing cost	(290,398)	(22.6)	(100,760)	(26.6)	(94,186)	(14,780)
Cost on guarantee	(193,426)	(15.0)	(100,347)	(26.5)	4,689	736
Service cost charged by the related party	(200,163)	(15.6)	(23,052)	(6.1)	(1,574)	(247)
Cost of revenues	(769,688)	(59.8)	(285,774)	(75.5)	(89,720)	(14,079)

Cost of revenues mainly consists of interest we pay on funding debts, provisions that we make for credit losses, costs that are paid to our data partners for data used in credit assessments, user acquisition costs relating to revenue from lending solutions, reimbursement for defaulted loans to financial partners related to the portion of the loans for which we shared credit risks, and other costs such as salaries and benefits of employees engaged in operating key systems and providing collection services, bandwidth costs, server custody costs, customer service support costs, fees paid to third-party payment channels, and service costs charged by Jimu Group.

Gross Profit

The following table sets forth our gross loss and profit, both in absolute amount and as a percentage of our total revenues, for the years indicated.

	For the Year Ended December 31					
	2019		2020		2021	
	RMB	%	RMB	%	RMB	US\$
	(in thousands, except percentages)					
Total revenues	1,285,236	100.0	378,264	100.0	173,240	27,185
Cost of revenues	(769,688)	(59.8)	(285,774)	(75.5)	(89,720)	(14,079)
Gross profit	<u>515,548</u>	<u>40.2</u>	<u>92,490</u>	<u>24.5</u>	<u>83,520</u>	<u>13,106</u>

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We have different types of solutions that have different profit margins. In particular, our point-of-sale installment loan solutions are relatively low-margin, and our personal and business installment loan solutions are relatively high-margin. We do not manage our business with the intent of maximizing each of these margins separately, since different solutions serve different purposes within our overall business strategy. We tolerate a relatively low margin on our point-of-sale installment loan solutions because they are especially useful in acquiring new business partners: they have a particularly obvious value proposition, in that they help our business partners increase their own sales. High-quality business partners bring high-quality end users, which in turn makes our lending solutions more valuable to our financial partners.

That being said, we do aim for a positive gross margin on each of our solutions. On a partner-by-partner basis, our gross margin tends to rise as our relationship with a business partner develops. This is both because the proportion of higher-margin personal and business installment loan solutions grows as our relationship with a partner matures and because a partner who comes to recognize the mutually beneficial nature of our relationship is more likely to negotiate mutually beneficial terms. More favorable terms with our business partners and end users have been one of the significant reasons for the improvement in our gross margin since 2016. Our gross margin increased to 48.2% for the year ended December 31, 2021, primarily due to the improvement of credit quality and the collection of overdue loan, resulting to the recovery of provision of credit loss and cost on guarantee, leading to the decrease in revenues being outpaced by the decrease in cost.

Operating Expenses

The following table sets forth our operating expenses, both in absolute amount and as a percentage of total revenues, for the years indicated.

	For the Year Ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	%
Operating expenses:							
Sales and marketing expenses	(69,593)	(5.4)	(44,697)	(11.8)	(40,936)	(6,424)	(23.6)
General and administrative expenses	(1,095,311)	(85.2)	(147,753)	(39.1)	(88,111)	(13,827)	(50.9)
Research and development expenses	(79,079)	(6.2)	(37,521)	(9.9)	(22,714)	(3,564)	(13.1)
Impairment loss of goodwill and intangible assets	—	—	(69,358)	(18.3)	(3,096)	(486)	(1.8)
Total operating expenses	(1,243,983)	(96.8)	(299,329)	(79.1)	(154,857)	(24,301)	(89.4)

Sales and marketing expenses

Our sales and marketing expenses consist primarily of salaries and benefits (including share-based compensation) for employees involved in sales and marketing functions and advertising and marketing promotion fees. Advertising and marketing promotion fees represent amounts we pay for brand awareness. We expense all sales and marketing costs as incurred. Our sales and marketing expenses decreased as a percentage of our total revenues in 2019 as we reduced the size of our sales team. Our sales and marketing expenses increased as a percentage of our total revenues in 2020, primarily due to a decrease in our total revenues while the percentage of our manpower investment in sales and marketing remained relatively stable, such that our total revenues decreased at a greater pace compared to our sales and marketing expenses. Our sales and marketing expenses increased as a percentage of our total revenues in 2021, primarily due to a decrease in our total revenues while the percentage of our manpower investment in sales and marketing remained relatively stable, such that our total revenues decreased at a greater pace compared to our sales and marketing expenses.

General and administrative expenses

Our general and administrative expenses consist primarily of salaries and benefits (including share-based compensation) and related expenses for employees involved in general corporate functions, including finance, legal and human resources. We also incurred bad debt expenses in 2019, 2020 and 2021 in connection with provision for credit losses on receivable for technical service fees, which are classified under general and administrative expenses. Other general and administrative expenses include rental expenses and professional fees. In 2019, our general and administrative expenses increased due to the continued increase in professional services fee and bad debt expenses, offset by a decrease in share-based compensation. Besides provision for credit losses on receivable for technical service fees receivable, the significant increase of bad debt expense in 2019 was due to the provision for credit loss on amounts due from Jimu Group. In 2020, our general and administrative expenses decreased, primarily due to a decrease in bad debt provision expense related to loans due from Jimu Group, as well as decreases in staff cost due to personnel structure optimization and in professional expense due to decreased consulting expense. In 2021, our general and administrative expenses decrease, primarily due to a decrease in bad debt provision expense and professional fees.

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Research and development expenses

Our research and development expenses consist primarily of salaries and benefits (including share-based compensation) for employees involved in research and development functions. We expense all research and development costs as incurred. Our research and development expenses remained steady in 2019 and increased as a percentage of our total revenues in 2020 and 2021, primarily due to a decrease in our total revenues while the percentage of our manpower investment in research and development remained relatively stable, such that our total revenues decreased at a greater pace compared to our research and development expenses.

Impairment loss of goodwill and intangible assets

We recorded nil impairment loss of goodwill in 2021, and impairment loss of intangible assets of RMB3.1 million (US\$0.5 million) associated with software copyright, trademark and customer relationship, considering the tightening regulation and changing market environment.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the period indicated, both in absolute amounts and as percentages of our total revenues. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	
(in thousands, except percentages)							
Summary Consolidated Statements of Comprehensive Loss Data:							
Revenues:							
Technical service fees	1,077,760	83.8	330,665	87.4	115,272	18,088	66.5
Installment service fees	187,359	14.6	42,707	11.3	16,949	2,660	9.8
Wealth management service fees and others	20,117	1.6	4,892	1.3	41,019	6,437	23.7
Total revenues	1,285,236	100.0	378,264	100.0	173,240	27,185	100.0
Cost of revenues:							
Funding cost	(51,759)	(4.0)	(16,525)	(4.4)	(583)	(91)	(0.3)
Provision for credit losses	(33,942)	(2.6)	(45,090)	(11.9)	1,934	303	1.1
Origination and servicing cost	(290,398)	(22.6)	(100,760)	(26.6)	(94,186)	(14,780)	(54.4)
Cost on guarantee	(193,426)	(15.0)	(100,347)	(26.5)	4,689	736	2.7
Service cost charged by the related party	(200,163)	(15.6)	(23,052)	(6.1)	(1,574)	(247)	(0.9)
Cost of revenues	(769,688)	(59.8)	(285,774)	(75.5)	(89,720)	(14,079)	(51.8)
Gross profit	515,548	40.2	92,490	24.5	83,520	13,106	48.2
Operating expenses:							
Sales and marketing expenses	(69,593)	(5.4)	(44,697)	(11.8)	(40,936)	(6,424)	(23.6)
General and administrative expenses	(1,095,311)	(85.2)	(147,753)	(39.1)	(88,111)	(13,827)	(50.9)
Research and development expenses	(79,079)	(6.2)	(37,521)	(9.9)	(22,714)	(3,564)	(13.1)
Impairment loss of goodwill and intangible assets	—	—	(69,358)	(18.3)	(3,096)	(486)	(1.8)
Total operating expenses	(1,243,983)	(96.8)	(299,329)	(79.1)	(154,857)	(24,301)	(89.4)
Operating loss	(728,435)	(56.6)	(206,839)	(54.7)	(71,337)	(11,195)	(41.2)
Loss from equity method investments	(8,149)	(0.6)	(11,523)	(3.0)	—	—	—
Loss from disposal of a subsidiary	—	—	—	—	(5,498)	(863)	(3.2)
Impairment on prepayment for long-term investment	(200,000)	(15.6)	—	—	—	—	—
Impairment loss on equity investment	—	—	(15,908)	(4.2)	—	—	—
Interest expenses, net	(19,017)	(1.5)	(34,332)	(9.1)	(32,453)	(5,093)	(18.7)
Other income, net	7,923	0.6	21,658	5.7	7,340	1,152	4.2
Interest income from related parties	43,156	3.4	—	—	—	—	—
Loss before income tax expense	(904,522)	(70.3)	(246,944)	(65.3)	(101,948)	(15,999)	(58.9)
Income tax expense	(1,968)	(0.2)	(49,196)	(13.0)	(6,872)	(1,078)	(4.0)
Net loss	(906,490)	(70.5)	(296,140)	(78.3)	(108,820)	(17,077)	(62.9)
Other comprehensive income/(loss)	11,876	0.9	(22,977)	(6.1)	(10,793)	(1,692)	(6.2)
Total comprehensive loss	(894,614)	(69.6)	(319,117)	(84.4)	(119,613)	(18,769)	(69.1)

Year ended December 31, 2021 compared with year ended December 31, 2020

Revenues

Our total revenue decreased by 54.2% from RMB378.3 million in the year ended December 31, 2020 to RMB173.2 million (US\$27.2 million) in the year ended December 31, 2021. This decrease was driven primarily by a decrease in total loan volume from RMB1.8 billion in 2020 to RMB0.8 billion (US\$0.1 billion) in 2021.

Technical service fees. Technical service fees decreased by 65.1% from RMB330.7 million in the year ended December 31, 2020 to RMB115.3 million (US\$18.1 million) in the year ended December 31, 2021, primarily due to a decrease in the off-balance sheet loan transactions from RMB1.5 billion in the year ended December 31, 2020 to RMB0.5 billion (US\$0.05 billion) in the year ended December 31, 2021 as we shifted business focus towards providing digital-centric services and reduced a significant portion of our technical services using a risk-sharing model.

Installment service fees. Installment service fees decreased by 60.3% from RMB42.7 million in the year ended December 31, 2020 to RMB16.9 million (US\$2.7 million) in the year ended December 31, 2021. The decrease in revenues from installment service fees in 2021 was primarily due to a decrease in on-balance sheet installment loans volume.

Wealth management service fees and others. Wealth management service fees and others increased by 738.5% from RMB4.9 million in the year ended December 31, 2020 to RMB41.0 million (US\$6.4 million) in the year ended December 31, 2021. The increase was primarily due to our continued transition, leading to the expansion in insurance brokerage business in 2021.

Cost of revenues

Cost of revenues decreased by 68.6% from RMB285.8 million in the year ended December 31, 2020 to RMB89.7 million (US\$14.1 million) in the year ended December 31, 2021.

Funding cost. Funding cost, consisting primarily of interest expenses, decreased by 96.5% from RMB16.5 million in the year ended December 31, 2020 to RMB0.6 million (US\$0.1 million) in the year ended December 31, 2021. This decrease was primarily due to the end of the trust arrangement and reflected the lower volume of our on-balance sheet loans using the funds from financial partners.

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Provision for credit losses. Provision for credit losses decreased by 104.3% from RMB45.1 million in the year ended December 31, 2020 to reversal of RMB1.9 million (US\$0.3 million) in the year ended December 31, 2021. The decrease in provision for credit losses was primarily attributable to the decrease of our on-balance sheet loans, and the collection of overdue loans in 2021 exceeds the provision for credit losses, resulting in a reversal for credit losses in 2021.

Origination and servicing cost. Origination and servicing cost decreased by 6.5% from RMB100.8 million in the year ended December 31, 2020 to RMB94.2 million (US\$14.8 million) in the year ended December 31, 2021, primarily due to reduced user acquisition costs as a result of decrease in loan volume facilitated. The percentage of origination and servicing cost decreased much lower than that of the total revenue, which was primarily due to the increase of insurance brokerage service with lower margin.

Cost on guarantee. Cost on guarantee decreased by 104.7% from RMB100.3 million in the year ended December 31, 2020 to a recovery of RMB4.7 million (US\$0.7 million) in the year ended December 31, 2021, as we purposely and gradually ceased providing credit enhancement for loans that we facilitated with any financial partners from 2020 in order to refine the overall quality of our off-balance sheet loans, which lead to the increase of reimbursement for defaulted loans being outpaced by the recovery of reimbursement for defaulted loans in 2021.

Service cost charged by the related party. Service cost charged by the related party decreased by 93.2% from RMB23.1 million in the year ended December 31, 2020 to RMB1.6 million (US\$0.2 million) in the year ended December 31, 2021, primarily because we ceased our cooperation model with Jimu Group under which Jimu Group used to provide credit enhancement for the borrowers since the beginning of 2019, resulting in a further decrease in the loan balance and related costs under such model in 2020 and 2021.

Gross profit

Our gross profit decreased by 9.7% from RMB92.5 million in the year ended December 31, 2020 to RMB83.5 million (US\$13.1 million) in the year ended December 31, 2021. We had a gross margin of 24.5% in the year ended December 31, 2020 and a gross margin of 48.2% in the year ended December 31, 2021. Our gross margin increased, primarily due to the collection of overdue loan, resulting to the reversal of provision of credit loss and cost on guarantee, leading to the decrease in revenues being outpaced by the decrease in cost.

Total operating expenses

Total operating expenses decreased by 48.3% from RMB299.3 million in the year ended December 31, 2020 to RMB154.9 million (US\$24.3 million), mainly due to the decrease in general and administrative expense and impairment on goodwill and intangible assets.

Sales and marketing expenses. Sales and marketing expenses decreased by 8.4% from RMB44.7 million in the year ended December 31, 2020 to RMB40.9 million (US\$6.4 million) in the year ended December 31, 2021. This decrease was primarily attributable to the decrease of RMB5.6 million (US\$0.9 million) in promotion expense and the decrease of RMB2.8 million (US\$0.4 million) share-based compensation expenses, partially offset by the increase of RMB4.3 million (US\$0.7 million) in salary and welfare.

General and administrative expenses. General and administrative expenses decreased by 40.4% from RMB147.8 million in the year ended December 31, 2020 to RMB88.1 million (US\$13.8 million) in the year ended December 31, 2021, primarily due the decrease of RMB23.5 million (US\$3.7 million) in professional fees, the decrease of RMB18.8 million (US\$3.0 million) in bad debt expenses, the decrease of RMB7.7 million (US\$1.2 million) in salary and welfare and the decrease of RMB4.7 million (US\$0.7 million) in share-based compensation expenses.

Research and development expenses. Research and development expenses decreased by 39.5% from RMB37.5 million in the year ended in December 31, 2020 to RMB22.7 million (US\$3.6 million) in the year ended December 31, 2021, primarily due to the decrease of RMB8.6 million (US\$1.4 million) in salary and welfare and the decrease of RMB4.0 million (US\$0.7 million) in rental expenses.

Impairment loss of goodwill and intangible assets. We recorded impairment loss of intangible assets of RMB3.1 million (US\$0.5 million) in 2021, primarily attributable to the impairment of software copyright, trademark and customer relationship, which was an out-of-period adjustments from prior years.

Loss from disposal of a subsidiary. We recorded loss from disposal of a subsidiary of RMB5.5 million (US\$ 0.9million) in 2021, primarily attributable to the disposal of FT Synergy Pte. Ltd and its subsidiaries.

Net Loss

We had net loss of RMB108.8 million (US\$17.1 million) in the year ended December 31, 2021 as a result of the above, as compared to a net loss of RMB296.1 million in the year ended December 31, 2020.

Year ended December 31, 2020 compared with year ended December 31, 2019

Revenues

Our total revenue decreased by 70.6% from RMB1,285.2 million in the year ended December 31, 2019 to RMB378.3 million (US\$58.0 million) in the year ended December 31, 2020. This decrease was driven primarily by a decrease in total loan volume from RMB11.0 billion in 2019 to RMB1.8 billion (US\$0.3 billion) in 2020.

Technical service fees. Technical service fees decreased by 69.3% from RMB1,077.8 million in the year ended December 31, 2019 to RMB330.7 million (US\$50.7 million) in the year ended December 31, 2020, primarily due to a decrease in the off-balance sheet loan transactions from RMB8.9 billion in the year ended December 31, 2019 to RMB1.5 billion (US\$0.2 billion) in the year ended December 31, 2020 as we shifted business focus towards providing digital-centric services and reduced a significant portion of our technical services using a risk-sharing model.

Installment service fees. Installment service fees decreased by 77.2% from RMB187.4 million in the year ended December 31, 2019 to RMB42.7 million (US\$6.5 million) in the year ended December 31, 2020. The decrease in revenues from installment service fees in 2020 was due to a decrease in on-balance sheet installment loans volume.

Wealth management service fees and others. Wealth management service fees and others decreased by 75.7% from RMB20.1 million in the year ended December 31, 2019 to RMB4.9 million (US\$0.8 million) in the year ended December 31, 2020. The decrease was primarily due to our transition from a business model depending upon cross-selling through retail credit channels to a more market-oriented model, which resulted in a decline in prior service offering.

Cost of revenues

Cost of revenues decreased by 62.9% from RMB769.7 million in the year ended December 31, 2019 to RMB285.8 million (US\$43.8 million) in the year ended December 31, 2020.

Funding cost. Funding cost, consisting primarily of interest expenses, decreased by 68.1% from RMB51.8 million in the year ended December 31, 2019 to RMB16.5 million (US\$2.5 million) in the year ended December 31, 2020. This decrease reflected the lower volume of our on-balance sheet loans.

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Provision for credit losses. Provision for credit losses increased by 32.8% from RMB33.9 million in the year ended December 31, 2019 to RMB45.1 million (US\$6.9 million) in the year ended December 31, 2020. The increase in provision for credit losses was primarily attributable to an increase in delinquency rate in the stock of loans provided to online travel websites and other e-commerce websites (such as BestPay) in the first quarter of 2020 caused by the COVID-19 outbreak.

Origination and servicing cost. Origination and servicing cost decreased by 65.3% from RMB290.4 million in the year ended December 31, 2019 to RMB100.8 million (US\$15.4 million) in the year ended December 31, 2020, primarily due to reduced user acquisition costs as a result of decrease in loan volume facilitated.

Cost on guarantee. Cost on guarantee decreased by 48.1% from RMB193.4 million in the year ended December 31, 2019 to RMB100.3 million (US\$15.4 million) in the year ended December 31, 2020, as we purposely and gradually terminated guarantees in 2020 in order to refine the overall quality of our off-balance sheet loans.

Service cost charged by the related party. Service cost charged by the related party decreased by 88.5% from RMB200.2 million in the year ended December 31, 2019 to RMB23.1 million (US\$3.5 million) in the year ended December 31, 2020, primarily because we ceased our cooperation model with Jimu Group under which Jimu Group used to provide credit enhancement for the borrowers since the beginning of 2019, resulting in a further decrease in the loan balance and related costs under such model in 2020.

Gross profit

Our gross profit decreased by 82.1% from RMB515.5 million in the year ended December 31, 2019 to RMB92.5 million (US\$14.2 million) in the year ended December 31, 2020. We had a gross margin of 40.2% in the year ended December 31, 2019 and 24.5% in the year ended December 31, 2020. Our gross margin decreased as the decline in our cost of revenues was outpaced by the decline in our total revenues on a percentage basis as our fixed cost remained relatively stable.

Total operating expenses

Total operating expenses decreased by 75.9% from RMB1,244.0 million in the year ended December 31, 2019 to RMB299.3 million (US\$45.9 million) in the year ended December 31, 2020, mainly due to a decrease in general and administrative expense.

Sales and marketing expenses. Sales and marketing expenses decreased by 35.8% from RMB69.6 million in the year ended December 31, 2019 to RMB44.7 million (US\$6.9 million) in the year ended December 31, 2020. This decrease was the result of decreases in (i) promotion expense of RMB14.3 million (US\$2.2 million) due to a reduction of online advertisement expenditure and (ii) staff cost of RMB8.8 million (US\$1.3 million) due to adjustment of the employee structure as part of our business transformation.

General and administrative expenses. General and administrative expenses decreased by 86.5% from RMB1,095.3 million in the year ended December 31, 2019 to RMB147.8 million (US\$22.6 million) in the year ended December 31, 2020, primarily due to decreases in (i) bad debt expenses of RMB921.2 million (US\$141.2 million) related to a decrease in loans due from Jimu Group from RMB890.7 million in 2019 to RMB7.8 million (US\$1.2 million) in 2020, (ii) staff cost of RMB21.2 million (US\$3.2 million) due to personnel structure optimization, and (iii) professional expense of RMB10.7 million (US\$1.6 million) due to decreased consulting expense.

Research and development expenses. Research and development expenses decreased by 52.6% from RMB79.1 million in the year ended December 31, 2019 to RMB37.5 million (US\$5.8 million) in the year ended in December 31, 2020, primarily due to a decrease of RMB34.1 million (US\$5.2 million) in staff cost due to the personnel structure optimization as part of our business transformation.

Impairment loss of goodwill and intangible assets. We recorded impairment loss of goodwill and intangible assets of RMB69.4 million (US\$10.6 million) in 2020, primarily attributable to impairment loss of goodwill of RMB37.6 million (US\$5.7 million) and impairment loss of intangible assets of RMB31.8 million (US\$4.9 million) associated with a license to operate small loan businesses owned by Ganzhou Aixin Micro Finance considering the tightening regulation and changing market environment.

Net Loss

We had net loss of RMB296.1 million (US\$45.4 million) in the year ended December 31, 2020 as a result of the above, as compared to a net loss of RMB906.5 million in the year ended December 31, 2019.

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Taxation

Cayman Islands

We are not subject to income or capital gains tax under the current laws of the Cayman Islands. There are no other taxes likely to be material to us levied by the government of the Cayman Islands.

British Virgin Islands

Our subsidiaries incorporated in the British Virgin Islands are not subject to income or capital gains tax under the current laws of the British Virgin Islands. The British Virgin Islands do not impose a withholding tax on dividends.

Australia

Our subsidiaries incorporated in Australia are subject to income tax rate at 30%.

Hong Kong

In accordance with the relevant tax laws and regulations of Hong Kong, a company registered in Hong Kong is subject to income taxes within Hong Kong at the applicable tax rate on taxable income. In March 2018, the Hong Kong government introduced a two-tiered profit tax rate regime by enacting the Inland Revenue (Amendment) (No.3) Ordinance 2018, the Ordinance. Under the two-tiered profits tax rate regime, the first HK\$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance is effective from the year of assessment 2018-2019. According to the policy, if no election has been made, the whole of the taxpaying entity's assessable profits will be chargeable to profits tax at the rate of 16.5% or 15%, as applicable. Because we did not elect the preferential tax treatment, all of our subsidiaries registered in Hong Kong are subject to income tax at a rate of 16.5%. Our Hong Kong subsidiaries did not have assessable profits that were derived from Hong Kong during the years ended December 31, 2019, 2020, and 2021. Payments of dividends by our Hong Kong subsidiaries to us are therefore not subject to withholding tax in Hong Kong.

PRC

Our PRC subsidiaries and our variable interest entities, which are considered PRC resident enterprises under PRC tax law, are subject to enterprise income tax on their worldwide taxable income as determined under PRC tax laws and accounting standards at a rate of 25%. In addition, our variable interest entities and PRC subsidiaries are subject to value added taxes, or VAT, on the services they provide at the rate of 6% or 3%, depending on whether the entity is a general taxpayer or small-scale taxpayer, plus related surcharges, less any deductible VAT they have already paid or borne.

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Dividends paid by our wholly foreign-owned subsidiaries in China to our intermediary holding companies in Hong Kong will be subject to a withholding tax rate of 10%, unless they qualify for a special exemption. If our intermediary holding companies in Hong Kong satisfy all the requirements under the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income and receive approval from the relevant tax authority, then dividends paid to them by our wholly foreign-owned subsidiaries in China will be subject to a withholding tax rate of 5% instead. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may not be able to obtain certain tax benefits for dividends paid by our PRC subsidiaries to us through our Hong Kong subsidiaries.”

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a “resident enterprise” under the Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.”

Inflation

To date, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2019, 2020 and 2021 were increases of 4.5%, 0.2% and 1.5%, respectively. Although we have not been materially affected by inflation in the past, we may be affected by higher rates of inflation in China in the future.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, the reported amounts of revenue and expenses during the reporting period and the related disclosures in the consolidated financial statements and accompanying footnotes. Out of our significant accounting policies, which are described in “Note 2—Summary of Significant Accounting Policies” of our consolidated financial statements for the year ended December 31, 2021, included elsewhere in this Annual Report, certain accounting policies are deemed “critical,” as they require management’s highest degree of judgment, estimates and assumptions. While management believes its judgments, estimates and assumptions are reasonable, they are based on information presently available and actual results may differ significantly from those estimates under different assumptions and conditions.

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements.

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates. Some of our accounting policies require a higher degree of judgment than others in their application and require us to make significant accounting estimates.

The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this annual report. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Revenue recognition

We are principally engaged in providing lending solutions through our online technology platform. We earn revenues by providing: (i) a lending solution that assists borrowers to obtain loans from third party investors and certain financial partners. We provide lending solutions but do not provide loans by ourselves. For these services, we earn technical service fees; (ii) a lending solution for borrowers who want to finance their online purchases from third parties, or Business Partners, or who have personal or business installment loan requests. We provide financing for these borrowers and earn installment service fees (including interests); (iii) a wealth management and insurance product distribution solutions for asset management and insurance companies, respectively, to facilitate the sale of their products. We earn wealth management services fees and commission on financial products distributed through our platform that were sold by these asset management, and earn insurance brokerage commission revenue determined as a percentage of premiums paid by the insured. We are not a party to the financial products or insurance products sold.

Installment service fee

Installment service fee revenue is recognized over the terms of financing receivables using the effective interest rate method under ASC 310. Installment service fee revenue is not recorded when reasonable doubt exists as to the full, timely collection of installment service fee or principal. We also receive miscellaneous fees, such as penalty fees for late payments, which are contingent fees and are recognized when the event occurs and the payment is made by the customer as that is the point in time collectability is reasonably assured.

Early repayment fees charged by us are recognized when the early repayment occurs and the payments of the fees are made by the borrowers.

We also charge fees for collection services related to defaulted payments. These fees are recognized when the contingent events occur and the payments of the fee are made by the borrowers as collectability is reasonably assured.

Revenue recognition under ASC 606, “Revenue from contracts with Customers” in Years Ended December 31, 2019, 2020 and 2021

For technical service fees and wealth management service fees, we recognize revenue pursuant to ASC 606, *Revenue from Contracts with Customers* (“ASC 606”). In accordance with ASC 606, revenues from contracts with customers are recognized when control of the promised services is transferred to the our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services, reduced by Value Added Tax (“VAT”). To achieve the core principle of this standard, we applied the following five steps:

1. Identification of the contract, or contracts, with the customer;
2. Identification of the performance obligations in the contract;
3. Determination of the transaction price;
4. Allocation of the transaction price to the performance obligations in the contract; and
5. Recognition of the revenue when, or as, a performance obligation is satisfied.

Technical service fees

Under ASC 606, we consider the online credit assessment and referral service and post-lending management service, collectively, and guarantee service as two separate services, of which, the guarantee service is accounted for at fair value in accordance with ASC 460, *Guarantees*. Revenue from the guarantee service is recognized once we are released from the underlying risk. (see Note 2(r) to our consolidated financial statements included elsewhere in this annual report).

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We identify one performance obligation under ASC 606, as the online credit assessment and referral service and post-lending management service are not distinct.

We determine the transaction price of technical service to be the service fees chargeable from the borrowers or institutional financial partners, net of value-added tax and excluding the transaction price allocated to guarantee liabilities.

Revenues from technical services are recognized over time since the customers simultaneously receive and consume the benefits provided by our technical service as it is performed. For technical service fees charged to borrowers, we recognize revenue during the service period. For technical service fees charged to other financial partners, we apply the invoice practical expedient and recognize revenue in the amount to which we have a right to invoice.

Wealth management service fee and others

We earn wealth management service fee from commission on financial products distributed through the our platform that were sold by these asset management, and providing brokerage service for insurance companies.

For wealth management service fee and others, the only performance obligation is to distribute the wealth management on our platforms for the third-party asset management companies. We recognize commissions on a net basis as we are not the primary obligor, as we do not have the ability to establish the price nor do we bear the credit risk. The revenue is recognized at a point in time when the performance obligation is satisfied, which occurs when the underlying transaction is executed.

We provide insurance brokerage service primarily distributing insurance products as broker to insurance companies and earns brokerage commission revenue determined as a percentage of premiums paid by the insured. The commission rate is based on the bill provided by the insurance company, and it is also under tight regulation of the CBIRC. As the our performance obligation under brokerage service is to sell the insurance policy on behalf the insurance companies, the brokerage services revenue is recognized at the point in time when the insurance policy is signed and the premium is collected by insurance company.

Contract liability

Contract liability consists of technical service fees received from borrowers before we have a right to invoice, and is recorded as “Deferred service fee” included in “Accrued expenses and other liabilities” on the consolidated balance sheets. For monthly consulting fee which is received monthly from customers and upfront fee which is received upon the successful matching of the loans, contract liability is recognized as revenue when service is provided. The amount of revenue recognized during the years ended December 31, 2020 and 2021 that was previously included in the contract liabilities balance as of December 31, 2019 and 2020 was RMB66.6 million and RMB6.9 million, respectively.

Provision for credit losses

We assess the creditworthiness and collectability of the portfolios of respective financial assets, mainly based on delinquency levels and historical charge offs of respective underlying on- and off-balance sheet loans, where applicable, using an established systematic process on a pooled basis within each credit risk levels of the borrowers. Each portfolio of respective financial asset subject to credit losses within each credit risk level consists of individually small amount of on- and off-balance sheet loans. In the consideration of above factors, we determine that each portfolio of respective financial asset subject to credit losses within each credit risk level is homogenous with similar credit characteristics.

Our provision for credit losses of financial assets is calculated separately within each credit risk level of the borrowers. For each credit risk level, we estimate the expected loss rate based on delinquency status of the respective financial assets within that level: current, 1 to 30, 31 to 60, 60 to 90, 91 days or greater past due. These loss rates in each delinquency status are based on average historical loss rates of financial assets subject to credit losses associated with each of the abovementioned delinquency categories. The expected loss rate of the specific delinquency status category within each risk level will be applied to the applicable outstanding balances of respective financial assets within that level to determine the provision for credit losses for each reporting period. In addition, we consider other general economic conditions, if any, when determining the provision for credit losses.

We had a reversal of provision for credit losses related to financing receivables of RMB 1.9 million for the year ended December 31, 2021, and provision for credit losses related to financing receivables of RMB 45.1 million and RMB 33.9 million for the years ended December 31, 2020 and 2019, respectively. For the year ended December 31, 2021, a 10% increase in our estimate of the reversal of provision for credit losses related to financing receivables would decrease our pre-tax loss by approximately 0.2%.

Financial guarantee

Financial guarantee liabilities

For the off-balance sheet loans funded by certain financial partners, we are obligated to compensate the financial partners for the principal and interest of the defaulted loans in the event of borrowers’ default. In general, any unpaid principal and interest are paid by us when the borrower does not repay as scheduled.

We historically had provided guarantee to individual investors for loans that we had referred and funded through Jimu Group before December 2019 and Jimu Group announced its exit from the online lending platform business in February 2020. We are obligated to compensate certain institutional financial partners for defaults on principal and interest repayments. We recognize a stand ready obligation for our guarantee exposure in accordance with ASC 460.

At the inception of each loan subject to the guarantee provided, we recognize the guarantee liability at fair value in accordance with ASC 460-10, which incorporates the expectation of potential future payments under the guarantee and takes into both non-contingent and contingent aspects of the guarantee. The liability recorded based on ASC 460 is determined on a loan-by-loan basis. As the risk of the guarantee liability is relieved, it is recognized into the consolidated statements of operation and comprehensive income/(loss) by a systematic and rational amortization method over the term of the loan, within the “Technical service fees” line item.

For the years ended December 31, 2019, 2020 and 2021, revenues recognized related to releasing of guarantee liabilities were RMB407.4 million, RMB138.5 million and RMB27.0 million (US\$4.2 million), respectively.

The ASC 450 component is a contingent liability determined based on probable loss considering the actual historical performance and current conditions, representing the obligation to make future payouts under the guarantee liability in excess of the stand-ready liability. The ASC 450 contingent component is determined on a collective basis and loans with similar risk characteristics are pooled into cohorts for purposes of measuring incurred losses. At all times the recognized liability (including the stand ready liability and contingent liability) is at least equal to the probable estimated losses of the guarantee portfolio. The ASC 450 contingent component, including the net payouts by us when borrower defaults, is recognized as cost on guarantee, in the consolidated statement of operations and comprehensive income/(loss). As of December 31, 2020 and 2021, the maximum potential future payment we could be required to make were RMB215.7 million and RMB30.3 million, respectively.

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Financial guarantee assets

Financial guarantee assets are recognized at loan inception which is equal to the stand-ready liability recorded at fair value in accordance with ASC 460 and considers what premium would be required by us to issue the same guarantee service in a standalone arm's-length transaction. Financial guarantee assets are reduced upon the receipt of the service fee payment from the borrowers and financial partners.

We assess the realization of the financial guarantee assets collectively depending on factors such as delinquency rate, size, and other risk characteristics of the portfolio and records an allowance for amounts that it estimates will not be realized. For the year ended December 31, 2019, we recorded an expense of RMB12.5 million. For the year ended December 31, 2020, we recorded a reversal of RMB8.1 million in the statement of operations and comprehensive income/(loss). For the year ended December 31, 2021, we recorded a reversal of RMB0.4 million in the statement of operations and comprehensive income/(loss).

As of December 31, 2021, a 10% increase in our estimate of financial guarantee assets and liabilities would increase our total assets and liabilities by approximately 0.17% and 0.17%, respectively.

Share-based compensation expenses

All share-based awards granted to employees, including restricted ordinary shares and share options, are measured at fair value on grant date. Share-based compensation expense is recognized using the straight-line method or graded vesting method, net of estimated forfeitures, over the requisite service period, which is the vesting period.

Prior to the Reorganization, all the options and restricted ordinary shares were granted by Jimu Group with its own underlying shares. The Binomial option pricing model is used to estimate fair value of the share options and restricted ordinary shares. The determination of estimated fair value of share-based payment awards on the grant date using an option pricing model is affected by the fair value of Jimu Group's ordinary shares as well as assumptions regarding a number of complex and subjective variables. These variables include the expected value volatility of Jimu Group's shares over the expected term of the awards, actual and projected employee share option exercise behaviors, a risk-free interest rate and any expected dividends. Shares of Jimu Group, which do not have quoted market prices, were valued based on the income approach. Determination of estimated fair value of Jimu Group's shares requires complex and subjective judgments due to their limited financial and operating history, unique business risks and limited public information on companies in China similar to Jimu Group.

Forfeitures are estimated at the time of grant and revised in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting option and records share-based compensation expenses only for those awards that are expected to vest.

In connection with the Reorganization and as a result of the anti-dilution provision in the option plan and agreement regarding the options issued by Jimu Group, all the options to purchase the underlying Pintec ordinary shares were issued by us as of March 27, 2018. In accordance with ASC 718, exchanges of share options or other equity instruments or changes to their terms in conjunction with an equity restructuring (i.e. the Reorganization) are modifications of the share options and that the accounting for a modification in conjunction with an equity restructuring requires a comparison of the fair value of the modified awards with the fair value of the original award immediately before the modification in accordance with ASC 718. With respect to the Pintec options and Jimu Group options held by the employees of us, we determined to recognize share-based compensation expense in its consolidated financial statements the remaining unrecognized compensation cost pertaining to the unvested options of Jimu Group which are retained by the employees of us, in addition to the cost pertaining to the unvested options issued by us to our employees in connection with the equity restructuring. Incremental fair value, if any, for unvested awards would be recognized prospectively in the consolidated financial statements of us.

After the completion of Reorganization, all the options and restricted ordinary shares were granted by us with our own underlying shares. For share options for the purchase of ordinary shares granted to employees determined to be equity classified awards, the related share-based compensation expenses are recognized in the consolidated financial statements based on their grant date fair values that are calculated using the binomial option pricing model. The determination of the fair value is affected by the share price as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, actual and projected employee share option exercise behavior, risk-free interest rates and expected dividends.

For share options granted with service condition and the occurrence of an IPO as performance condition, share-based compensation expenses are recorded net of estimated forfeitures using graded-vesting method during the requisite service period. Cumulative share-based compensation expenses for the options that have satisfied the service condition, amounting to RMB94.8 million, were recorded upon the completion of the IPO.

Deferred income tax

Deferred income taxes are recognized for temporary differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements, net operating loss carry forwards and credits. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in which temporary differences are expected to be reversed or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the consolidated statement of operations and comprehensive income/(loss) in the period of the enactment of the change.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. We consider positive and negative evidence when determining whether a portion or all of our deferred tax assets will more likely than not be realized. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carry-forward periods, our experience with tax attributes expiring unused, and our tax planning strategies. The ultimate realization of deferred tax assets is dependent upon our ability to generate sufficient future taxable income within the carry-forward periods provided for in the tax law and during the periods in which the temporary differences become deductible. When assessing the realization of deferred tax assets, we have considered possible sources of taxable income including (i) future reversals of existing taxable temporary differences, (ii) future taxable income exclusive of reversing temporary differences and carry-forwards, (iii) future taxable income arising from implementing tax planning strategies, and (iv) specific known trends of profits expected to be reflected within the industry.

Valuation allowances

As of December 31, 2019, we provided full valuation allowance of RMB229.2 million for the deferred tax assets derived from the provision for credit losses related to Jimu Group and the impairment loss on prepayment of long term investment, which we considered and assessed had a remote chance to be utilized in the future, either by subsequent collection or approval from the relevant tax authorities for the deduction of the tax allowance on provision for credit losses and impairment loss.

As of December 31, 2020 and 2021, we provided a full valuation allowance of RMB242.6 million and RMB234.3 million, respectively, for the deferred tax assets of Shanghai Anquying, the net income of which dropped significantly during the year ended December 31, 2020 and 2021, and we consider it more likely than not that Shanghai Anquying could not generate sufficient pre-tax profit in the next five consecutive years and the deferred tax assets will not be utilized in the future.

In September, 2021, the Group disposed FT Group, and valuation allowance decrease in the net amount of RMB5.9 million.

As of December 31, 2021, we had net operating loss carryforwards of approximately RMB0.03 million, RMB10.2 million and RMB287.2 million for entities incorporated in Australia, Hong Kong and PRC mainland, respectively. As of December 31, 2021, the net operating loss carryforwards from PRC mainland of RMB33.5 million, RMB53.3 million, RMB49.2 million, RMB60.3 million and RMB90.9 million will expire, if unused, by 2022, 2023, 2024, 2025 and 2026, respectively. For the year ended December 31, 2021, a 10% increase in our estimate of valuation allowance would decrease our net loss by approximately 3.2%.

Out-of-Period Corrections

During 2021, we recorded two out-of-period adjustments to correct prior period errors relating to bad debt allowance of accounts receivable of RMB2.9 million and impairment of intangible assets of RMB3.1 million. Since the amortization of intangible assets for the year ended December 31, 2021 was 3.7 million, we made the full provision of impairment of intangible assets of RMB3.1 million at the end of 2021. We evaluated the impacts of the out-of-period adjustment to correct the errors for year ended December 31, 2021 and for prior periods, both individually and in the aggregate, and concluded that the adjustments were not material to our consolidated financial statements for all impacted periods.

Recent Accounting Pronouncements

A list of recently issued accounting pronouncements that are relevant to us is included in Note 2(ff) to our consolidated financial statements included elsewhere in this annual report.

B. Liquidity and Capital Resources

The following table sets forth a summary of our cash flows for the period presented:

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Summary Consolidated Cash Flows Data:				
Net cash provided by/(used in) operating activities	175,079	56,963	(32,182)	(5,051)
Net cash (used in)/provided by investing activities	(538,702)	192,619	(119,464)	(18,747)
Net cash provided by/(used in) financing activities	224,372	(286,639)	(132,334)	(20,766)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	10,114	(21,503)	(13,578)	(2,131)
Net decrease in cash, cash equivalents and restricted cash	(129,137)	(58,560)	(297,558)	(46,695)
Cash, cash equivalents and restricted cash at beginning of the period	710,041	580,904	522,344	81,968
Including:				
Cash and cash equivalents at beginning of the year	457,442	102,755	377,160	59,185
Restricted cash at beginning of the year	252,599	382,695	137,220	21,533
Non-current restricted time deposits at beginning of the year	—	95,454	7,964	1,250
Cash, cash equivalents and restricted cash at end of the year	580,904	522,344	224,786	35,273
Including:				
Cash and cash equivalents at end of the year	102,755	377,160	217,901	34,193
Restricted cash at end of the year	382,695	137,220	1,468	230
Non-current restricted time deposits at end of the year	95,454	7,964	5,417	850

As of December 31, 2021, we had RMB217.9 million (US\$34.2 million) in cash and cash equivalents, of which RMB209.6 million (US\$32.9 million) was denominated in Renminbi and held at banks in China and US\$1.0 million was denominated in U.S. dollars and held at banks located in or outside of China. As of the same date, RMB41.6 million (US\$6.5 million) of our cash and cash equivalents was held by our variable interest entities. Our cash and cash equivalents consist of cash on hand, time deposits, and funds held in deposit accounts with banks that are highly liquid and have original maturities of three months or less and are unrestricted as to withdrawal or use.

Historically, we operated as a separate business within the Jimu Group, and our principal source of liquidity was capital contributions from Jimu Group. Since 2017, we have been carrying out our own debt and equity financing. In November 2017, we began issuing convertible loans convertible into shares of our company, and in May 2018, all of the outstanding convertible loans, which had a principal amount of US\$39.5 million, were converted into series A-1 preferred shares. In May 2018, we issued series A-2 preferred shares to a group of investors for an aggregate consideration of US\$64.0 million. In addition, we entered into a loan agreement with Ms. Xuan Zhang, an individual who is not affiliated with our company investing on behalf of her high net worth extended family, in January 2018, and a supplementary loan agreement in March 2018, pursuant to which we borrowed an unsecured general loan of RMB564.0 million with an interest rate of approximately 10.3% and a term of one year. The loan is intended for repayment of loan payables to third party individual investors matched through Jimu Box. We have repaid the remaining outstanding balance prior to August 2018, using cash on hand and the proceeds from two loans from Xijin (Shanghai) Venture Capital Management Co., Ltd., which is the parent of one of our shareholders. In October 2018, we raised approximately US\$40.7 million in net proceeds from our initial public offering, after deducting underwriting commissions and the offering expenses payable by us, including the net proceeds we received from the underwriters' partial exercise of their over-allotment option. In December 2018, Minheng agreed with Xijin (Shanghai) Venture Capital Management Co., Ltd. to extend the maturity dates for both of its loans to May 15, 2019. See "Item 7. Major Shareholders and Related Party Transactions—Shareholder Loans."

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In August 2019, Shanghai Anquying Technology Co., Ltd., or Shanghai Anquying, entered into a loan agreement with Shanghai Mantu and other parties, pursuant to which Shanghai Mantu agreed to loan RMB100.0 million (US\$14.4 million) to Shanghai Anquying for a term of one year at an annual interest rate of 8%. Ganzhou Aixin Micro Finance and Mr. Jun Dong, our director, agreed to guarantee Shanghai Anquying's obligations under the loan agreement. In addition, Shanghai Anquying agreed to pledge its shares in Ganzhou Aixin Micro Finance as security for Shanghai Anquying's obligations under the loan agreement. We also agreed to issue warrants to Mandra iBase Limited, exercisable within three years, to purchase certain ordinary shares of our company at an exercise price of US\$0.5678 per Class A ordinary share, equal to a price per ADS of US\$3.9746; as of December 31, 2021, Mandra iBase Limited still held warrants to purchase up to approximately 26,417,753 Class A ordinary shares of our company. As of December 2, 2020, Shanghai Anquying had fully discharged its obligations under the loan agreement, and the pledged shares had been released.

We entered into two loan agreements with Jimu Group on July 19, 2019, to formally document amounts due from Jimu Group that were attributable to cash advances we made to Jimu Group outside of the ordinary course of business in both U.S. dollars and Renminbi. As of December 31, 2019, we had RMB748.4 million in current amounts due from Jimu Group and RMB117.6 million in non-current amounts. The U.S. dollar-denominated loan matured on January 31, 2020 but Jimu Group failed to repay the amount due by the maturity date and the loan went into default. The Renminbi-denominated loan matured on January 31, 2022. See "Item 7. Major Shareholders and Related Party Transactions—Transactions and Agreements with Jimu Group—Cash Advances and Loan Agreements" for more details.

In December 2019, we acquired a controlling stake in Shenzhen Xinyuhao Technology Co., Ltd., or Shenzhen Xinyuhao, for a consideration of RMB200,000 and subsequently injected capital of RMB199.9 million. In the same month, Shenzhen Xinyuhao purchased financing receivables from an unrelated third party for RMB200.0 million, which Jimu Group provided an unconditional commitment to repurchase within six months. The financing receivables were long overdue loans from Jimu Group's platform and recovery through collection is remote. In January 2020, Shenzhen Xinyuhao required Jimu Group to repurchase these financing receivables. However, Jimu Group failed to perform its commitment to repurchase the financing receivables. Since Jimu Group is insolvent and announced its exit from the online lending platform business in February 2020, we determined that these amounts are unrecoverable. As of December 31, 2021, we had RMB846.3 million in current amounts due from Jimu Group and nil in non-current amounts, and we made a provision of RMB846.3 million for the amount due from Jimu Group.

In October 2020, we entered into certain equity transfer agreements with Ningxia Fengyin to acquire all equity interests in Chuanxi Technology, with a total consideration of RMB400.0 million (US\$61.3 million). Pursuant to the agreements, we issued a warrant to an entity designated by Ningxia Fengyin to purchase, in a private placement, up to 320,036,576 of our Class A ordinary shares at par value US\$0.000125 per share. The warrant is exercisable immediately and will expire on the third anniversary of the closing date, i.e., October 22, 2020. If the warrant is exercised before its expiration date, we will be released from the obligation of paying the corresponding portion of the consideration. The un-released portion of the debt bears an annual interest rate of 8.75%, and the interest is payable quarterly. By closing the acquisition on the closing date, we obtained control over Chuanxi Technology, which has no operations, as well as RMB400.0 million (US\$61.3 million) in its bank account. To secure the debt due to Ningxia Fengyin, on December 2, 2020, we pledged 100% of the equity interest of Ganzhou Aixin Micro Finance to Ningxia Fengyin. In November 2020, we paid transaction service fee of RMB4.0 million to Guangdong Huawei Industry Group Co., Ltd., one of our related parties, as agreed. Since the warrant is not detachable from the debt and is not a derivative, and no cash conversion features and beneficial conversion features are contained in the instrument, the debt and the warrant were accounted together as a liability equal to the proceeds received in entirety. Such acquisition to obtain cash in the amount of RMB400.0 million is in substance an issuance of a convertible debt with a principal of RMB400.0 million for a term of three years at an annual interest rate of 8.75% that is convertible to our Class A ordinary shares.

In 2021, we did not enter into new arrangement which may cause significant cash out flow in future.

The financing receivables that are recorded on our balance sheet in connection with most of our point-of-sale installment loans and some of our personal installment loans currently remain on our balance sheet until they are paid in full or written off. See "—Funding Sources and Credit Risk." Consequently, access to capital is a potential constraint on the growth of our business. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We may not be able to obtain additional capital when desired, on favorable terms or at all." Independent financial solution providers that bear minimal credit risks, such as ourselves, have generally experienced unfavorable market conditions in China. To address the market challenges, in 2019, we had credit risk for a higher proportion of our funding than we did at the time of our initial public offering. Starting from 2020, aligned with our strategic shift of business focus towards providing digital-centric services, we have gradually reduced a significant portion of our technical services using a risk-sharing model, leading to lower credit risk (without taking into account the impact of COVID-19), and this trend continued in 2021. As of December 31, 2021, we ceased providing guarantees through our variable interest entities for loans that we facilitated with any financial partners. We may require additional financing to continue to expand our operations.

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We believe our cash on hand will be sufficient to meet our current and anticipated needs for general corporate purposes for at least the next 12 months. However, for the reasons discussed above, we may decide to enhance our liquidity position or increase our cash reserve through additional capital and finance funding. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

In utilizing the proceeds we received from our initial public offering, we may make additional capital contributions to our PRC subsidiaries, establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, make loans to our PRC subsidiaries, or acquire offshore entities with business operations in China in offshore transactions. However, most of these uses are subject to PRC regulations and approvals. For example:

- capital contributions to our PRC subsidiaries must be approved by the Ministry of Commerce or its local counterparts; and
- loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local branches.

See “Item 4. Information on the Company B. Business Overview—Regulations—Regulations Related to Foreign Currency Exchange.”

Substantially all of our future revenues are likely to be in Renminbi. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval as long as certain routine procedural requirements are fulfilled. Therefore, our PRC subsidiaries are allowed to pay dividends in foreign currencies to us without prior SAFE approval by following certain routine procedural requirements. However, approval from or registration with competent government authorities is required where the Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future.

Operating Activities

Net cash used in operating activities for the year ended December 31, 2021 was RMB32.2 million (US\$5.1 million), as compared to a net loss of RMB108.8 million (US\$17.1 million). The difference between our net loss and our net cash provided by operating activities was primarily attributable to an increase of RMB19.0 million (US\$3.0 million) in amounts due to related parties, an increase of RMB12.4 million (US\$1.9 million) in depreciation and amortization, an increase of RMB11.3 million (US\$1.8 million) in accounts payable and a decrease of RMB10.5 million (US\$1.6 million) in accounts receivable, an increase of RMB7.0 million (US\$1.1 million) in accrued expenses and other liabilities, a decrease of RMB6.5 million (US\$ 1.0 million) in financial guarantee assets, RMB5.5 million (US\$0.9 million) in loss from disposal of a subsidiary, a decrease of RMB4.6 million (US\$0.7 million) in prepayments and other current assets, an increase of RMB3.9 million (US\$0.6 million) in tax payable, an increase of RMB3.8 million (US\$0.6 million) in share-based compensation expenses, a decrease of RMB3.5 million (US\$0.5 million) in amounts due from related parties, RMB3.1 million (US\$0.5 million) in impairment loss of goodwill and intangible assets, partially offset by a reversal for doubtful accounts and credit losses of RMB7.3 million (US\$1.1 million) and an increase of RMB6.5 million (US\$1.0 million) of financial guarantee liabilities. Our amounts due to related parties mainly arose from collecting principal and interests from borrowers on behalf of Jimu Group. See “Item 7. Major Shareholders and Related Party Transactions—Transactions and Agreements with Jimu Group.”

Net cash provided by operating activities for the year ended December 31, 2020 was RMB57.0 million (US\$8.7 million), as compared to a net loss of RMB296.1 million (US\$45.4 million). The difference between our net loss and our net cash provided by operating activities was primarily attributable to non-cash adjusting items including RMB69.4 million (US\$10.6 million) in impairment loss of goodwill and intangible assets, RMB15.9 million (US\$2.4 million) in impairment on equity-method investment, RMB51.0 million (US\$7.8 million) in provision for doubtful accounts, RMB46.9 million (US\$7.2 million) in deferred income tax and credit losses and RMB18.9 million (US\$2.9 million) in accretion of debt instrument, and an increase of RMB261.2 million (US\$40.0 million) in amounts due to related parties, a decrease of RMB83.8 million (US\$12.8 million) in financial guarantee assets and a decrease of RMB17.2 million (US\$2.6 million) in accounts receivable, partially offset by a decrease of RMB91.1 million (US\$14.0 million) in accrued expenses and other liabilities, a decrease of RMB81.7 million (US\$12.5 million) in financial guarantee liabilities, a decrease of RMB47.4 million (US\$7.3 million) in accounts payable, a decrease of RMB22.2 million (US\$3.4 million) in short-term and long-term funding debts and a decrease of RMB12.8 million (US\$2.0 million) in tax payable. Our amounts due to related parties mainly arose from collecting principal and interests from borrowers on behalf of Jimu Group. See “Item 7. Major Shareholders and Related Party Transactions—Transactions and Agreements with Jimu Group.”

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Net cash provided by operating activities for the year ended December 31, 2019 was RMB175.1 million, as compared to a net loss of RMB906.5 million. The difference between our net loss and our net cash provided by operating activities was primarily attributable to non-cash adjusting items including RMB961.9 million in provision for doubtful accounts and credit losses and RMB200.0 million in impairment of prepayment of long-term investment, and a decrease of RMB112.5 million in financing receivables, an increase of RMB86.4 million in financial guarantee liabilities and a decrease of RMB83.0 million in amounts due from related parties, partially offset by a decrease of RMB172.8 million in short-term and long-term funding debts, an increase of RMB86.9 million in financial guarantee assets, a decrease of RMB63.7 million in accrued expenses and other liabilities, an increase of RMB49.8 million in accounts receivable and a decrease of RMB30.5 million in amounts due to related parties. Our amounts due to related parties mainly arose from allocation of expenses between us and Jimu Group. See “Item 7. Major Shareholders and Related Party Transactions—Transactions and Agreements with Jimu Group.”

Investing Activities

Net cash used in investing activities for the year ended December 31, 2021 was RMB119.5 million (US\$18.7 million), consisting primarily of RMB306.8 million (US\$48.1 million) in collection of principal on financing receivables, offset by RMB326.6 million (US\$51.3 million) in financing receivables facilitated and RMB100.0 million (US\$15.7 million) in prepayment of intent acquisition. We record and collect significant volumes of financing receivables primarily in connection with the point-of-sale installment loans that we facilitate.

Net cash provided by investing activities for the year ended December 31, 2020 was RMB192.6 million (US\$29.5 million), consisting primarily of RMB691.7 million (US\$106.0 million) in collection of principal on financing receivables and RMB40.0 million (US\$6.1 million) in collection of loan from Jimu Group, partially offset by RMB361.0 million (US\$55.3 million) in financing receivables facilitated, RMB97.8 million (US\$15.0 million) in purchase of property, equipment and software, RMB41.5 million (US\$6.4 million) in purchase of long-term investments and RMB40.0 million (US\$6.1 million) in loans provided to Jimu Group. We record and collect significant volumes of financing receivables primarily in connection with the point-of-sale installment loans that we facilitate.

Net cash used in investing activities for the year ended December 31, 2019 was RMB538.7 million, consisting primarily of RMB1,988.9 million in financing receivables facilitated, RMB697.8 million in net cash advance to Jimu Group, RMB200.0 million in prepayment for long-term investment, RMB137.0 million in loans provided to Jimu Group and RMB91.5 million in purchase of long-term investment, partially offset by RMB2,313.2 million in principal collection on financing receivables, RMB135.3 million in loan collection from a third party and RMB122.0 million in collections of loans from Jimu Group. We record and collect significant volumes of financing receivables primarily in connection with the point-of-sale installment loans that we facilitate.

Financing Activities

Net cash used in financing activities for the year ended December 31, 2021 was RMB132.3 million (US\$20.8 million), consisting primarily of RMB130.0 million (US\$20.4 million) in repayment of borrowings.

Net cash used in financing activities for the year ended December 31, 2020 was RMB286.6 million (US\$43.9 million), consisting primarily of RMB320.0 million (US\$49.0 million) in repayment of borrowings, RMB296.7 million (US\$45.5 million) in principal repayment on funding debts, RMB100.0 million (US\$15.3 million) in repayment of debt instrument and RMB20 million (US\$3.1 million) in repayment of notes payable, partially offset by RMB400.0 million (US\$61.3 million) in proceeds from issuance of convertible loan and RMB50.0 million (US\$7.7 million) in proceeds from borrowings.

Net cash provided by financing activities for the year ended December 31, 2019 was RMB224.4 million, consisting primarily of proceeds from funding debts of RMB682.1 million, partially offset by principal payment on funding debts of RMB904.1 million. Funding debts primarily represent the proceeds from individual investors, the asset-backed securitized debts or the consolidated trusts that we use to fund our financing receivables. We also had proceeds from borrowings of RMB495.0 million offset by principal repayment on borrowings of RMB315.0 million, investment from non-controlling interest of RMB170.2 million, and proceeds of RMB100.0 million from issuance of debt instrument

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Capital Expenditures

Our capital expenditures are primarily incurred for purchases of property, equipment and software. Historically, the amount of our capital expenditures has been small. Our capital expenditures were RMB10.0 million in 2019, RMB97.8 million in 2020, and RMB0.2 million (US\$0.03 million) in 2021. We intend to fund our future capital expenditures with our existing cash balance and proceeds from our initial public offering. We will continue to incur capital expenditures as needed to meet the expected growth of our business.

Off-Balance Sheet Commitments and Arrangements

We historically have provided financial guarantees through our subsidiaries or variable interest entities for loans that we facilitated with certain financial partners. In 2018, the only such arrangements that were not recorded on our balance sheet were with Guotou Micro Lending Company, a wholly owned subsidiary of China National Investment and Guaranty Corporation. The purpose of these arrangements was to induce Guotou Micro Lending Company to provide funding for loans that we facilitated. The revenue we generated from the facilitation of loans funded by Guotou Micro Lending Company in 2019, 2020 and 2021 was RMB83.4 million, RMB43.2 million and RMB 2.1 million (US\$0.3 million), respectively, and release of financial guarantee liabilities in 2019, 2020 and 2021 was RMB51.4 million, RMB38.8 million and RMB1.6 million (US\$0.3 million), respectively. Guotou Micro Lending Company provided approximately 17.4%, 13.2% and nil of the total funding for the loans we facilitated in 2019, 2020 and 2021, respectively.

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Starting in 2019, Jimu Group has required that we provide financial guarantees for the loans we facilitate that are funded through Jimu Box, the online consumer finance platform operated by Jimu Group. The guarantee only covers those loans that are not recorded on our balance sheet. Jimu Box used to be the single largest funding source for loans facilitated through our platform, but our dependence on Jimu has decreased since 2017 with the diversification of our funding sources. Jimu Box was the funding source for 24.3%, 3.6% and 0.2% of the outstanding loans as of December 31, 2019, 2020 and 2021, respectively. Funding from Jimu Box decreased significantly in 2019. Funding from Jimu Box has further decreased since Jimu Group announced its exit from the online lending platform business in February 2020. We did not have any further funding from Jimu Box since February 15, 2020.

Other than the financial guarantees described in the preceding paragraph, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any unconsolidated third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2021:

	Payment due by schedule				Total
	Less than 1 year	1–2 years	2–3 years	More than 3 years	
Office rental	8,220	7,581	3,791	—	19,592

Operating lease agreements represent non-cancellable operating leases for our office premises and the facilities that contain our system hardware and remote backup system.

Other than those shown above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of December 31, 2021.

C. Research and Development, Patents and Licenses, etc.

See “Item 4. Information on the Company—B. Business Overview—Technology” and “Item 4. Information on the Company—B. Business Overview—Intellectual Property.”

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2021 that are reasonably likely to have a material and adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future results of operations or financial conditions.

E. Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires our management to make estimates that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenues and expenses during the reporting periods. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on our own historical experience and other assumptions that we believe are reasonable after taking account of our circumstances and expectations for the future based on available information. We evaluate these estimates on an ongoing basis.

Our expectations regarding the future are based on available information and assumptions that we believe to be reasonable, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. When reading our consolidated financial statements, you should consider our selection of critical accounting policies, the judgment and other uncertainties affecting the application of such policies and the sensitivity of reported results to changes in conditions and assumptions. For a detailed discussion of critical accounting estimates and related judgement of (ii) Provision for credit losses; (iii) Financial guarantee; (v) Valuation allowance of deferred tax assets. See “—A. Operating results—Critical Accounting Policies and Estimates.”

Item 6. Directors, Senior Management and Employees**A. Directors and Executive Officers**

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

<u>Directors and Executive Officers</u>	<u>Age</u>	<u>Position/Title</u>
Victor Huike Li*	49	Director, Chief Executive Officer and acting Chief Financial Officer
Jun Dong	45	Chairman of the Board of Directors
Zehua Shi	40	Director
Tixin Li**	45	Director
Jimin Zhuo	50	Independent Director
Yong Chen	46	Independent Director
Xueping Ning	46	Independent Director

* Mr. Steven Yuan Ning Sim ceased to be our chief financial officer on August 13, 2021. On the same day, Dr. Victor Huike Li was appointed as the Company's acting chief financial officer until a suitable candidate for chief financial officer is identified.

** Mr. Wei Wei ceased to be our director on January 26, 2022 but continues to be an employee of ours. Mr. Tixin Li was appointed as a new member of the Board of our company to fill in the vacancy created by Mr. Wei's resignation on January 28, 2022.

Dr. Victor Huike Li has joined served as our director and chief executive officer since August 2020. He was also appointed as our acting chief financial officer on August 13, 2021 to fill in the vacancy created by Mr. Steven Yuan Ning Sim's resignation, until a suitable candidate for chief financial officer is identified. Dr. Li joined us in 2019 subsequent to the acquisition of InfraRisk. Dr. Li first served as head of international business and then as executive vice president for us prior to his current roles. Dr. Li is a serial entrepreneur and IT industry veteran, with more than 20 years of experience in building and commercializing cutting-edge technologies. Prior to joining us, Dr. Li had served multiple senior executive positions in both China and Australia, accumulating a comprehensive set of industry experiences in such areas as R&D, consulting, business development, and management. Dr. Li was the founder and CEO of VanceInfo Technologies Australia Inc., wherein he established the first China-based IT services firm in Australia and drove its expansion across the Asia-Pacific region. Dr. Li was also the co-founder of InfraRisk, a leading supplier of credit management solutions in Australia. Dr. Li received his bachelor's and master's degrees in electrical engineering from the Beijing Institute of Technology, and his Ph.D. in computer science from University of Melbourne.

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Mr. Jun Dong has served as our director since our inception. He was elected as the chairman of our board of directors and was named as our acting chief executive officer in September 2019. Mr. Dong resigned from his position as our acting chief executive officer in August 2020 as a result of Dr. Li's appointment. He has also served as the chairman of the board of Jimu Holdings Limited since its inception and as the chairman of the board of directors of Ever Smart International Holdings Limited since 2017. Mr. Dong has over 15 years of experience in the finance industry. Between 2005 and 2008, Mr. Dong served as investment manager with Bank Hapoalim in New York. Mr. Dong received his MBA degree from University of Connecticut in 2003 and his bachelor's degree in tourism management from Yunnan University in 1999. He received his EMBA degree from China Europe International Business School in 2013. He holds Chief Financial Analyst Charter and Certified Management Accountants and Certified Financial Manage certifications.

Mr. Zehua Shi has served as our director since May 2020. Mr. Shi has served as the chairman of the board of directors for Guangdong HMM Industry Group since April 2019 and Shenzhen Longway Technology Co., Ltd. since January 2015. From October 2017 to April 2019, Mr. Shi served as the chairman of the board of directors for Zhuhai HMM Industry Group. From September 2008 to September 2015, Mr. Shi held several executive positions at Guangdong Huasheng Electrical Appliances Co., Ltd., including assistant chairman and executive president.

Mr. Tixin Li was appointed on January 28, 2022 as a new member of the Board of our company to fill in the vacancy created by Mr. Wei's resignation. Mr. Li has extensive experience in the finance sector. Mr. Li has served as the executive director for Yuanfeng (Shenzhen) Asset Management Company Limited since March 2017. From July 2014 to March 2017, Mr. Li served as a postdoctoral researcher for China Guangfa Bank. In addition, from July 2004 to November 2012, Mr. Li held several positions at the People's Bank of China, Kunming central branch. Mr. Tixin Li received a Ph.D. degree in economics from Nanjing University in June 2012, and a Master's degree in law from Yunnan University in July 2004.

Mr. Jimin Zhuo has served as our independent director since October 2018. Mr. Zhuo has more than twenty years of professional experience in finance, accounting, tax and auditing. Mr. Zhuo has served as chief financial officer at Beijing Jing-Jin Electric Technologies Co., Ltd. from 2011 to 2012. Prior to that, Mr. Zhuo served as chief accounting officer at VanceInfo Technologies Inc. from 2007 to 2011. Before joining VanceInfo Technologies Inc., Mr. Zhuo served as chief financial officer at Pansky Technology Group from 2005 to 2006. Mr. Zhuo worked in various capacities at Arthur Andersen from 1994 to 2002, at PricewaterhouseCoopers from 2002 to 2004, and at Morgan Stanley from 2004 to 2005. Mr. Zhuo is the author of *Risk Management Based Audit*, *Securities Class Action: China Concept Companies* and *Corporate Governance: China Concept Companies*. Mr. Zhuo obtained his master's degree in law in 2007 from the University of Southern California and his bachelor's degree in accountancy in 1994 from the Central University of Finance and Economics in Beijing. Mr. Zhuo is a member of the Chinese Institute of Certified Public Accountants and an associate member of the American Institute of Certified Public Accountants. Mr. Zhuo also has a China Lawyer Certificate.

Mr. Yong Chen has served as our independent director since August 2019. Mr. Chen is a founder of Kunteng (Hainan) Equity Investment Fund Management Co., Limited. Prior to this role, he served as executive vice president and chief operating officer of Tianya Online Network Technology Co., Ltd. from July 2006 to January 2016. He also served as director and chairman of the compensation committee at Sungy Mobile Limited from April 2014 to April 2015. In addition, he previously worked as the general manager at the Guangzhou branch of Great Wall Broadband Network Services Co., Limited from August 2003 to February 2006. Mr. Chen received a bachelor's degree in computer science and communications from Zhejiang University in China in July 1996.

Ms. Xueping Ning has served as our independent director since January 2021. Ms. Ning has served as an associate professor and master's supervisor at the School of Accounting of Shanghai University of International Business and Economics since August 2013. Ms. Ning has also served as a deputy director in the coordination branch of the Construction Office for Promoting Shanghai into a Science and Innovation Center since March 2020. From November 2009 to August 2013, Ms. Ning served as a lecturer and associate professor at the School of Finance of Shanghai Lixin University of Accounting and Finance. Ms. Ning received her Ph.D. in industrial economics from Xi'an Jiaotong University in September 2009 and completed her postdoctoral research at Chinese Academy of Social Sciences in June 2016.

B. Compensation

For the year ended December 31, 2021, we paid an aggregate of approximately RMB3.7 million (US\$0.6 million) in cash and benefits to our executive officers. We paid our non-executive directors an aggregate of US\$105,000 during the same period. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. Our PRC subsidiaries are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.

Share Incentives

2017 Share Incentive Plan

We adopted a share incentive plan in December 2017, which we refer to as our First Plan, to promote the success of our company and interests of our shareholders by providing a means through which we could grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons and to further link the interests of award recipients with those of our shareholders generally. Under our First Plan, the maximum aggregate number of shares which may be issued pursuant to awards is 45,270,697. Options to purchase a total of 44,109,105 ordinary shares were granted under our First Plan, of which 3,171,441 remained outstanding as of March 31, 2022. Following the adoption of the Second Plan as described below, these grants were assumed under the Second Plan and are being administered pursuant to the Second Plan. We will no longer grant any awards under the terms of the First Plan.

The following paragraphs summarize the terms of our First Plan.

Types of Awards. Our First Plan permits awards of options.

Plan Administration. Our First Plan is administered by our board of directors or by a committee of one or more members designated by our board of directors or another committee (within its delegated authority). The committee or the full board of directors, as applicable, determines, among other things, the eligibility and any particular eligible person to receive awards, the price and number of awards to be granted to each participant and the terms and conditions of each award grant.

Award Agreement. Awards granted under our First Plan are evidenced by an award agreement approved by the administrator that sets forth terms, conditions and limitations for each award.

Exercise Price. The plan administrator determines the exercise price for each award, which is set forth in the applicable award agreement, but subject to certain limits as set forth in our First Plan.

Eligibility. We may grant awards to officers, employees, directors, consultants and advisors of our company or any of our affiliates.

Term of the Awards. The term of each award granted under our First Plan may not exceed ten years from date of the grant.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is set forth in the applicable award agreement.

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Acceleration of Awards upon Change in Control. An award will become immediately vested and exercisable, in full or in part, in the event that a change in control of our company occurs, subject to certain exceptions.

Transfer Restrictions. Awards may not be transferred in any manner by the recipient other than by will or the laws of descent and distribution, except as otherwise provided by the plan administrator.

Termination. Our First Plan will terminate on the date ten years from its adoption, provided that our board may terminate the plan at any time and for any reason.

2018 Share Incentive Plan

In July 2018, our shareholders and board of directors adopted another share incentive plan, which we refer to as our Second Plan, to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of our business. The maximum aggregate number of shares which may be issued pursuant to all awards under our Second Plan is initially 2% of the total number of shares issued and outstanding immediately prior to the completion of our initial public offering, plus an annual increase on September 1 of each year during the ten-year term of our Second Plan commencing on September 1, 2019, by an amount equal to 2% of the total number of shares issued and outstanding on August 31 that year. As of March 31, 2022, options to purchase a total of 4,418,596 ordinary shares were granted and outstanding under our Second Plan, and options to purchase an additional 12,499,560 ordinary shares may still be granted under our Second Plan (including shares carried over from the First Plan).

The following paragraphs describe the principal terms of our Second Plan.

Types of Awards. Our Second Plan permits the awards of options, restricted shares, restricted share units or any other type of awards approved by the plan administrator.

Plan Administration. Our board of directors or a committee of one or more members of the board of directors will administer our Second Plan. The committee or the full board of directors, as applicable, will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award.

Exercise Price. The plan administrator determines the exercise price for each award, which is stated in the award agreement.

Award Agreement. Awards granted under our Second Plan will be evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event that the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

Eligibility. We may grant awards to our employees, directors and consultants of our company or any of our affiliates, which include our parent company, subsidiaries and any entities in which our parent company or a subsidiary of our company holds a substantial ownership interest.

Term of the Awards. The vested portion of options will expire if not exercised prior to the time as the plan administrator determines at the time of its grant. However, the maximum exercisable term is ten years from the date of a grant.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

Transfer Restrictions. Awards may not be transferred in any manner by the recipient other than in accordance with the exceptions provided in our Second Plan, such as transfers by will or the laws of descent and distribution.

Termination. Unless terminated earlier, our Second Plan has a term of ten years. Our board of directors has the authority to amend or terminate the plan. However, no such action may adversely affect in any material way any awards previously granted unless agreed by the recipient.

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The following table summarizes, as of March 31, 2022, the options issued under our share incentive plans to our directors, executive officers and other grantees.

<u>Name</u>	<u>Ordinary Shares Underlying Options Awarded</u>	<u>Exercise Price (\$/Share)</u>	<u>Date of Grant</u>	<u>Date of Expiration</u>
Jun Dong	*	0.000125	July 1, 2018	July 1, 2028
All Directors and Executive Officers as a Group	*			

* Less than 1% of our total outstanding shares.

C. **Board Practices**

Board of Directors

Our board of directors consists of seven directors. A director is not required to hold any shares in our company to qualify to serve as a director. A director may vote with respect to any contract, proposed contract, or arrangement in which he or she is materially interested. The directors may exercise all the powers of the company to borrow money, mortgage its business, property and uncalled capital and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party.

Committees of the Board of Directors

We have established an audit committee and a compensation committee under the board of directors. We have adopted a charter for each of the committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Mr. Jimin Zhuo, Mr. Yong Chen and Ms. Xueping Ning, and is chaired by Mr. Zhuo. Mr. Zhuo, Mr. Chen and Ms. Ning each satisfies the "independence" requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq Stock Market and meets the independence standards under Rule 10A-3 under the Exchange Act. We have determined that Mr. Zhuo qualifies as an "audit committee financial expert." The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent registered public accounting firm; and
- reporting regularly to the board.

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Compensation Committee. Our compensation committee consists of Mr. Jimin Zhuo, Mr. Yong Chen and Ms. Xueping Ning, and is chaired by Mr. Chen. Mr. Zhuo, Mr. Chen and Ms. Ning each satisfies the “independence” requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq Stock Market and meets the independence standards under Rule 10A-3 under the Exchange Act. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated upon. The compensation committee is responsible for, among other things:

- reviewing the total compensation package for our executive officers and making recommendations to the board with respect to it;
- reviewing the compensation of our non-employee directors and making recommendations to the board with respect to it; and
- periodically reviewing and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, and employee pension and welfare benefit plans.

Duties of Directors

Under Cayman Islands law, our directors have fiduciary duties, including duties of loyalty and a duty to act honestly in good faith with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association. We have the right to seek damages if a duty owed by our directors is breached. In limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

Terms of Directors and Officers

Our officers are elected by and serve at the discretion of the board of directors. Our directors are not subject to a term of office and hold office until such time as they are removed from office by ordinary resolution of the shareholders or by the board. A director will be removed from office automatically if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; or (ii) is found by our company to be or becomes of unsound mind.

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with our senior executive officers. Pursuant to these agreements, we may terminate a senior executive officer’s employment without cause upon 60 days’ prior written notice or for cause at any time without remuneration for certain acts of the officer, such as being convicted of any criminal conduct, any act of gross or willful misconduct or any serious, willful, grossly negligent or material breach of any employment agreement provision, or engaging in any conduct which may make the continued employment of such officer detrimental to our company. Under the employment agreements, each senior executive officer grants us a nonexclusive, royalty-free license on any of his or her prior inventions that are related to our business. Each senior executive officer also grants us his or her entire rights to any intellectual property that he or she created, conceived, developed or reduced to practice during his or her term of employment that is related to our business, results from work performed for us, or uses any property of ours. The employment agreements also contain confidentiality, non-disclosure, non-competition, non-solicitation and non-interference provisions.

We also have entered into indemnification agreements with our directors and senior executive officers. Under these agreements, we will agree to indemnify them against certain liabilities and expenses that they incur in connection with claims made by reason of their being a director or officer of our company.

D. Employees

As of December 31, 2021, we had 124 employees, which included 81 in Beijing, 22 in Sichuan, 9 in Shanghai, 9 in Jiangxi, and 3 in Melbourne, Australia. The following table sets forth the numbers of our employees categorized by function as of December 31, 2021.

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	As of December 31, 2021	
	Number	% of Total Employees
Functions:		
Research and development	35	28.2%
Risk management	5	4.0%
Business & Marketing Development	58	46.8%
General and administrative	26	21%
Total number of employees	124	100%

As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including, among other things, housing, pension, medical insurance and unemployment insurance. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

We typically enter into standard employment and confidentiality agreements with our senior management and core personnel. These contracts include a standard non-compete covenant that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for 12 months after the termination of the employment, provided that we pay compensation equal to half a month's salary.

We maintain a good working relationship with our employees, and we have not experienced any material labor disputes. None of our employees are represented by labor unions.

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our shares as of March 31, 2022 by:

- each of our current directors and executive officers; and
- each person known to us to own beneficially 5% or more of our shares.

The calculations in the table below are based on 303,728,618 ordinary shares outstanding as of March 31, 2022, comprising of (i) 252,789,098 Class A ordinary shares, and (ii) 50,939,520 Class B ordinary shares.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

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See “—B. Compensation” for more details on options and restricted shares granted to our directors and executive officers.

	<u>Class A Ordinary Shares</u>	<u>Class B Ordinary Shares</u>	<u>Total Ordinary Shares</u>	<u>% of Beneficial Ownership</u>	<u>% of Aggregate Voting Power†</u>
Directors and Executive Officers:*					
Victor Huike Li	—	—	—	—	—
Jun Dong ⁽¹⁾	1,560,000	35,240,606	36,800,606	12.1	52.1
Wei Wei ⁽²⁾	—	15,698,914	15,698,914	5.2	23.2
Tixin Li ⁽³⁾	—	—	—	—	—
Zehua Shi ⁽⁴⁾	—	—	—	—	—
Yong Chen ⁽⁵⁾	—	—	—	—	—
Xueping Ning ⁽⁶⁾	—	—	—	—	—
Jimin Zhuo ⁽⁷⁾	—	—	—	—	—
All directors and executive officers as a group	1,560,000	50,939,520	52,499,520	17.3	75.3
Principal Shareholders:					
Otov Alfa Holding Limited ⁽⁸⁾	320,036,576	—	320,036,576	51.3	31.5

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	Class A Ordinary Shares	Class B Ordinary Shares	Total Ordinary Shares	% of Beneficial Ownership	% of Aggregate Voting Power ¹
Beansprouts Ltd. ⁽¹⁰⁾	43,220,529	—	43,220,529	14.2	4.3
Flamel Enterprises Ltd. ⁽¹⁾	—	18,448,795	18,448,795	6.1	27.2
New Fortune Fund L.P. ⁽¹¹⁾	18,201,422	—	18,201,422	6.0	1.8
Ventech China II SICAR ⁽¹²⁾	17,679,421	—	17,679,421	5.8	1.7
Xiaomi Ventures Limited ⁽¹³⁾	16,956,487	—	16,956,487	5.6	1.7
Genius Hub Limited ⁽¹⁾	—	16,791,811	16,791,811	5.5	24.5
Wise Plus Limited ⁽²⁾	—	15,698,914	15,698,914	5.2	23.2

Notes:

For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A and Class B ordinary shares as a single class. Each holder of Class B ordinary shares is entitled to fifteen votes per share, subject to certain conditions, and each holder of our Class A ordinary shares is entitled to one vote per share on all matters submitted to them for a vote. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. Our Class B ordinary shares are convertible at any time by the holder thereof into Class A ordinary shares on a one-for-one basis.

* Except for Mr. Jun Dong, Mr. Zehua Shi, Mr. Yong Chen, Mr. Jimin Zhuo and Ms. Xueping Ning, the business address for our directors and executive officers is 9/F Heng An Building, No. 17 East 3rd Ring Road, Chaoyang District, Beijing, the People's Republic of China.

** Less than 1% of our total outstanding shares.

- (1) Represents (i) 18,448,795 Class B ordinary shares directly held by Flamel Enterprises Ltd, (ii) 16,791,811 Class B ordinary shares directly held by Genius Hub Limited and (iii) 1,560,000 Class A ordinary shares that Mr. Dong has the right to acquire upon exercise of option. Mr. Jun Dong is the sole shareholder and the sole director of Flamel Enterprises Ltd. The registered office address of Flamel Enterprises Ltd. is Tortola Pier Park, Building 1, Second Floor, Wickhams Cay I, Road Town, Tortola, British Virgin Islands. Genius Hub Limited is wholly owned and controlled by Coastal Hero Limited, a company incorporated under the laws of the British Virgin Islands. Coastal Hero Limited is controlled by Genesis Trust, a trust established under the laws of the Cayman Islands and managed by TMF (Cayman) Ltd. as the trustee. Mr. Dong is the settlor of Genesis Trust, and Mr. Dong and his family members are the trust's beneficiaries. Under the terms of this trust, Mr. Dong has the power to direct the trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to, the shares held by Genius Hub Limited in our company, and the options we granted to Mr. Dong to purchase 1,560,000 ordinary shares of our company.
- (2) Represents 15,698,914 Class B ordinary shares held by Mr. Wei Wei through Wise Plus Limited, a company incorporated under the laws of British Virgin Islands. The registered office address of Wise Plus Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. Wise Plus Limited is wholly owned and controlled by Beyond Mountain Holdings Limited, a company established under the laws of the British Virgin Islands. Beyond Mountain Holdings Limited is controlled by Beyond Mountain Trust, a trust established under the laws of the Cayman Islands and managed by TMF (Cayman) Ltd. as the trustee. Mr. Wei is the settlor of Beyond Mountain Trust, and Mr. Wei and his family members are the trust's beneficiaries. Under the terms of this trust, Mr. Wei has the power to direct the trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to, the shares held by Wise Plus Limited in our company. Mr. Wei ceased to be our director on January 26, 2022, but continues to be an employee of ours.
- (3) The business address of Mr. Tixin Li is 1215, Fuli Yingfeng building, No. 2, Huaqiang Road, Zhujiang New Town, Guangzhou, Guangdong, China. Mr. Li was appointed on January 28, 2022 as a new member of the Board of our company to fill in the vacancy created by Mr. Wei's resignation.
- (4) The business address of Mr. Zehua Shi is 163 Yinwan Rd., Zhuhai Center 17th Floor, Zhuhai, Guangdong Province, PRC.

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- (5) The business address of Mr. Yong Chen is 18/F Dihao Building, Binhai Avenue, Longhua District, Haikou, Hainan Province, PRC.
- (6) The business address of Ms. Xueping Ning is No.21 Lane 1118, Kangqiao Road, Pudong New Area, Shanghai, PRC.
- (7) The business address of Mr. Jimin Zhuo is Room 1405, Building 5A, Jiulong Garden, Chaoyang, Beijing, PRC.
- (8) Represents up to 320,036,570 Class A ordinary shares upon full exercise of a warrant held by Otov Alfa Holdings Limited, pursuant to a warrant entered into between the Issuer and Otov Alfa Holdings Limited. As of the date of this annual report, Otov Alfa Holdings Limited has not exercised any part of the warrant and does not hold our ordinary shares of record.

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- (10) Beneficial ownership calculation is based solely on a review of a Schedule 13G filed with the SEC on February 11, 2022. Represents (i) 1,084,986 Class A ordinary shares held by Mandra iBase Limited, a company incorporated under the laws of British Virgin Islands, 14,280,147 Class A ordinary shares in the form of 2,270,850 ADSs held by Mandra iBase Limited, and approximately 26,417,753 Class A ordinary shares which may be purchased by Mandra iBase Limited through the exercise of a warrant pursuant to a warrant agreement entered into between Mandra iBase Limited and us, (ii) 1 Class A ordinary share directly held by Woo Foong Hong Limited, and (iii) 2,818,907 Class A ordinary shares in the form of 402,701 ADSs held by Mandra Mirabilite Limited. Mandra iBase Limited is wholly owned and controlled by Beansprouts Ltd., and Woo Foong Hong Limited is 51% held by Beansprouts Ltd. Beansprouts Ltd. is owned by Bing How Mui and Song Yi Zhang, and each of them holds 50% of the issued and outstanding share capital of Beansprouts Ltd. The registered address of Mandra iBase Limited is 3rd Floor, J&C Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands, VG1110.
- (11) Beneficial ownership calculation is based solely on a review of a Schedule 13G filed with the SEC on January 28, 2019. Represents 18,201,422 Class A ordinary shares directly held by New Fortune Fund L.P., a limited partnership established under the laws of the Cayman Islands. New Fortune Fund L.P. has one general partner and two limited partners. The general partner of New Fortune Fund L.P. is Costal Sunshine Limited, and the limited partners of New Fortune Fund L.P. are Startide Capital Holdings Limited and Allplay Legend Corporation. Pursuant to the constitutional documents of New Fortune Fund L.P., Startide Capital Holdings Limited has the power to direct New Fortune Fund L.P. with respect to the retention or disposal of, and the exercise of voting and other rights attached to, the shares held by New Fortune Fund L.P. Both Startide Capital Holdings Limited and Allplay Legend Corporation are both controlled by Sina Corporation, a Cayman Islands company listed on the Nasdaq Global Select Market. The registered address of New Fortune Fund L.P. is Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.
- (12) Beneficial ownership calculation is based solely on a review of a Schedule 13G filed with the SEC on January 24, 2019. Represents 17,679,421 Class A ordinary shares held by Ventech China II SICAR, a company incorporated in Luxembourg. The registered address of Ventech China II SICAR is 47 Avenue John F. Kennedy L-1855, Luxembourg.
- (13) Beneficial ownership calculation is based solely on a review of a Schedule 13G filed with the SEC on February 1, 2019. Represents 16,956,487 Class A ordinary shares directly held by Xiaomi Ventures Limited, a company incorporated under the laws of British Virgin Islands. Xiaomi Ventures Limited is beneficially owned and controlled by Xiaomi Corporation.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to fifteen votes per share. We issued Class A ordinary shares represented by the ADSs in our initial public offering.

To our knowledge, as of March 31, 2022, a total of 218,608,138 Class A ordinary shares, representing approximately 72.0% of our total outstanding ordinary shares, were held by one record shareholder in the United States, which is The Bank of New York Mellon, the Depository of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

Beginning from the earlier of (i) the date when Mr. Wei Wei, Mr. Jun Dong and Ms. Xiaomei Peng no longer beneficially own, on an aggregate basis, at least 40% of the total Class B ordinary shares that were issued and outstanding immediately prior to the completion of the initial public offering, as adjusted for share splits, share dividends, recapitalizations and the like, or (ii) the seventh anniversary of October 29, 2018, each Class B ordinary shares will entitle its holder to only one vote, rather than fifteen. Other than the foregoing, we are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

Please refer to “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

B. Related Party Transactions

Contractual Arrangements with Our Variable Interest Entities and Their Shareholders

PRC laws and regulations impose restrictions on foreign ownership and investment in internet-based businesses such as distribution of online information, insurance brokerage, fund distribution and other value-added telecommunications services. We are a Cayman Islands company and our PRC subsidiaries are considered foreign-invested enterprises. To comply with PRC laws and regulations, we have entered into a series of contractual arrangements, through our PRC subsidiaries, with our variable interest entities and the shareholders of our variable interest entities to obtain effective control over our variable interest entities and their subsidiaries. For a description of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with Our Variable Interest Entities.”

Shareholders Agreement

We entered into an amended and restated shareholders agreement with our shareholders on May 18, 2018.

Pursuant to this shareholders agreement, our board of directors shall consist of up to seven directors. The holders of our ordinary shares are entitled to appoint four directors, and New Fortune Fund L.P., Xiaomi Ventures Limited and Ventech China II SICAR are each entitled to appoint one director.

The amended and restated shareholders agreement also provides for certain preferential rights, including right of participation and co-sale rights. Except for the registration rights, all the preferential rights, as well as the provisions governing the board of directors, were terminated following our initial public offering.

Registration Rights

Pursuant to our current shareholders agreement, we have granted certain registration rights to our shareholders. Set forth below is a description of the registration rights granted under the agreement.

Demand Registration Rights. Holders of at least 20% of our registrable securities have the right to demand in writing that we file a registration statement to register their registrable securities and registrable securities held by others who choose to participate in the offering. This right may be exercised at any time after this initial public offering. We are not obligated to effect a demand registration if, within the six-month period preceding the date of such request, we have already effected a registration pursuant to demand registration rights or Form F-3 registration rights, or holders had an opportunity to participate pursuant to piggyback registration rights. If the underwriters determine that marketing factors require a limitation of the number of share to be underwritten, the underwriters may reduce as required and allocate the shares to be included in the registration statement among holders, subject to certain limitations.

Piggyback Registration Rights. If we propose to file a registration statement for a public offering of our securities, we must offer holders of our registrable securities an opportunity to include in the registration the registrable securities then held by such holders. If the underwriters determine in good faith that marketing factors require a limitation of the number of shares to be underwritten, the registrable securities shall allocate first to us, second to each of the holders of series seed-C convertible preferred shares requesting for the inclusion of their registrable securities pursuant to the piggyback registration, third to each of the holders of series seed-B convertible preferred shares requesting for the inclusion of their registrable securities pursuant to the piggyback registration, forth to each of the holders of series seed-A-1 or seed-A-2 convertible preferred shares requesting for the inclusion of their registrable securities pursuant to the piggyback registration, and fifth to each of holders of other securities requesting for the inclusion of their registrable securities pursuant to the piggyback registration.

Form F-3 Registration Rights. Holders of at least 20% of our registrable securities have the right to demand in writing to file a registration on Form F-3. We are not obligated to effect such registration if, among other things, (i) the anticipated aggregate offering price is less than US\$20,000,000, or (ii) we have already effected a registration in the six month period preceding the date of the request. We may defer filing of a registration statement on Form F-3 no more than once during any 12 month period for up to 90 days if our board of directors determines in good faith that filing such registration statement will be materially detrimental to us and our shareholders.

Expenses of Registration. We will bear all registration expenses, other than underwriting discounts and selling commissions, incurred in connection with any demand, piggyback or F-3 registration.

Termination of Obligations. The registration rights set forth above shall terminate on the earlier of (i) the fifth anniversary of this initial public offering and (ii) with respect to any holder of registrable securities, the time when all registrable securities held by such holder may be sold pursuant to Rule 144 under the Securities Act without transfer restrictions.

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Option Grants

We have granted options to purchase our ordinary shares to certain directors, officers, employees and consultants of our company and our affiliates under our First Plan, for their past and future services. See “Item 6. Directors, Senior Management and Employees—B. Compensation”

Transactions and Agreements with Jimu Group

We and Jimu Group have a high degree of overlap in shareholders, and we and Jimu Group's holding company share two board members until August 2020. Jimu Group was also our largest single funding partner from 2016 to 2018.

Reorganization Agreements

We entered into a series of agreements with Jimu Group with respect to our pre-IPO reorganization and the relationship between us and Jimu Group after the reorganization. For a description of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure—Our Relationship with Jimu Group."

Cash Advances and Loan Agreements

In the normal course of business, we collect payments on those loans from borrowers for Jimu Group. In addition to payments we made to Jimu Group in the ordinary course of business, we made a series of cash advances to Jimu Group in 2018 and 2019, in both U.S. dollars and Renminbi, that were not documented contemporaneously by loan agreements. The cash advances totaled RMB461.7 million as of December 31, 2018, and were responsible for the greater part of the total amount due from Jimu Group, which amounted to RMB475.0 million as of December 31, 2018. We made additional cash advances to Jimu Group in 2019 as well, totaling RMB697.8 million.

We entered into two loan agreements with Jimu Group on July 19, 2019, to formally document the amounts due from Jimu Group that were attributable to the cash advances we made to Jimu Group outside of the ordinary course of business. The first loan agreement was denominated in U.S. dollars and had a principal amount of US\$21.4 million, representing the cash that we advanced to Jimu Group in U.S. dollars in 2018. This U.S. dollar-denominated loan bears interest at an annual simple (non-compounding) rate of 3.5%. This loan agreement was supplemented by a supplement dated as of the same date, which revised the maturity date provision of the original agreement to require Jimu Group to repay the principal and interest amounts payable under the original loan agreement on a daily basis over the 215 days from July 1, 2019 through January 31, 2020.

The second loan agreement was denominated in Renminbi and had a principal amount of RMB294.9 million, representing the net cash that we advanced to Jimu Group in Renminbi in 2018. This Renminbi-denominated loan bears interest at an annual simple (non-compounding) rate of 11%. This loan agreement was supplemented by two supplements dated as of the same date. The first supplement revised the principal amount of the loan as of April 30, 2019, to RMB129.6 million, representing an additional RMB391.3 million of cash that we advanced to Jimu Group between January 1, 2019, and April 30, 2019, minus RMB165.3 million of deposits due from us under the information service cooperation agreement relating to the same period, RMB161.3 million in asset management service fees and other fees collected by us for Jimu Group during the same period and RMB230.0 million due from us relating to our purchase of Ganzhou Aixin Micro Finance for that amount in March 2019. The second supplement further revised the principal amount of the loan as of May 31, 2019, to RMB154.6 million, representing an additional RMB58.6 million of cash that we advanced to Jimu Group between May 1, 2019, and May 31, 2019, minus RMB2.5 million (US\$0.4 million) of deposits due from us under the information service cooperation agreement relating to the same period and RMB31.1 million in asset management service fees and other fees collected by us for Jimu Group during the same period. The second supplement also allows the offset of loan principal against the guarantee deposit payable by us from July 2019 through January 2020, and provided for repayment on a monthly basis over the 24 months from February 2020 through January 2022.

As of December 31, 2019, the principal amount due under the U.S. dollar-denominated loan agreement was US\$18.4 million, and the principal amount due under the Renminbi-denominated loan agreement was RMB154.6 million. As of December 31, 2019, we had RMB866.0 million in amounts due from Jimu Group, including the amounts due under these loans, as compared to RMB4.5 million in amounts due to Jimu Group. Jimu Group failed to repay the amount due under the U.S. dollar-denominated loan by the maturity date. Since Jimu Group became insolvent and announced its exit from the online lending platform business in February 2020 pursuant to relevant regulations, there are significant outstanding balances on its platform unpaid to investors that have priority over any other debts, including the balance due to us. We determined that it was not probable for the amounts due from Jimu Group to be collected or recovered. As of December 31, 2019, we made a provision of RMB856.0 million for the amount due from Jimu Group. We made an additional provision of RMB7.8 million for the year ended December 31, 2020. We made reversal of provision of RMB6.7 million (US\$1.1 million) for the year ended December 31, 2021.

Strategic Cooperation Agreement

We entered into a strategic cooperation agreement with Jimu Group on December 31, 2017. Pursuant to the agreement, we collect asset management fees on behalf of Jimu Group as part of a loan project referral program set up between us. The strategic cooperation agreement was supplemented on July 19, 2019. The supplement allows us to withhold asset management fees relating to loans made on or before December 31, 2018, collected in the amount equivalent to the outstanding amount due from Jimu Group under the abovementioned U.S. dollar-denominated loan in the event that Jimu Group fails to fully and timely repay the principal and interest as it falls due under that loan. The supplement also allows us to deduct the asset management fees collected against the outstanding amount due from Jimu Group under the abovementioned U.S. dollar-denominated loan upon Jimu Group's failure to fully and timely repay the principal and interest due under that loan within 60 days after maturity and apply them to amounts due under the U.S. dollar-denominated loan agreement.

Purchase of Ganzhou Aixin Micro Finance

In March 2019, we acquired 100% of the equity of Ganzhou Aixin Micro Finance from Jimu Group at a cost of RMB230 million. The purchase price was supported by a fairness opinion issued by a third-party valuer. Because Ganzhou Aixin Micro Finance holds a license to operate a small loan business, we believe that we can develop and operate pilot programs for new service offerings to complement our existing services offerings through this entity. The addition of small loan services to our service scope will also allow us to further enhance our data collection capabilities and provide our partners and customers with more robust financial solutions going forward. The amount due from us to Jimu Group for this acquisition was netted against the amount that was due to us under the first supplement of the second loan agreement described above under “—Cash Advances and Loan Agreements”.

Information Service Cooperation Agreement

We entered into an information service cooperation agreement with Jimu Group on July 19, 2019. Pursuant to the agreement, we are required to maintain a guarantee deposit with Jimu Group and reimburse Jimu Group for defaulted loans we have facilitated that are funded through Jimu Box, up to a cap. The guarantee deposit must be maintained at an amount equal to 12% of the average outstanding balance of loans we have facilitated that are funded through Jimu Box, excluding loans originated before 2019. The guarantee only covers those loans that are not recorded on our balance sheet. If the deposit falls below 12% at the end of any calculation period then we must deposit additional amounts with Jimu Group to raise it to 12%, and similarly, if the deposit exceeds 12% then Jimu Group must refund the excess to us. The cap on our reimbursement of Jimu Group for defaulted loans in any given month is 1.5% of the average aggregate balance of loans that (i) were facilitated by us, excluding loans originated before 2019, (ii) were funded through Jimu Box and (iii) were outstanding during the month in question, regardless of the vintage or tenor or due date of the loans. The average aggregate balance for the month in question is calculated as the outstanding balance at the beginning of the month plus the outstanding balance at the end of the month, divided by two. There is no catch-up or claw-back mechanism for months where the aggregate amount of defaulted loans is less than the cap on our reimbursement obligation. Our initial deposit under the information service cooperation agreement was RMB165.3 million, representing 12% of the loans which we had facilitated and which Jimu Group had funded since January 1, 2019 and which remained outstanding on April 30, 2019, excluding amounts that were in default. In lieu of paying the initial deposit in cash, we reduced the amount that would be due to us from Jimu Group under the Renminbi-denominated loan agreement described above under “—Cash Advances and Loan Agreements”. The arrangements under the information service cooperation agreement make the terms of Jimu Group's business relationship with us more similar to the terms of its business relationship with its other partners than had previously been the case. Because we will be taking on some of the credit risk that Jimu Group had previously borne, we will also receive a larger share of the fees from borrowers than previously. We and Jimu Group entered into a supplement to the information service cooperation agreement in December 2019, pursuant to which we and Jimu Group agree to settle all transactions occurring prior to January 1, 2020 under the information service cooperation agreement, and we do not bear any repayment obligations for transactions occurring after January 1, 2020 under the information service cooperation agreement.

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Collections on Behalf of Jimu Group

We have acted as a business counterparty with Jimu Group including loan borrower referrals and collection channel. For purpose of repayments to Jimu Box's online platform lenders, the repayments from borrowers in connection with the remaining loans funded by Jimu Box has been collected through us and repaid to Jimu Box's online lenders through custody bank account of Jimu Group. As the custody bank account of Jimu Group established for online lending platform business has been frozen following its insolvency and exit from online lending platform business in February 2020, in order to facilitate Jimu Box's platform unwinding plan, we entered into an agreement with Jimu Group, under which we are obligated to transfer principal and interest collected from the borrowers to the party designated by Jimu Group for purpose of Jimu Box's online borrowers repayment to lenders. In September 2020, we paid RMB100.0 million to the party designated by Jimu Group according to the agreement and plan to do so for all collected amount of related loans.

Transactions with Jimu Group

Previously, both we and Jimu Group carried out our businesses under our predecessor, Jimu Holdings Limited, formerly known as Pintec Holdings Limited. The table below sets forth our transactions with Jimu Group for the periods indicated.

	For the year ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
(i) Transactions recorded through statement of operations and comprehensive income/(loss)			
- Cost and expenses allocated from the related party	24,994	3,712	221
- Service cost charged by the related party	200,163	23,052	1,574
- Collection service fees charged by Beijing Liangduo and Changsha Liangduo	63,400	32,176	12,746
- Interest income from loans to the related party	(43,156)	(31)	(30)
- Interest expense on borrowings from the related party	213	—	—
(ii) Operating transactions			
- Technical service fee collected by the related party on behalf of the Group	(64,078)	—	—
- Payment for guarantee deposit to the related party	(100,269)	(24,788)	—
- Loan interests collected from the related party	3,310	—	—
- Borrowing interests paid to the related party	(2,047)	—	—
- Share-based compensation awards to employees of the related party	34,684	3,471	2,736
- Collecting principal and interests from borrowers on behalf of the related party	—	363,342	23,586
- Repayment of collecting principle and interests from borrowers on behalf of the related party	—	(100,000)	—
(iii) Financing/Investing transactions			
- Net cash advances (to)/from the related party	(697,754)	293	232
- Principal of loans provided to the related party	(137,000)	(40,000)	—
- Principal of loans collected from the related party	122,000	40,000	—
- Principal of borrowings repaid to the related party	(23,831)	—	—
- Equity transfer consideration paid to the related party	(23,000)	—	—
- Acquisition of Ganzhou Micro Finance from the related party	(230,000)	—	—

* The amount due from Jimu Group resulting from the share-based compensation awards to employees of Jimu Group was written off as of December 31, 2019 as we waived this balance.

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As of December 31, 2019, we had RMB866.0 million due from Jimu Group and RMB4.5 million due to Jimu Group, as of December 31, 2020, RMB858.6 million (US\$131.6 million) amounts due from Jimu Group and RMB266.0 million (US\$40.8 million) due to Jimu Group, and as of December 31, 2021, RMB846.3 million (US\$132.8 million) million due from Jimu Group and RMB289.8 million (US\$45.5 million) due to Jimu Group. All amounts due from Jimu Group as of December 31, 2019, 2020 and 2021 were impaired since Jimu Group announced its insolvency exit from the online lending platform business pursuant to relevant regulations, and there are significant outstanding balances on its platform unpaid to investors, which have priority over any other debts, including the balance due to us. For the year ended December 31, 2021, the current amounts due from Jimu Group decreased by RMB5.0 million (US\$0.8 million), while the non-current amounts due from Jimu Group decreased by RMB7.4 million (US\$1.2 million). We made a reversal of provision of RMB6.7 million (US\$1.1 million) for the year ended December 31, 2021.

Transactions with Beijing Liangduo Science and Technology Co., Ltd and Changsha Liangduo Business Consulting Co., Ltd.

We invested in Beijing Liangduo Science and Technology Co. Ltd., or Beijing Liangduo, in May 2017 and hold an 18% equity interest in it. Beijing Liangduo holds 100% equity interests of Changsha Liangduo Business Consulting Co., Ltd., or Changsha Liangduo. As of December 31, 2019, 2020 and 2021, we had RMB2.8 million, RMB5.1 million and RMB0.1 million (US\$0.01 million), respectively, due to Beijing Liangduo and Changsha Liangduo related to outsourced collection service fees. For the years ended December 31, 2019, 2020 and 2021, collection service fees charged by Beijing Liangduo and Changsha Liangduo were RMB61.5 million, RMB34.1 million, and RMB12.7 million (US\$2.0 million), respectively. In 2021, we terminated the cooperation with Beijing Liangduo.

Shareholder Loans

Minheng entered into a loan agreement in July 2018 with Xijin (Shanghai) Venture Capital Management Co., Ltd., which is the 100% owner of Cheer Fortune Investment Limited, a shareholder of ours. This loan has a principal amount of RMB70,000,000, an annual interest rate of 10.3%, and a term of one year, and it may be prepaid by Minheng without penalty at any time. Minheng then entered into a second loan with the same lender on the same terms, also in July 2018, for an additional RMB120,000,000. We used the proceeds of these loans, together with cash on hand, to repay the balance of the loan that we had borrowed from Ms. Xuan Zhang. See “Item 5. Operating and Financial Review and Prospects—A. Operating Results—B. Liquidity and Capital Resources.” In August 2018, Minheng and the lender entered into a supplementary agreement which changed the maturity date for both loans to December 31, 2018, and changed the interest rate for both loans, retroactive to the first date of each loan, to 0.6%. In December 2018, Minheng agreed with the lender to extend the maturity dates for both loans to May 15, 2019. In May 2019, we repaid the total amount of principal and interest to the lender.

In August 2019, Shanghai Anquying entered into a loan agreement with Shanghai Mantu and other parties, pursuant to which Shanghai Mantu agreed to loan RMB100.0 million (US\$14.3 million) to Shanghai Anquying for a term of one year at an annual interest rate of 8%. Ganzhou Aixin Micro Finance and Mr. Jun Dong, our director, agreed to guarantee Shanghai Anquying’s obligations under the loan agreement. In addition, Shanghai Anquying agreed to pledge its shares in Ganzhou Aixin Micro Finance as security for Shanghai Anquying’s obligations under the loan agreement. We also agreed to issue warrants to Mandra iBase Limited, a related party of Shanghai Mantu, exercisable within three years, to purchase certain ordinary shares of our company at an exercise price of US\$0.5678 per Class A ordinary share, equal to a price per ADS of US\$3.9746; as of December 31, 2021, Mandra iBase Limited still held warrants to purchase up to approximately 26,417,753 Class A ordinary shares of our company. As of December 2, 2020, Shanghai Anquying had fully discharged its obligations under the loan agreement, and the pledged shares had been released.

Employment Agreements and Indemnification Agreements

See “Item 6—Directors, Senior Management and Employees—B. Compensation”

Share Incentive Plans

See “Item 6. Directors, Senior Management and Employees—B. Compensation”

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal Proceedings

Other than disclosed in this annual report, we are currently not a party to any material legal or administrative proceedings. We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

On September 29, 2020, we and certain of our current and former directors and officers and the underwriters in our initial public offering were named as defendants in a securities class action filed in the U.S. District Court for the Southern District of New York. The action, purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of their trading in the ADSs, alleges that our registration statement on Form F-1 in connection with our initial public offering contained material misstatements and omissions in violation of the U.S. federal securities laws, including those relating to our revenue recognition, internal control over financial reporting and historical financial results. The plaintiff sought to, among others, have the court determine the action a proper class action as well as award compensatory damages and reasonable costs and expenses in favor of the class. We filed a motion to dismiss on April 16, 2021 and the plaintiffs filed their opposition to the motion to dismiss on June 15, 2021. We submitted our reply brief on July 15, 2021. On April 25, 2022, the court granted our motion to dismiss the amended complaint in full and ordered the case closed. The plaintiffs have 30 days from the court's order to file a notice of appeal. If the plaintiffs choose to file an appeal, we cannot predict the timing, outcome or consequences of such an appeal or of this class action if the court's order of dismissal is vacated or reversed. We believe this case is without merit and intend to defend the actions vigorously. For risks and uncertainties relating to pending cases against us, see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We and certain of our directors and officers have been named as defendants in a shareholder class action, which could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation."

Dividend Policy

We have not previously declared or paid cash dividends and we have no plan to declare or pay any dividends in the near future on our shares. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We rely principally on dividends from our PRC subsidiaries for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business."

Our board of directors has discretion as to whether to distribute dividends, subject to applicable laws. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends on our ordinary shares, ADS holders will receive payment to the same extent as holders of our ordinary shares, subject to the terms of the Deposit Agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

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Item 9. The Offer and Listing

A. Offering and Listing Details

Our ADSs, each representing seven Class A ordinary shares, have been listed on the Nasdaq Global Market under the symbol “PT” since October 24, 2018.

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B. Plan of Distribution

Not applicable.

C. Markets

The ADSs have been listed on the Nasdaq Global Market since October 24, 2018 under the symbol “PT.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are a Cayman Islands exempted company and our affairs are governed by our memorandum and articles of association and the Companies Act (As Revised) of the Cayman Islands, referred to as the Companies Act below. The following are summaries of material provisions of our amended and restated memorandum and articles of association, as well as the Companies Act (As Revised) insofar as they relate to the material terms of our ordinary shares.

Registered Office and Objects

Our registered office in the Cayman Islands is located at the offices of International Corporation Services Ltd., P.O. Box 472, Harbour Place, 2nd Floor, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands. Our agent for service of process in the United States is Puglisi & Associates. The objects of our company are unrestricted and we have the full power and authority to carry out any object not prohibited by the law of the Cayman Islands.

Board of Directors

See “Item 6. Directors, Senior Management and Employees—C. Board Practices—Board of Directors.”

Ordinary Shares

General

All of our outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares. Our company will issue only non-negotiable shares, and will not issue bearer or negotiable shares.

Register of Members

Under Cayman Islands law, we must keep a register of members and there should be entered therein:

- the names and addresses of the members, a statement of the shares held by each member, and of the amount paid or agreed to be considered as paid, on the shares of each member;

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- the date on which the name of any person was entered on the register as a member;
- the date on which any person ceased to be a member; and

- whether each category of shares held by a member carries voting rights under the articles of association of the company and, if so, whether such voting rights are conditional.

Under Cayman Islands law, the register of members of our company is prima facie evidence of the matters set out therein (i.e. the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a member registered in the register of members is deemed as a matter of Cayman Islands law to have legal title to the shares as set against its name in the register of members. Upon the closing of our initial public offering, the register of members was updated to record and give effect to the issue of shares by us to the Depositary (or its nominee) as the Depositary. Once our register of members has been updated, the shareholders recorded in the register of members should be deemed to have legal title to the shares set against their name.

If the name of any person is entered in or omitted from our register of members without sufficient cause, or if there is any default or unnecessary delay in entering on the register the fact of any person having ceased to be a member of our company, the person or member aggrieved (or any member of our company or our company itself) may apply to the Cayman Islands Grand Court for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

Ordinary Shares. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. Each Class B ordinary share shall entitle the holder thereof to fifteen (15) votes on all matters subject to vote at our general meetings, and each Class A ordinary share shall entitle the holder thereof to one (1) vote on all matters subject to vote at our general meetings. However, beginning from the earlier of (i) the date when Mr. Wei Wei, Mr. Jun Dong and Ms. Xiaomei Peng no longer beneficially own, on an aggregate basis, at least 40% of the total Class B ordinary shares that were issued and outstanding immediately prior to the completion of the initial public offering, as adjusted for share splits, share dividends, recapitalizations and the like, or (ii) the seventh anniversary of October 29, 2018, each Class B ordinary share will entitle its holder to only one vote, rather than fifteen. Our ordinary shares are issued in registered form and are issued when registered in our register of members.

Conversion. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any sale of Class B ordinary shares by a holder thereof to any person other than our three core founders, Mr. Wei Wei, Mr. Jun Dong and Ms. Xiaomei Peng, or any entity which is not affiliated with any of the three core founders, such Class B ordinary shares are automatically and immediately converted into the same number of Class A ordinary shares. Each Class B ordinary share beneficially owned by any core founder is automatically converted into one Class A ordinary share, if at any time the core founder ceases to be a director or employee of our company or ceases to have the capability to make business decisions on behalf of our company due to health reasons.

Dividends

The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors or shareholders in general meeting (provided always that dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or our share premium account, and provided further that a dividend may not be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business).

Voting Rights

Holders of ordinary shares have the right to receive notice of, attend, speak and vote at general meetings of our company. Holders of ordinary shares shall, at all times, vote together as one class on all matters submitted to a vote by the members at any such general meeting. Each holder of Class B ordinary shares is entitled to fifteen votes per share, subject to certain conditions, and each holder of our Class A ordinary shares is entitled to one vote per share on all matters submitted to them for a vote. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one shareholder present in person or by proxy.

Travers Thorp Alberga, our counsel as to Cayman Islands law, has advised that such voting structure is in compliance with current Cayman Islands law as in general terms, a company and its shareholders are free to provide in the articles of association for such rights as they consider appropriate, subject to such rights not being contrary to any provision of the Companies Act and not inconsistent with common law. Travers Thorp Alberga has confirmed that the inclusion in our amended and restated memorandum and articles of association of provisions giving weighted voting rights to specific classes of shareholders generally or to specific classes of shareholders on specific resolutions is not prohibited by the Companies Act. Further, weighted voting provisions have been held to be valid as a matter of English common law and therefore it is expected that such would be upheld by a Cayman Islands court.

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An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attached to the ordinary shares cast by those shareholders who are present in person or by proxy at a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attached to the ordinary shares cast by those shareholders who are present in person or by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Act and our memorandum and articles of association. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association.

Transfer of Ordinary Shares

Any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

However, our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which our company has a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- the ordinary shares transferred are free of any lien in favor of us;
- any fee related to the transfer has been paid to us; and
- in the case of a transfer to joint holders, the transfer is not to more than four joint holders.

If our directors refuse to register a transfer they are required, within three months after the date on which the instrument of transfer was lodged, to send to each of the transferor and the transferee notice of such refusal.

Liquidation

On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), assets available for distribution among the holders of ordinary shares will be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately. We are a “limited liability” company registered under the Companies Act, and under the Companies Act, the liability of our members is limited to the amount, if any, unpaid on the shares respectively held by them. Our memorandum of association contains a declaration that the liability of our members is so limited.

Calls on Ordinary Shares and Forfeiture of Ordinary Shares

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption, Repurchase and Surrender of Ordinary Shares

We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors or by a special resolution of our shareholders. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or are otherwise authorized by our memorandum and articles of association. Under the Companies Act, the redemption or repurchase of any share may be paid out of our company’s profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares

If at any time, our share capital is divided into different classes of shares, all or any of the special rights attached to any class of shares may only be materially adversely varied with the consent in writing of the holders of two-thirds of the issued shares of that class or with the sanction of a resolution passed at a separate meeting of the holders of shares of that class by the holders of two-thirds of the issued shares of that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights will not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be materially adversely varied by the creation or issue of further shares ranking *pari passu* with such existing class of shares. The rights of the holders of shares shall not be deemed to be materially adversely varied by the creation or issue of shares with preferred or other rights including, without limitation, the creation of shares with enhanced or weighted voting rights.

General Meetings of Shareholders and Shareholder Proposals

As a Cayman Islands exempted company, we are not obliged by the Companies Act to call shareholders' annual general meetings. Our memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors.

Shareholders' annual general meetings and any other general meetings of our shareholders may be convened by the chairman or a majority of our board of directors. Advance notice of at least ten calendar days is required for the convening of our annual general shareholders' meeting and any other general meeting of our shareholders. A quorum required for a general meeting of shareholders consists of at least one shareholder present or by proxy, representing not less than one-third of the total voting power of the outstanding shares in our company.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our memorandum and articles of association allow any shareholders holding shares representing in aggregate not less than one-third of all votes attaching to all issued and outstanding shares of the company, to requisition an extraordinary general meeting of the shareholders, in which case our directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

Election and Removal of Directors

Unless otherwise determined by our company in general meeting, our articles provide that our board will consist of not less than three directors. There are no provisions relating to retirement of directors upon reaching any age limit.

The directors have the power to appoint any person as a director either to fill a casual vacancy on the board or as an addition to the existing board.

Our shareholders may also appoint any person to be a director by way of ordinary resolution.

A director may be removed with or without cause by ordinary resolution.

Proceedings of Board of Directors

Our memorandum and articles of association provide that our business is to be managed and conducted by our board of directors. The quorum necessary for board meetings may be fixed by the board and, unless so fixed at another number, will be a majority of the directors.

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Our memorandum and articles of association provide that the board may from time to time at its discretion exercise all powers of our company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our company and issue debentures, bonds and other securities of our company, whether outright or as collateral security for any debt, liability or obligation of our company or of any third party.

Inspection of Books and Records

Holders of our ordinary shares have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we intend to provide our shareholders with annual audited financial statements.

Changes in Capital

Our shareholders may from time to time by ordinary resolution:

- increase our share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- sub-divide our existing shares, or any of them into shares of a smaller amount, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; or
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled.

Our shareholders may by special resolution, subject to confirmation by the Grand Court of the Cayman Islands on an application by our company for an order confirming such reduction, reduce our share capital or any capital redemption reserve in any manner permitted by law.

Exempted Company

We are an exempted company with limited liability under the Companies Act of the Cayman Islands. The Companies Act in the Cayman Islands distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company's register of members is not required to be open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue no par value, negotiable shares;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on that shareholder's shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil). Upon the effectiveness of the registration statement on Form F-1 in connection with our initial public offering, we became subject to reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers.

Differences in Corporate Law

The Companies Act is derived, to a large extent, from the older Companies Acts of England but does not follow recent United Kingdom statutory enactments, and accordingly there are significant differences between the Companies Act and the current Companies Act of England. In addition, the Companies Act differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a “consolidation” means the combination of two or more constituent companies into a combined company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders or creditors with whom the arrangement is to be made and who must, in addition, represent seventy-five percent in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

When a takeover offer is made and accepted by holders of 90% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits

In principle, we will normally be the proper plaintiff and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to apply and follow the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) which permit a minority shareholder to commence a class action against, or derivative actions in the name of, a company to challenge the following:

- an act which is illegal or ultra vires;
- an act which, although not ultra vires, could only be effected duly if authorized by a special or qualified majority vote that has not been obtained; and
- an act which constitutes a fraud on the minority where the wrongdoers are themselves in control of the company.

Indemnification of Directors and Executive Officers and Limitation of Liability

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our memorandum and articles of association provide that our directors and officers shall be indemnified against all actions, costs, charges, expenses, losses and damages incurred or sustained by such director or officer, other than by reason of such person's own dishonesty, willful default or fraud, in or about the conduct of our company's business or affairs or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we intend to enter into indemnification agreements with our directors and senior executive officers that will provide such persons with additional indemnification beyond that provided in our memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Anti-Takeover Provisions in the Memorandum and Articles of Association

Some provisions of our memorandum and articles of association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association, as amended and restated from time to time, for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Directors' Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction and that the transaction was of fair value to the corporation.

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As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore he owes the following duties to the company—a duty to act in good faith in the best interests of the company, a duty not to make a personal profit based on his or her position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. The Delaware General Corporation Law does not provide shareholders an express right to put any proposal before the annual meeting of shareholders, but in keeping with common law, Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our memorandum and articles of association provides that, on the requisition of any two or more shareholders holding shares representing in aggregate not less than one-third of the total voting rights in the paid up capital of our company, the board shall convene an extraordinary general meeting.

However, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. Cayman Islands law does not prohibit cumulative voting, but our articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our memorandum and articles of association, directors may be removed by ordinary resolution of our shareholders.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation or bylaws that is approved by its shareholders, it is prohibited from engaging in certain business combinations with an “interested shareholder” for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target’s outstanding voting stock or who or which is an affiliate or associate of the corporation and owned 15% or more of the corporation’s outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target’s board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding Up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation’s outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our articles of association, if our share capital is divided into more than one class of shares, we may materially adversely vary the rights attached to any class only with the written consent of the holders of two-thirds of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of shares of that class.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation’s certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors. Under the Companies Act, our memorandum and articles of association may only be amended by special resolution of our shareholders.

Rights of Non-Resident or Foreign Shareholders

There are no limitations imposed by our memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

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Directors' Power to Issue Shares

Under our memorandum and articles of association, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, qualified or other special rights or restrictions.

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C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company” or elsewhere in this annual report.

D. Exchange Controls

See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Foreign Currency Exchange.”

E. Taxation

The following summary of material Cayman Islands, PRC and U.S. federal income tax considerations of an investment in ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax considerations relating to an investment in ADSs or ordinary shares, such as the tax considerations under state, local and other tax laws.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to investors levied by the government of the Cayman Islands. The Cayman Islands is not party to any double tax treaties which are applicable to any payments made by our company.

People’s Republic of China Taxation

Although we are incorporated in the Cayman Islands, we may be treated as a PRC resident enterprise for PRC tax purposes under the Enterprise Income Tax Law. The Enterprise Income Tax Law provides that an enterprise established under the laws of a foreign country or region but whose “de facto management body” is located in the PRC is treated as a PRC resident enterprise for PRC tax purposes. The implementing rules of the Enterprise Income Tax Law merely define the “de facto management body” as the “organizational body which effectively manages and controls the production and business operation, personnel, accounting, properties and other aspects of operations of an enterprise.” Based on a review of the facts and circumstances, we do not believe that Pintec Technology Holdings Limited or any of our subsidiaries in the British Virgin Islands or Hong Kong should be considered a PRC resident enterprise for PRC tax purposes. However, there is limited guidance and implementation history of the Enterprise Income Tax Law. If Pintec Technology Holdings Limited were to be considered a PRC resident enterprise, then PRC income tax at a rate of 10% would generally be applicable to any gain realized on the transfer of our ADSs or ordinary shares by investors that are “non-resident enterprises” of the PRC and to any interest or dividends payable by us to such investors. See “Item 3D. Key Information—Risk Factors—Risks Relating to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.”

U.S. Federal Income Tax Considerations

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of our ADSs or ordinary shares by a U.S. Holder (as defined below) that holds our ADSs or ordinary shares as “capital assets” (generally, property held for investment). This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury regulations promulgated thereunder (“Regulations”), published positions of the Internal Revenue Service (the “IRS”), court decisions and other applicable authorities, all as currently in effect as of the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect).

This discussion does not describe all of the U.S. federal income tax considerations that may be applicable to U.S. Holders in light of their particular circumstances or U.S. Holders subject to special treatment under U.S. federal income tax law, such as:

- banks, insurance companies and other financial institutions;
- tax-exempt entities;
- real estate investment trusts;

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- regulated investment companies;
- dealers or traders in securities;
- certain former citizens or residents of the United States;
- persons that elect to mark their securities to market;
- persons holding our ADSs or ordinary shares as part of a “straddle,” conversion or other integrated transaction;
- persons that have a functional currency other than the U.S. dollar; and
- persons that actually or constructively own 10% or more of our equity (by vote or value).

In addition, this discussion does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift, alternative minimum tax or Medicare contribution tax considerations. Each U.S. Holder is urged to consult its tax advisor concerning the U.S. federal, state, local and non-U.S. income and other tax considerations associated with an investment in our ADSs or ordinary shares in light of its particular situation.

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of our ADSs or ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created in or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (i) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons or (ii) has a valid election in effect under applicable Regulations to be treated as a “United States Person” within the meaning of the Code.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our ADSs or ordinary shares, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. A partner in a partnership holding our ADSs or ordinary shares is urged to consult its tax advisor regarding in the tax considerations generally applicable to it of the ownership and disposition of our ADSs or ordinary shares.

The discussion below assumes that the representations contained in the Deposit Agreement are true and that the obligations in the Deposit Agreement and any related agreement have been and will be complied with in accordance with its terms. If a U.S. Holder holds ADSs, such U.S. Holder should be treated as the beneficial holder of the underlying ordinary shares represented by those ADSs for U.S. federal income tax purposes.

Passive Foreign Investment Company Considerations

A non-U.S. corporation, such as our company, will be classified as a PFIC for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such taxable year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such taxable year produce or are held for the production of passive income. Passive income generally includes dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains. For this purpose, cash and assets readily convertible into cash are categorized as passive assets and the company’s unbooked intangibles associated with active business activity are taken into account as non-passive assets.

In addition, a non-U.S. corporation will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25% or more (by value) of the stock. Although the law in this regard is unclear, we treat our variable interest entities as being beneficially owned by us for U.S. federal income tax purposes because we control their management decisions, we are entitled to substantially all of the economic benefits associated with these entities, and, as a result, we consolidate their results of operations in our U.S. GAAP financial statements.

We believe our income from and assets used in the installment-sale business are treated as passive under the PFIC provisions. Based on our current income and assets and the value of our ADSs, it is likely that we were classified as a PFIC for our taxable year ended December 31, 2020. Accordingly, U.S. Holders should consult their tax advisors regarding the advisability of making a mark-to-market election (as described below under “—Passive Foreign Investment Company Rules”). Even if we are not currently a PFIC, changes in the nature of our income or assets, or fluctuations in the market price of our ADSs, may cause us to become a PFIC for future taxable years. In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our market capitalization, which may fluctuate over time. Among other factors, if our market capitalization declines, we may continue to be classified as a PFIC for our taxable year ending December 31, 2021 or future taxable years. Under circumstances where revenues from our installment-sale business or other activities that produce passive income increase relative to our revenues from activities that produce non-passive income or where we determine not to deploy significant amounts of cash for working capital or other purposes, our risk of becoming classified as a PFIC may substantially increase. In addition, if it were determined that we are not the beneficial owner of our variable interest entities for U.S. federal income tax purposes, we may be treated as a PFIC for our taxable year ending December 31, 2021 and in future taxable years.

Dividends

Subject to the discussion below under “—Passive Foreign Investment Company Rules,” any cash distributions (including constructive distributions and any amount of any PRC tax withheld) paid on our ADSs or ordinary shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by such U.S. Holder, in the case of ordinary shares, or by the Depositary, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution we pay will generally be reported as dividend income for U.S. federal income tax purposes. Dividends received on our ADSs or ordinary shares will not be eligible for the dividends received deduction allowed to corporations under the Code.

Individuals and certain other non-corporate U.S. Holders will be subject to tax at the lower capital gain tax rate applicable to “qualified dividend income” on dividends paid on our ADSs or ordinary shares, provided that certain conditions are satisfied, including that (i) the ADSs or ordinary shares on which the dividends are paid are readily tradable on an established securities market in the United States or, in the event that we are deemed to be a PRC resident enterprise under the PRC tax law, we are eligible for the benefits of the U.S.-PRC income tax treaty (the “Treaty”), (ii) we are neither a PFIC nor treated as such with respect to a U.S. Holder (as discussed below) for the taxable year in which the dividend was paid or the preceding taxable year and (iii) certain holding period requirements are met. Our ADSs are listed on the Nasdaq Global Market, which is an established securities market in the United States, and we believe that our ADSs should qualify as readily tradable, although there can be no assurances in this regard. Because we do not expect our ordinary shares will be listed on an established securities market, we do not expect that the dividends we pay on our ordinary shares that are not represented by ADSs will meet the conditions required for such reduced tax rates, unless we are deemed to be a PRC resident enterprise (as described above) and are eligible for the benefits of the Treaty. Assuming we are eligible for such benefits and the other requirements are met, dividends we pay on our ordinary shares, regardless of whether such shares are represented by the ADSs, would be eligible for the reduced rates of taxation applicable to qualified dividend income. As discussed above under “—Passive Foreign Investment Company Considerations,” however, it is likely that we were classified as a PFIC for our taxable year ended December 31, 2020. Accordingly, we do not expect that dividends paid on our ADSs or ordinary shares will meet the conditions required for such reduced tax rates.

For U.S. foreign tax credit purposes, dividends will generally be treated as income from foreign sources and will generally constitute passive category income. In the event that we are deemed to be a PRC resident enterprise under the PRC tax law, a U.S. Holder may be subject to PRC taxes on dividends paid on our ADSs or ordinary shares. A U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any nonrefundable foreign withholding taxes imposed on dividends received on our ADSs or ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit on foreign tax withheld may instead claim a deduction, for U.S. federal income tax purposes, in respect of such withholding, but only for a taxable year in which such U.S. Holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. Each U.S. Holder is urged to consult its tax advisor regarding the availability of the foreign tax credit under its particular circumstances.

Sale or Other Taxable Disposition of our ADSs or Ordinary Shares

Subject to the discussion below under “—Passive Foreign Investment Company Rules,” a U.S. Holder will generally recognize capital gain or loss upon the sale or other taxable disposition of our ADSs or ordinary shares in an amount equal to the difference, if any, between the amount realized upon the sale or other taxable disposition and the U.S. Holder’s adjusted tax basis in such ADSs or ordinary shares. Any capital gain or loss will be long-term if the ADSs or ordinary shares have been held for more than one year and will generally be U.S.-source gain or loss for U.S. foreign tax credit purposes. The deductibility of a capital loss may be subject to limitations. In the event that gain from the disposition of the ADSs or ordinary shares is subject to tax in the PRC because we are deemed to be a PRC resident enterprise, and such gain is deemed to be U.S.-source gain, a U.S. Holder may not be able to credit such tax against its U.S. federal income tax liability unless such U.S. Holder has other income from foreign sources in the appropriate category for purposes of the foreign tax credit rules. However, a U.S. Holder that is eligible for the benefits of the Treaty may be able to elect to treat such gain as PRC-source gain. Each U.S. Holder is urged to consult its tax advisor regarding the tax considerations if a foreign tax is imposed on a disposition of our ADSs or ordinary shares, including the availability of the foreign tax credit under such U.S. Holder’s particular circumstances.

Passive Foreign Investment Company Rules

If we are classified as a PFIC for any taxable year during which a U.S. Holder owns our ADSs or ordinary shares, and unless the U.S. Holder makes a “mark-to-market” election (as described below), such U.S. Holder will generally be subject to special tax rules that have a generally penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to such U.S. Holder (which generally means any distribution paid during a taxable year to such U.S. Holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, such U.S. Holder’s holding period for our ADSs or ordinary shares) and (ii) any gain realized on the sale or other disposition, including a pledge, of our ADSs or ordinary shares. Under the PFIC rules:

- the excess distribution or gain will be allocated ratably over a U.S. Holder’s holding period for the ADSs or ordinary shares;
- amounts allocated to the current taxable year and any taxable years in each U.S. Holder’s holding period prior to the first taxable year in which we are classified as a PFIC will be taxable as ordinary income; and
- amounts allocated to each of the other taxable years will be subject to tax at the highest tax rate in effect applicable to such U.S. Holder for that year, and such amounts will be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to such years.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares and any of our subsidiaries (including any variable interest entity or subsidiary thereof) is also a PFIC, such U.S. Holder will be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC and would be subject to the rules described above on certain distributions by a lower-tier PFIC and a disposition of shares of a lower-tier PFIC even though such U.S. Holder may not receive the proceeds of those distributions or dispositions.

A U.S. Holder of “marketable stock” in a PFIC may make a mark-to-market election with respect to such stock to mitigate certain adverse tax consequences described above. Marketable stock is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange (such as the Nasdaq Global Market) or other market as defined in applicable Regulations. We believe that a U.S. Holder may make a mark-to-market election with respect to our ADSs, but not our ordinary shares, provided that our ADSs remain listed on the Nasdaq Global Market and that our ADSs are regularly traded. We anticipate that our ADSs should qualify as being regularly traded, but no assurances may be given in this regard. If a U.S. Holder makes this election, such U.S. Holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of our ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of our ADSs over the fair market value of such ADSs held at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder’s adjusted tax basis in our ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of our ADSs and we cease to be a PFIC, such U.S. Holder will not be required to take into account the gain or loss described above during any period that we are not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election.

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Because, as a technical matter, a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder would generally continue to be subject to the general PFIC rules described above with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

We do not intend to provide the information necessary for a U.S. Holder to make a qualified electing fund election in the event that we are classified as a PFIC.

If we are classified as a PFIC, a U.S. Holder must file an annual report with the IRS. Each U.S. Holder is urged to consult its tax advisor concerning the U.S. federal income tax considerations of owning and disposing of our ADSs or ordinary shares if we are or become a PFIC, including the unavailability of a qualified electing fund election, the possibility of making a mark-to-market election and the annual PFIC filing requirements, if any.

Information Reporting

Certain U.S. Holders are required to report information to the IRS relating to an interest in "specified foreign financial assets" (as defined in the Code), including shares issued by a non-U.S. corporation, for any year in which the aggregate value of all specified foreign financial assets exceeds US\$50,000 (or a higher dollar amount prescribed by the IRS), subject to certain exceptions (including an exception for shares held in custodial accounts maintained with a U.S. financial institution). These rules also impose penalties if a U.S. Holder is required to submit such information to the IRS and fails to do so.

In addition, U.S. Holders may be subject to information reporting to the IRS and backup withholding with respect to dividends on and proceeds from the sale or other disposition of the ADSs or ordinary shares. Information reporting will apply to payments of dividends on, and to proceeds from the sale or other disposition of, ADSs or ordinary shares by a paying agent within the United States to a U.S. Holder, other than U.S. Holders that are exempt from information reporting and properly certify their exemption. A paying agent within the United States will be required to withhold at the applicable statutory rate, currently 24%, in respect of any payments of dividends on, and the proceeds from the disposition of, ADSs or ordinary shares within the United States to a U.S. Holder (other than U.S. Holders that are exempt from backup withholding and properly certify their exemption) if the U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with applicable backup withholding requirements. U.S. Holders who are required to establish their exempt status generally must provide a properly completed IRS Form W-9.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's U.S. federal income tax liability. A U.S. Holder generally may obtain a refund of any amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS in a timely manner and furnishing any required information. Each U.S. Holder is advised to consult with its tax advisor regarding the application of the U.S. information reporting rules to its particular circumstances.

THE PRECEDING DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS IS INTENDED FOR GENERAL INFORMATION ONLY AND DOES NOT CONSTITUTE TAX ADVICE. EACH U.S. HOLDER IS URGED TO CONSULT ITS TAX ADVISOR AS TO THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSIDERATIONS ASSOCIATED WITH AN INVESTMENT IN OUR ADSs OR ORDINARY SHARES.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We previously filed our registration statement on Form F-1 (Registration No. 333-226188), as amended, including the prospectus contained therein, with the SEC to register the issuance and sale of our ordinary shares represented by ADSs in relation to our initial public offering. We have also filed the registration statement on Form F-6 (Registration No. 333-227764) with the SEC to register the ADSs.

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers, and are required to file reports and other information with the SEC. Specifically, we are required to file annually an annual report on Form 20-F within four months after the end of each fiscal year, which is December 31.

All information filed with the SEC can be obtained over the internet at the SEC's website at www.sec.gov or inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of documents, upon payment of a duplicating fee, by writing to the SEC. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

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We will furnish the Bank of New York Mellon, the Depository of the ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The Depository will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the Depository from us.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Foreign Exchange Risk

Substantially all of our revenues and expenses are denominated in Renminbi. We do not believe that we currently have any significant direct foreign exchange risk and we have not used any derivative financial instruments to hedge exposure to such risk. Although our exposure to foreign exchange risks should be limited in general, the value of your investment in our ADSs will be affected by the exchange rate between the U.S. dollar and the Renminbi because the value of our business is effectively denominated in Renminbi, while our ADSs will be traded in U.S. dollars.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

Interest Rate Risk

We have not been exposed to material risks due to changes in market interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure.

We do not expect rising or falling interest rates to have a material impact on our financial condition unless uncertainty about the direction and timing of interest rate changes materially affects the level of borrowing and lending activity in the economy. Our business is dependent upon the healthy functioning of the credit markets in China, and we cannot provide assurance that we will not be exposed to material risks in the event of a credit crisis or prolonged period of uncertainty in the credit markets. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—Our business may be affected by the condition of China's credit market and competitive landscape of industries in which we operate."

Inflation Risk

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for 2019, 2020 and 2021 were increases of 4.5%, 0.2% and 1.5%, respectively. Although we have not been materially affected by inflation in recent years, we may be affected if China experiences higher rates of inflation in the future.

Item 12. Description of Securities Other Than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

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C. **Other Securities**

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS Holders May Have to Pay

The Bank of New York Mellon is the Depositary of our American Depositary Share (“ADS”) program. A holder of ADSs may have to pay certain fees to The Bank of New York Mellon, as depositary (the “Depositary”), and certain taxes, registration and transfer charges and fees and governmental charges and fees. The Depositary collects fees for delivery and surrender of ADSs directly from holders depositing shares or surrendering ADSs for the purpose of withdrawal, or from intermediaries acting for them. Each ADS represents seven Class A ordinary shares (the “Shares”) deposited with The Hong Kong and Shanghai Banking Corporation Limited, as custodian for the Depositary (the “Custodian”), or any other Deposit Securities held by them. “Deposited Securities” as of any time shall mean Shares at such time deposited or deemed to be deposited under the Deposit Agreement, including without limitation, Shares that have not been successfully delivered upon surrender of the ADSs, and any other securities, cash or other property received by the Depositary or the Custodian in respect of the Deposited Securities and at that time held under the Deposit Agreement. The Depositary’s office is located at 240 Greenwich Street, New York, New York 10286.

<u>Persons depositing or withdrawing shares or ADS holders must pay:</u>	<u>For:</u>
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
\$0.05 (or less) per ADS	Cancellation of ADSs for the purpose of withdrawal, including if the Deposit Agreement terminates
A fee equivalent to the fee that would be payable if securities distributed to you had been Shares and the Shares had been deposited for issuance of ADSs	Any cash distribution to ADS holders
\$0.05 (or less) per ADS per calendar year	Distribution of securities distributed to holders of Deposited Securities (including rights) that are distributed by the Depositary to ADS holders
Registration or transfer fees	Depository services
Expenses of the Depositary	Transfer and registration of shares on our Share register to or from the name of the Depositary or its agent when you deposit or withdraw Shares
Taxes and other governmental charges the Depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	Cable and facsimile transmissions (when expressly provided in the Deposit Agreement)
Any charges incurred by the Depositary or its agents for servicing the Deposited Securities	Converting foreign currency to U.S. dollars
	As necessary
	As necessary

Fees and Other Payments Made by the Depositary to Us

The Depositary has agreed to reimburse us annually for our expenses incurred in connection with investor relationship programs and any other program related to our ADS facility and the travel expense of our key personnel in connection with such programs. The Depositary has also agreed to provide additional payments to us based on the applicable performance indicators relating to our ADS facility. There are limits on the amount of expenses for which the Depositary will reimburse us, but the amount of reimbursement available to us is not necessarily tied to the amount of fees the Depositary collects from investors. We received net reimbursement of US\$100,500.08 from the Depositary for our expenses incurred in 2021 in connection with investor relationship programs related to the ADS facility and the travel expense of our key personnel in connection with such programs.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Material Modifications to the Rights of Security Holders

See “Item 10. Additional Information—B. Memorandum and Articles of Association—Ordinary Shares” for a description of the rights of securities holders, which remain unchanged.

On May 7, 2021, we held an extraordinary general meeting of shareholders, or the 2021 EGM. At the 2021 EGM, the shareholders voted on two proposals including that: (i) our authorized share capital be changed to US\$250,000, divided into 2,000,000,000 shares of a par value of US\$0.000125 each, comprising of (i) 750,000,000 Class A ordinary shares, (ii) 250,000,000 Class B ordinary shares, and (iii) 1,000,000,000 shares of no specific class of a par value of US\$0.000125 each, by the re-designation of 1,000,000,000 authorized but unissued Class A ordinary shares as shares of no specific class; and (2) our Fourth Amended and Restated Memorandum of Association and Articles of Association be amended and restated by their deletion in their entirety and by the substitution in their place of the Fifth Amended and Restated Memorandum of Association and Articles of Association. Both proposals were passed as resolutions.

Use of Proceeds

The following “Use of Proceeds” information relates to the registration statement on Form F-1 (File No. 333-226188) for our initial public offering of 3,725,000 ADSs representing 26,075,000 of our Class A ordinary shares. Goldman Sachs (Asia) L.L.C., Deutsche Bank Securities Inc. and Citigroup Global Markets Inc. were the representatives of the underwriters.

We raised approximately US\$40.7 million in net proceeds from our initial public offering, after deducting underwriting commissions and the offering expenses payable by us, including the net proceeds we received from the underwriters’ partial exercise of their over-allotment option. For the period from October 24, 2018, the date that the F-1 Registration Statement was declared effective by the SEC, to the date of this annual report, we have used all of the net proceeds from our initial public offering, including US\$4.3 million to repay shareholder loans from Xijin (Shanghai) Venture Capital Management Co., Ltd. and the remaining for general corporate purposes.

As disclosed in our registration statement on Form F-1, we intend to use the proceeds from our initial public offering for (i) general corporate purposes, including investment in product development, sales and marketing activities, technology infrastructure, capital expenditures, improvement of corporate facilities and other general and administrative matters, and (ii) acquisition of, or investment in, technologies, solutions or business that complement our business.

Item 15. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and acting chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon that evaluation, our management has concluded that, as of December 31, 2021, our disclosure controls and procedures were not effective in ensuring that the information required to be disclosed by us in the reports that we file and furnish under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act was accumulated and communicated to our management, including our chief executive officer and acting chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15 (f) under the Exchange Act. Our management, with the participation of our chief executive officer and acting chief financial officer, evaluated the effectiveness of our internal control over financial reporting based on criteria established in the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was not effective as of December 31, 2021.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Attestation Report of the Registered Public Accounting Firm

This annual report on Form 20-F does not include an attestation report of our independent registered public accounting firm due to rules of the SEC where domestic and foreign registrants that are “emerging growth companies” which we are, are not required to provide the auditor attestation.

Internal Control over Financial Reporting

Prior to our initial public offering in October 2018, we were a private company with limited accounting personnel and other resources with which to address our internal controls. In the course of management’s preparation and our independent registered public accounting firm’s auditing of our consolidated financial statements as of and for the year ended December 31, 2021, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting. As defined in the standards established by the U.S. Public Company Accounting Oversight Board, a “material weakness” is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis, in accordance with the standards established by the Public Company Accounting Oversight Board of the United States.

The material weakness that has been identified relates to our lack of sufficient financial reporting and accounting personnel with appropriate knowledge of U.S. GAAP and SEC reporting requirements to properly address complex U.S. GAAP technical accounting issues and prepare and review financial statements and related disclosures in accordance with U.S. GAAP and reporting requirements set forth by the SEC.

We have implemented and plan to implement a number of measures to address this material weakness:

- we hired a consulting firm with U.S. GAAP experience to strengthen our financial reporting function;
- we are in the process of establishing clear roles and responsibilities for accounting and financial reporting staff to address accounting and financial reporting issues, and we added additional professionals for our financial reporting team in 2019; and
- we are continuing to further expedite and streamline our reporting process and develop our U.S. GAAP and SEC reporting process to allow early detection, prevention and resolution of potential financial reporting and U.S. GAAP issues, and have established an ongoing program to provide sufficient and appropriate training for financial reporting and accounting personnel, especially training related to U.S. GAAP and SEC reporting requirements.

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We plan to establish due diligence procedures for investment transactions, including credit assessment procedures to ascertain the financial position of investment targets and other parties involved in the investment transactions, and improve post-investment management activities to address this material weakness.

However, we cannot assure you that all these measures will be sufficient to remediate our material weakness in time, or at all. We did not undertake a comprehensive assessment of our internal control over financial reporting under the Sarbanes-Oxley Act for purposes of identifying and reporting any material weakness or significant deficiency in our internal control over financial reporting. Had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional control deficiencies may have been identified. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud.”

As a company with less than US\$1.07 billion in revenue for our last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002 in the assessment of the emerging growth company’s internal control over financial reporting.

Changes in Internal Control over Financial Reporting

Other than as described above, there were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Jimin Zhuo, an independent director (under the standards set forth in Nasdaq Stock Market Rule 5605(a)(2) and Rule 10A-3 under the Exchange Act) and chairman of our audit committee, is an audit committee financial expert.

Item 16B. Code of Ethics

Our board of directors adopted a code of business conduct and ethics that applies to our directors, officers, employees and advisors in July 2018. We have posted a copy of our code of business conduct and ethics on our website at <http://ir.pintec.com>.

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Item 16C. Principal Accountant Fees and Services

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Marcum Bernstein & Pinchuk LLP, our principal external auditors, for the periods indicated.

	For the year ended		
	December 31,		
	2019	2020	2021
Audit fees ⁽¹⁾	1,975	650	450
Audit-related fees ⁽²⁾	—	—	—
Tax fees ⁽³⁾	—	—	—
All other fees ⁽⁴⁾	—	105	—

- (1) “Audit fees” means the aggregate fees incurred in each of the fiscal years listed for professional services rendered by our principal auditor for the audit or review of our annual financial statements or quarterly financial information and review of documents filed with the SEC.
- (2) “Audit-related fees” means the aggregate fees incurred in each of the fiscal years listed for permissible services to review and comment on the design of internal control over financial reporting rendered by our principal auditors.
- (3) “Tax fees” means the aggregate fees incurred in each of the fiscal years listed for professional services rendered by our principal auditors for tax compliance, tax advice, and tax planning.
- (4) “All other fees” means the aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant, other than the services reported in footnotes (1) through (3).

The policy of our audit committee or our board of directors is to pre-approve all audit and non-audit services provided by Marcum Bernstein & Pinchuk LLP, including audit services, tax services and other services as described above.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In December 2019, our board of directors approved a share repurchase program under which we may purchase up to US\$10 million worth of our Class A ordinary shares in the form of ADSs over the 12 months following December 2019. However, the outbreak of COVID-19 followed shortly after the approval of the share repurchase program. As a result, to ensure that we can overcome the related market challenges in the near term and maintain a healthy cash position, we have not repurchased any of our ADSs as of the date of this annual report. The share repurchase program is no longer effective. We will continue to monitor the market. We may initiate another share repurchase program in 2022 when appropriate.

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Item 16F. Change in Registrant’s Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

As a Cayman Islands exempted company listed on the Nasdaq Global Market, we are subject to the Nasdaq Stock Market Rules corporate governance listing standards. However, Nasdaq Stock Market Rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq Stock Market Rules.

We have relied on and plan to continue to rely on home country practice with respect to our corporate governance. Specifically, we do not have a majority of independent directors serving on our board of directors. We may also continue to rely on this and other exemptions available to foreign private issuers in the future, and to the extent that we choose to do so, our shareholders may be afforded less protection than they otherwise would under the Nasdaq Stock Market Rules corporate governance listing standards applicable to U.S. domestic issuers. See “Item 3. Key Information—D. Risk Factors— Risks Related to Our ADSs—We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.”

Item 16H. Mine Safety Disclosure

Not applicable.

Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspection

Not applicable.

PART III

Item 17. Financial Statements

We have elected to provide financial statements pursuant to Item 18.

Item 18. Financial Statements

The consolidated financial statements of Pintec Technology Holdings Limited, its subsidiaries and its consolidated affiliated entities are included at the end of this annual report.

Item 19. Exhibits

Exhibit Number	Description of Document
1.1*	Fifth Amended and Restated Memorandum and Articles of Association of the Registrant
2.1	Registrant's Specimen American Depositary Receipt (incorporated by reference to Exhibit 4.3 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)
2.2	Registrant's Specimen Certificate for Class A Ordinary Shares (incorporated by reference to Exhibit 4.2 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)
2.3	Deposit Agreement (incorporated by reference to Exhibit 4.3 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)
2.4	Description of Securities
4.1	2017 Share Incentive Plan of the Registrant (incorporated by reference to Exhibit 10.1 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)
4.2	Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated by reference to Exhibit 10.2 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)
4.3	Form of Employment Agreement between the Registrant and its executive officers (incorporated by reference to Exhibit 10.3 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)
4.4	English translation of Exclusive Business Cooperation Agreement between Sky City (Beijing) Technology Co., Ltd. and Anquying (Tianjin) Technology Co., Ltd. (formerly known as Anquying (Tianjin) Business Information Consulting Co., Ltd.) dated December 13, 2017 (incorporated by reference to Exhibit 10.4 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.5	<u>English translation of Exclusive Option Agreement among Sky City (Beijing) Technology Co., Ltd., Anquying (Tianjin) Technology Co., Ltd. (formerly known as Anquying (Tianjin) Business Information Consulting Co., Ltd.) and shareholders of Anquying (Tianjin) Technology Co., Ltd. (formerly known as Anquying (Tianjin) Business Information Consulting Co., Ltd.) dated December 13, 2017 (incorporated by reference to Exhibit 10.5 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)</u>
4.6	<u>English translation of Equity Pledge Agreement among Sky City (Beijing) Technology Co., Ltd., Anquying (Tianjin) Technology Co., Ltd. (formerly known as Anquying (Tianjin) Business Information Consulting Co., Ltd.) and shareholders of Anquying (Tianjin) Technology Co., Ltd. (formerly known as Anquying (Tianjin) Business Information Consulting Co., Ltd.) dated December 13, 2017 (incorporated by reference to Exhibit 10.6 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.7	<u>English translation of the Power of Attorney of the shareholders of Anquying (Tianjin) Technology Co., Ltd. (formerly known as Anquying (Tianjin) Business Information Consulting Co., Ltd.) dated December 13, 2017 (incorporated by reference to Exhibit 10.7 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)</u>
4.8	<u>English translation of Exclusive Business Cooperation Agreement between Pintec (Beijing) Technology Co., Ltd. and Pintec Jinke (Beijing) Technology Information Co., Ltd. dated January 21, 2021</u>
4.9	<u>English translation of Exclusive Option Agreement among Pintec (Beijing) Technology Co., Ltd., Pintec Jinke (Beijing) Technology Information Co., Ltd. and shareholders of Pintec Jinke (Beijing) Technology Information Co., Ltd. dated January 21, 2021</u>
4.10	<u>English translation of Equity Pledge Agreement among Pintec (Beijing) Technology Co., Ltd., Pintec Jinke (Beijing) Technology Information Co., Ltd. and shareholders of Pintec Jinke (Beijing) Technology Information Co., Ltd. dated January 21, 2021</u>
4.11	<u>English translation of the Power of Attorney by Xin Sun, a shareholder of Pintec Jinke (Beijing) Technology Information Co., Ltd. dated January 21, 2021</u>
4.12	<u>English translation of the Power of Attorney by Wei Wei, a shareholder of Pintec Jinke (Beijing) Technology Information Co., Ltd. dated January 21, 2021</u>
4.13	<u>English translation of the Letter of Spousal Consent issued by the spouse of Xin Sun, a shareholder of Pintec Jinke (Beijing) Technology Information Co., Ltd., dated January 21, 2021</u>
4.14	<u>English translation of the Letter of Spousal Consent issued by the spouse of Wei Wei, a shareholder of Pintec Jinke (Beijing) Technology Information Co., Ltd., dated January 21, 2021</u>
4.15	<u>English translation of Exclusive Business Cooperation Agreement between Pintec (Beijing) Technology Co., Ltd. and Beijing Hongdian Fund Distributor Co., Ltd. dated December 13, 2017 (incorporated by reference to Exhibit 10.16 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)</u>
4.16	<u>English translation of Exclusive Option Agreement among Pintec (Beijing) Technology Co., Ltd., Beijing Hongdian Fund Distributor Co., Ltd. and shareholders of Beijing Hongdian Fund Distributor Co., Ltd. dated January 23, 2019. (incorporated herein by reference to Exhibit 4.35 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on July 30, 2019)</u>
4.17	<u>English translation of Equity Pledge Agreement among Pintec (Beijing) Technology Co., Ltd., Beijing Hongdian Fund Distributor Co., Ltd. and shareholders of Beijing Hongdian Fund Distributor Co., Ltd. dated January 23, 2019. (incorporated herein by reference to Exhibit 4.36 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on July 30, 2019)</u>
4.18	<u>English translation of the Power of Attorney by Wei Hu, a shareholder of Beijing Hongdian Fund Distributor Co., Ltd. dated January 23, 2019. (incorporated herein by reference to Exhibit 4.37 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on July 30, 2019)</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.19	<u>English translation of the Power of Attorney by Beijing Xinshun Dingye Technology Co., Ltd., a shareholder of Beijing Hongdian Fund Distributor Co., Ltd. dated January 23, 2019. (incorporated herein by reference to Exhibit 4.38 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on July 30, 2019).</u>
4.20	<u>English translation of Exclusive Option Agreement among Pintec (Beijing) Technology Co., Ltd., Beijing Xinshun Dingye Technology Co., Ltd. and shareholders of Beijing Xinshun Dingye Technology Co., Ltd. dated January 30, 2019 (incorporated herein by reference to Exhibit 4.40 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on July 30, 2019).</u>
4.21	<u>English translation of Equity Pledge Agreement among Pintec (Beijing) Technology Co., Ltd., Beijing Xinshun Dingye Technology Co., Ltd. and shareholders of Beijing Xinshun Dingye Technology Co., Ltd. dated January 30, 2019 (incorporated herein by reference to Exhibit 4.41 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on July 30, 2019).</u>
4.22	<u>English translation of the Power of Attorney by Wei Hu, a shareholder of Beijing Xinshun Dingye Technology Co., Ltd., dated January 30, 2019 (incorporated herein by reference to Exhibit 4.42 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on July 30, 2019).</u>
4.23	<u>English translation of the Power of Attorney by Yudong Zheng, a shareholder of Beijing Xinshun Dingye Technology Co., Ltd., dated January 30, 2019 (incorporated herein by reference to Exhibit 4.43 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on July 30, 2019).</u>
4.24	<u>English translation of the Termination Agreement by and among Pintec (Beijing) Technology Co., Ltd., Wei Wei, Xiaomei Peng, and Xuanji Intelligence (Beijing) Technology Co., Ltd. dated April 30, 2020</u>
4.25	<u>English translation of the Equity Interest Transfer Agreement between Xiaomei Peng and Yang Liu dated April 30, 2020</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.26	<u>English translation of the Equity Interest Transfer Agreement between Wei Wei and Yang Liu dated April 30, 2020</u>
4.27	<u>English translation of the Equity Interest Transfer Agreement between Wei Wei and Shenzhen Xiaogang Technology Co., Ltd. dated April 30, 2020</u>
4.28	<u>English translation of the Concerted Action Agreement between Yang Liu and Shenzhen Xiaogang Technology Co., Ltd. dated April 30, 2020</u>
4.29	<u>English translation of the Intellectual Property License Agreement by and among Shanghai Anquying Technology Co., Ltd., Ganzhou Aixin Network Micro Finance Co., Ltd., Qilehui Credit Information Co., Ltd., Ganzhou Dumiao Intelligence Technology Co., Ltd., Myfin Insurance Broker Co., Ltd., Beijing Hongdian Fund Distributor Co., Ltd., Pintec (Beijing) Technology Co., Ltd., Sky City (Beijing) Technology Co., Ltd. and Xuanji Intelligence (Beijing) Technology Co., Ltd. dated April 30, 2020</u>
4.30	<u>English translation of the Supplementary Agreement by and among Yang Liu, Wei Wei, Shenzhen Xiaogang Technology Co., Ltd. and Xuanji Intelligence (Beijing) Technology Co., Ltd. dated June 1, 2020</u>
4.31	<u>English translation of “Jiequhua” Business Cooperation Agreement by and among Tianjin Quna Internet Finance Information Technology Co., Ltd. and Shanghai Anquying Technology Co., Ltd. dated April 3, 2018 (incorporated by reference to Exhibit 10.20 of our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)</u>
4.32	<u>English translation of “Naquhua” Business Cooperation Agreement by and among Shanghai Anquying Technology Co., Ltd. and Xi’an Quxie Financial Services Co., Ltd. dated December 25, 2017 (incorporated by reference to Exhibit 10.21 of our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)</u>
4.33	<u>English translation of Supplemental Agreement (I) to Naquhua Business Cooperation Agreement by and among Shanghai Anquying Technology Co., Ltd. and Xi’an Quxie Financial Services Co., Ltd. dated February 2, 2018 (incorporated by reference to Exhibit 10.22 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)</u>
4.34	<u>English translation of Supplemental Agreement (DI) to Naquhua Business Cooperation Agreement by and among Shanghai Anquying Technology Co., Ltd. and Xi’an Quxie Financial Services Co., Ltd. dated May 1, 2018 (incorporated by reference to Exhibit 10.23 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)</u>
4.35	<u>Lerong Cooperation Agreement by and among Shanghai Anquying Technology Co., Ltd. and Beijing Lerong Duoyuan Information Technology Co., Ltd. dated August 30, 2016 (incorporated by reference to Exhibit 10.24 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)</u>
4.36	<u>Master Transaction Agreement by and between Pintec Technology Holdings Limited and Pintec Holdings Limited, dated December 1, 2017 (incorporated by reference to Exhibit 10.25 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)</u>
4.37	<u>Restructuring Agreement by and among Pintec Holdings Limited and Shareholders, dated December 1, 2017 (incorporated by reference to Exhibit 10.26 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.38	<u>Cooperation Framework Agreement by and between Pintec Technology Holdings Limited and Pintec Holdings Limited, dated December 1, 2017 (incorporated by reference to Exhibit 10.27 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)</u>
4.39	<u>Non-Competition Agreement by and between Pintec Technology Holdings Limited and Pintec Holdings Limited, dated December 1, 2017 (incorporated by reference to Exhibit 10.28 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)</u>
4.40	<u>Intellectual Property License Agreement by and between Pintec Technology Holdings Limited and Pintec Holdings Limited, dated December 1, 2017 (incorporated by reference to Exhibit 10.29 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)</u>
4.41	<u>Loan agreement between Shenzhen Qianhai Minheng Commercial Factoring Co., Ltd. and Xuan Zhang dated as of January 22, 2018, and amended as of March 9, 2018 (incorporated by reference to Exhibit 10.30 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)</u>
4.42	<u>2018 Share Incentive Plan of the Registrant (incorporated by reference to Exhibit 10.31 to our registration Statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)</u>
4.43	<u>Loan agreement between Shenzhen Qianhai Minheng Commercial Factoring Co., Ltd. and Xijin (Shanghai) Venture Capital Management Co., Ltd. dated as of July 14, 2018 (incorporated by reference to Exhibit 10.32 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)</u>
4.44	<u>Loan agreement between Shenzhen Qianhai Minheng Commercial Factoring Co., Ltd. and Xijin (Shanghai) Venture Capital Management Co., Ltd. dated as of July 25, 2018 (incorporated by reference to Exhibit 10.33 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)</u>
4.45	<u>Supplementary Agreement to loan agreement between Shenzhen Qianhai Minheng Commercial Factoring Co., Ltd. and Xijin (Shanghai) Venture Capital Management Co., Ltd. dated as of August 21, 2018 (incorporated by reference to Exhibit 10.34 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)</u>
4.46	<u>English translation of Supplementary Agreement 2 to loan agreement between Shenzhen Qianhai Minheng Commercial (incorporated herein by reference to Exhibit 4.45 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on July 30, 2019)</u>
4.47	<u>English translation of Ganzhou Aixin Micro Finance Co., Ltd. Purchase Agreement between Lerong Duoyuan (Beijing) Technology Co., Ltd. and Shanghai Anquying Technology Co., Ltd., dated as of March 18, 2019 (incorporated herein by reference to Exhibit 4.46 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on July 30, 2019)</u>
4.48	<u>English translation of Loan Agreement among Shanghai Anquying Technology Co., Ltd., Beijing LeRong Duoyuan Information Technology Co., Ltd., Sky City (Beijing) Technology Co., Ltd., Shenzhen Qianhai Minheng Commercial Factoring Co., Ltd., Pintec (Beijing) Technology Co., Ltd., Lerong Duoyuan (Beijing) Science and Technology Co., Ltd. and Jianianhua (Tianjin) Information Technology Co., Ltd. dated July 19, 2019 (incorporated herein by reference to Exhibit 4.47 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on July 30, 2019)</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.49	<u>English translation of Supplementary Agreement 1 to loan agreement among Shanghai Anquying Technology Co., Ltd., Beijing LeRong Duoyuan Information Technology Co., Ltd., Sky City (Beijing) Technology Co., Ltd. and Lerong Duoyuan (Beijing) Technology Co., Ltd. dated July 19, 2019 (incorporated herein by reference to Exhibit 4.48 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on July 30, 2019)</u>
4.50	<u>English translation of Supplementary Agreement 2 to loan agreement among Shanghai Anquying Technology Co., Ltd., Beijing LeRong Duoyuan Information Technology Co., Ltd., Sky City (Beijing) Technology Co., Ltd. and Lerong Duoyuan (Beijing) Technology Co., Ltd. dated July 19, 2019 (incorporated herein by reference to Exhibit 4.49 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on July 30, 2019)</u>
4.51	<u>English translation of Loan Agreement among the Registrant, Jimu Holdings Limited, Next Hop Holdings Limited, Next Hop Hong Kong Limited and Sky City Hong Kong Limited dated July 19, 2019 (incorporated herein by reference to Exhibit 4.50 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on July 30, 2019)</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.52	<u>English translation of Supplementary Agreement to loan agreement between the Registrant and Jimu Holdings Limited dated July 19 2019 (incorporated herein by reference to Exhibit 4.51 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on July 30, 2019)</u>
4.53	<u>English translation of Information Service Cooperation Agreement among Beijing LeRong Duoyuan Information Technology Co., Ltd., Lerong Duoyuan (Beijing) Technology Co., Ltd. and Shanghai Anquying Technology Co., Ltd. dated July 19, 2019 (incorporated herein by reference to Exhibit 4.52 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on July 30, 2019)</u>
4.54	<u>English translation of Share Transfer Agreement entered into among Jianianhua (Tianjin) Information Technology Co., Ltd., Anquying (Tianjin) Technology Co., Ltd. and Yunnan Zhongzhiyuan Yunda Automobile Sales Co., Ltd. dated December 20, 2019 (incorporated by reference to Exhibit 4.44 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on June 29, 2020)</u>
4.55	<u>English translation of Capital Increase Agreement entered into among Shenzhen Xinyuhao Technology Co., Ltd., Anquying (Tianjin) Technology Co., Ltd., Shenzhen Guoyu Commercial Factoring Co., Ltd. and Yunnan Zhongzhiyuan Yunda Automobile Sales Co., Ltd. dated December 20, 2019 (incorporated by reference to Exhibit 4.45 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on June 29, 2020)</u>
4.56	<u>English translation of Loan Contract entered into among Shanghai Anquying Technology Co., Ltd., Shanghai Mandra Technology Co., Ltd., Dong Jun and Ganzhou Aixin Micro Finance Co., Ltd. dated August 30, 2019 (incorporated by reference to Exhibit 4.46 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on June 29, 2020)</u>
4.57	<u>English translation of Equity Pledge Agreement entered into between Shanghai Mandra Technology Co., Ltd. and Shanghai Anquying Technology Co., Ltd. dated August 30, 2019 (incorporated by reference to Exhibit 4.47 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on June 29, 2020)</u>
4.58	<u>English translation of Loan Agreement entered into between Sky City (Beijing) Technology Co., Ltd. and Lerong Duoyuan (Beijing) Technology Co., Ltd. dated August 30, 2019 (incorporated by reference to Exhibit 4.48 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on June 29, 2020)</u>
4.59	<u>English translation of Loan Agreement between Sikaisite (Beijing) Science and Technology Co., Ltd. and Lerong Duoyuan (Beijing) Technology Co., Ltd. dated September 9, 2019 (incorporated by reference to Exhibit 4.49 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on June 29, 2020)</u>
4.60	<u>English translation of Partnership Agreement entered into between Yinchuan Xingyin Investment Fund Partnership (Limited Partnership) and Pintec (Ganzhou) Technology Co., Ltd. dated October 21, 2019 (incorporated by reference to Exhibit 4.50 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on June 29, 2020)</u>
4.61	<u>English translation of Share Transfer Agreement entered into between Pintec (Ganzhou) Technology Co., Ltd. and Pintec (Yinchuan) Technology Co., Ltd. dated November 20, 2019 (incorporated by reference to Exhibit 4.51 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on June 29, 2020)</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.62	English translation of Capital Increase Agreement entered into among Huatai (Ningxia) Enterprise Consulting Service Partnership (Limited Partnership), Pintec (Yinchuan) Technology Co., Ltd. and Pintec (Ganzhou) Technology Co., Ltd. dated November 20, 2019 (incorporated by reference to Exhibit 4.52 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on June 29, 2020)

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.63	<u>English translation of Supplementary Agreement to Information Service Cooperation Agreement entered into among the Beijing LeRong Duoyuan Information Technology Co., Ltd., Lerong Duoyuan (Beijing) Technology Co., Ltd. and Shanghai Anquying Technology Co., Ltd. dated December 2019 (incorporated by reference to Exhibit 4.53 to our annual report on Form 20-F (File No. 001-38712) filed with the SEC on June 29, 2020)</u>
4.64	<u>English translation of Equity Interest Transfer Agreement by and among Pintec (Yinchuan) Technology Co., Ltd., Ningxia Fengyin Enterprise Management Consulting LLP and Yinchuan Chuanxi Technology Co., Ltd. dated October 22, 2020.</u>
4.65	<u>English translation of the Supplementary Agreement I by and among Yinchuan Chuanxi Technology Co., Ltd., Ningxia Fengyin Enterprise Management Consulting LLP and Pintec (Yinchuan) Technology Co., Ltd. dated October 22, 2020.</u>
4.66	<u>English translation of the Supplementary Agreement II by and among Yinchuan Chuanxi Technology Co., Ltd., Ningxia Fengyin Enterprise Management Consulting LLP and Pintec (Yinchuan) Technology Co., Ltd. dated October 22, 2020.</u>
4.67	<u>English translation of the Title Transfer Contract by and between Ningxia Gaoxin Software and Animation Development Co., Ltd. and Pintec (Yinchuan) Technology Co., Ltd. dated December 14, 2020.</u>
4.68	<u>English translation of the Supplementary Agreement to the Title Transfer Contract by and between Ningxia Gaoxin Software and Animation Development Co., Ltd. and Pintec (Yinchuan) Technology Co., Ltd. dated December 14, 2020.</u>
4.69	<u>Warrant to Purchase Class A Ordinary Shares dated October 16, 2020 (incorporated by reference to Exhibit 99.2 to the Schedule 13D filed with the SEC on April 7, 2021)</u>
4.70	<u>Share Purchase Agreement by and among Sky City Holdings Limited (BVI), Pinte Technology Holdings Limited, Hzone Holdings Limited, Riche Bright Securities Limited dated April 9, 2021</u>
4.71	<u>English translation of Equity Transfer Agreement by and among Sky City (Beijing) Technology Co., Ltd., Jing Shi, Yingzi Peng and Shenzhen Jishengtai Technology Co. Ltd. dated April 12, 2021</u>
4.72*	<u>English translation of Capital Increase Agreement by and among Beijing Xiao Benniao Information Technology Co., Ltd., Xu Danxia, Zheng Yu, Liu Feng, Shi Haonan, Lv Yin and Sky City (Beijing) Technology Co., Ltd. dated August 16, 2021</u>
4.73*	<u>English translation of Shareholders' Agreement by and among Beijing Xiao Benniao Information Technology Co., Ltd., Xu Danxia, Zheng Yu, Liu Feng, Shi Haonan, Lv Yin and Sky City (Beijing) Technology Co., Ltd. dated August 16, 2021</u>
4.74*	<u>English translation of Cooperation Agreement by and among Pintec Technology Holdings Limited, NCA DEVELOPMENT UNIT TRUST and FT Synergy Pte. Ltd. dated September 27, 2021</u>
4.75*	<u>English translation of Investment Termination Agreement by and among Beijing Xiao Benniao Information Technology Co., Ltd., Xu Danxia, Zheng Yu and Sky City (Beijing) Technology Co., Ltd. dated December 28, 2021</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.76*	English translation of Equity Transfer Agreement by and among Peng Jun, Tang Mei and Sky City_(Beijing) Technology Co., Ltd. dated January 10, 2022
8.1*	List of Principal Subsidiaries and Consolidated Affiliated Entities
11.1	Code of Business Conduct and Ethics (incorporated by reference to Exhibit 99.1 to our registration statement on Form F-1 (File No. 333-226188), as amended, initially filed with the SEC on July 16, 2018)
12.1*	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Shihui Partners
15.2*	Consent of Travers Thorp Alberga
15.3*	Consent of Marcum Bernstein & Pinchuk LLP, Independent Registered Public Accounting Firm
101.INS*	Inline XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith

** Furnished herewith

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Pintec Technology Holdings Limited

By: /s/ Victor Huike Li

Name: Victor Huike Li

Title: Chief Executive Officer

Date: April 28, 2022

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Pintec Technology Holdings Limited

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Pintec Technology Holdings Limited.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Pintec Technology Holdings Limited (the “Company”) as of December 31, 2020 and 2021, and the related consolidated statements of operations and comprehensive loss, changes in equity/(deficit) and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company, as of December 31, 2020 and 2021, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum Bernstein & Pinchuk LLP

Marcum Bernstein & Pinchuk LLP

We have served as the Company’s auditor since 2019.

Beijing, China
April 28, 2022

PINTEC TECHNOLOGY HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEETS

(RMB and US\$ in thousands, except for share and per share data, or otherwise noted)

	As of December 31,		
	2020 RMB	2021 RMB	2021 US\$ Note 2 (f)
ASSETS			
Current assets:			
Cash and cash equivalents	377,160	217,901	34,193
Restricted cash	137,220	1,468	230
Short-term financing receivables, net	70,783	97,200	15,252
Short-term financial guarantee assets, net	18,569	12,947	2,032
Accounts receivable, net	50,979	36,854	5,783
Prepayments and other current assets, net	66,160	155,087	24,336
Amounts due from related parties, net	30	5,455	856
Total current assets	720,901	526,912	82,682
Non-current assets:			
Non-current restricted cash	7,964	5,417	850
Long-term financing receivables, net	2,835	571	90
Long-term financial guarantee assets, net	698	184	29
Long-term investments	121,179	122,572	19,234
Deferred tax assets	1,053	—	—
Property, equipment and software, net	107,208	95,695	15,017
Intangible assets, net	16,666	9,882	1,551
Total non-current assets	257,603	234,321	36,771
TOTAL ASSETS	978,504	761,233	119,453
LIABILITIES			
Current liabilities:			
Short-term borrowings (including amounts of the consolidated VIEs of RMB130,000 and nil, respectively)	130,000	—	—
Short-term funding debts (including amounts of the consolidated VIEs of RMB2,841 and RMB30, respectively)	2,841	30	5
Accounts payable (including amounts of the consolidated VIEs of RMB8,976 and RMB20,443, respectively)	10,360	21,400	3,358
Amounts due to related parties, current (including amounts of the consolidated VIEs of RMB271,419 and RMB289,936, respectively)	271,419	289,936	45,497
Tax payable (including amounts of consolidated VIEs of RMB23,334 and RMB26,402, respectively)	26,971	30,901	4,849
Financial guarantee liabilities (including amounts of consolidated VIEs of RMB20,260 and RMB13,736, respectively)	20,260	13,736	2,155
Accrued expenses and other liabilities (including amounts of consolidated VIEs of RMB19,567 and RMB23,690, respectively)	59,754	48,963	7,682
Total current liabilities	521,605	404,966	63,546
Non-current liabilities:			
Convertible loan (including amounts of consolidated VIEs of nil and nil, respectively)	400,000	400,000	62,769
Deferred tax liabilities (including amounts of consolidated VIEs of nil and nil, respectively)	701	1,493	234
Other non-current liabilities (including amounts of consolidated VIEs of nil and RMB210, respectively)	8,148	19,331	3,034
Amounts due to related parties, non-current (including amounts of consolidated VIEs of nil and nil, respectively)	—	472	74
Total non-current liabilities	408,849	421,296	66,111
TOTAL LIABILITIES	930,454	826,262	129,657
Commitments and contingencies (Note 24)			
EQUITY			
Class A Ordinary Shares (US\$ 0.000125 par value per share; 348,217,505 shares authorized as of December 31, 2020 and 2021; 247,852,996 and 249,085,237 shares outstanding as of December 31, 2020 and 2021, respectively)	232	233	37
Class B Ordinary Shares (US\$ 0.000125 par value per share; 51,782,495 shares authorized as of December 31, 2020 and 2021; 50,939,520 shares outstanding as of December 31, 2020 and 2021)	42	42	7
Additional paid-in capital	1,985,792	1,992,321	312,639
Statutory reserves	30,763	31,279	4,908
Accumulated other comprehensive income	19,913	9,120	1,431
Accumulated deficit	(2,155,679)	(2,257,924)	(354,318)
Total shareholders' deficit	(118,937)	(224,929)	(35,296)
Non-controlling interests	166,987	159,900	25,092
TOTAL EQUITY/(DEFICIT)	48,050	(65,029)	(10,204)
TOTAL LIABILITIES AND EQUITY	978,504	761,233	119,453

The accompanying notes are an integral part of these consolidated financial statements.

PINTEC TECHNOLOGY HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(RMB and US\$ in thousands, except for share and per share data, or otherwise noted)

	For the year ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$ Note 2 (f)
Revenues:				
Technical service fees	1,077,760	330,665	115,272	18,088
Installment service fees	187,359	42,707	16,949	2,660
Wealth management service fees and others	20,117	4,892	41,019	6,437
Total revenues	1,285,236	378,264	173,240	27,185
Cost of revenues:				
Funding cost	(51,759)	(16,525)	(583)	(91)
(Provision)/Reversal for credit losses	(33,942)	(45,090)	1,934	303
Origination and servicing cost	(290,398)	(100,760)	(94,186)	(14,780)
(Cost on)/Recover of guarantee	(193,426)	(100,347)	4,689	736
Service cost charged by Jimu Group-related party	(200,163)	(23,052)	(1,574)	(247)
Cost of revenues	(769,688)	(285,774)	(89,720)	(14,079)
Gross profit	515,548	92,490	83,520	13,106
Operating expenses:				
Sales and marketing expenses	(69,593)	(44,697)	(40,936)	(6,424)
General and administrative expenses	(1,095,311)	(147,753)	(88,111)	(13,827)
Research and development expenses	(79,079)	(37,521)	(22,714)	(3,564)
Impairment loss of goodwill and intangible assets	—	(69,358)	(3,096)	(486)
Total operating expenses	(1,243,983)	(299,329)	(154,857)	(24,301)
Operating loss	(728,435)	(206,839)	(71,337)	(11,195)
Loss from equity method investments	(8,149)	(11,523)	—	—
Loss from disposal of a subsidiary	—	—	(5,498)	(863)
Impairment on prepayment for long-term investment	(200,000)	—	—	—
Impairment loss on equity investment	—	(15,908)	—	—
Interest expenses, net	(19,017)	(34,332)	(32,453)	(5,093)
Other income, net	7,923	21,658	7,340	1,152
Interest income from related parties	43,156	—	—	—
Loss before income tax expense	(904,522)	(246,944)	(101,948)	(15,999)
Income tax expense	(1,968)	(49,196)	(6,872)	(1,078)
Net loss	(906,490)	(296,140)	(108,820)	(17,077)
Net loss attributable to non-controlling interest	(595)	(2,205)	(7,091)	(1,113)
Net loss attributable to Pintec Technology Holdings Limited shareholders	(905,895)	(293,935)	(101,729)	(15,964)
Other comprehensive income/(loss):				
Fair value change in available for sale investment	—	(421)	(91)	(14)
Foreign currency translation adjustments, net of nil tax	11,876	(22,556)	(10,702)	(1,678)
Total other comprehensive income/(loss)	11,876	(22,977)	(10,793)	(1,692)
Total comprehensive loss	(894,614)	(319,117)	(119,613)	(18,769)
Total comprehensive loss attributable to non-controlling interest	(595)	(2,205)	(7,091)	(1,113)
Total comprehensive loss attributable to Pintec Technology Holdings Limited shareholders	(894,019)	(316,912)	(112,522)	(17,656)
Loss per ordinary share				
Basic and Diluted	(3.21)	(0.99)	(0.34)	(0.05)
Weighted average number of ordinary shares outstanding				
Basic and Diluted	282,129,663	297,334,389	299,714,670	299,714,670
Share-based compensation expenses included in				
Cost of revenues	250	18	(13)	(2)
Sales and marketing expenses	1,565	3,182	354	56
General and administrative expenses	12,785	7,054	2,370	372
Research and development expenses	3,247	1,644	1,082	170

The accompanying notes are an integral part of these consolidated financial statements.

PINTEC TECHNOLOGY HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY/(DEFICIT)

(RMB and US\$ in thousands, except for share data and per share data, or otherwise noted)

	Pre-IPO Class A Ordinary Shares		Class A Ordinary Shares		Class B Ordinary Shares		Statutory Reserve	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Noncontrolling interests	Total Equity/(Deficit)
	Share	Amount RMB	Share	Amount RMB	Share	Amount RMB						
As of December 31, 2018	<u>—</u>	<u>—</u>	<u>213,811,958</u>	<u>185</u>	<u>51,782,495</u>	<u>43</u>	<u>1,739</u>	<u>1,896,993</u>	<u>31,014</u>	<u>(872,698)</u>	<u>—</u>	<u>1,057,276</u>
Impact on adoption of ASC 606	—	—	—	—	—	—	—	—	—	(54,127)	—	(54,127)
Exercise of Share-based options	—	—	29,737,638	26	—	—	—	—	—	—	—	26
Shares issued to acquire a subsidiary	—	—	106,636	—	—	—	—	1,187	—	—	—	1,187
Warrant issued	—	—	—	—	—	—	—	26,290	—	—	—	26,290
Reassignment of Class B Ordinary Shares to Class A Ordinary Shares	—	—	842,975	1	(842,975)	(1)	—	—	—	—	—	—
Addition of noncontrolling interests resulting from selling of interests in a subsidiary	—	—	—	—	—	—	—	364	—	—	19,787	20,151
Contribution from non-controlling interests in a subsidiary	—	—	—	—	—	—	—	—	—	—	150,000	150,000
Share-based awards to employee of the Group	—	—	—	—	—	—	—	17,847	—	—	—	17,847
Net loss	—	—	—	—	—	—	—	—	—	(905,895)	(595)	(906,490)
Appropriation to statutory reserve	—	—	—	—	—	—	27,920	—	—	(27,920)	—	—
Share-based awards to employee of Jimu Group	—	—	—	—	—	—	—	34,684	—	—	—	34,684
Foreign currency translation adjustments, net of nil tax	—	—	—	—	—	—	—	—	11,876	—	—	11,876
As of December 31, 2019	<u>—</u>	<u>—</u>	<u>244,499,207</u>	<u>212</u>	<u>50,939,520</u>	<u>42</u>	<u>29,659</u>	<u>1,977,365</u>	<u>42,890</u>	<u>(1,860,640)</u>	<u>169,192</u>	<u>358,720</u>
Exercise of options	—	—	3,353,789	20	—	—	—	—	—	—	—	20
Share-based awards to employee of the Group	—	—	—	—	—	—	—	11,898	—	—	—	11,898
Share-based awards to employee of Jimu Group	—	—	—	—	—	—	—	(3,471)	—	—	—	(3,471)
Net loss	—	—	—	—	—	—	—	—	—	(293,935)	(2,205)	(296,140)
Appropriation to statutory reserve	—	—	—	—	—	—	1,104	—	—	(1,104)	—	—
Fair value change in available for sale investment	—	—	—	—	—	—	—	—	(421)	—	—	(421)
Foreign currency translation adjustments, net of nil tax	—	—	—	—	—	—	—	—	(22,556)	—	—	(22,556)
As of December 31, 2020	<u>—</u>	<u>—</u>	<u>247,852,996</u>	<u>232</u>	<u>50,939,520</u>	<u>42</u>	<u>30,763</u>	<u>1,985,792</u>	<u>19,913</u>	<u>(2,155,679)</u>	<u>166,987</u>	<u>48,050</u>
Exercise of options	—	—	1,232,241	1	—	—	—	—	—	—	—	1
Non-controlling interests contribution	—	—	—	—	—	—	—	—	—	—	4	4
Share-based awards to employee of the Group	—	—	—	—	—	—	—	3,793	—	—	—	3,793
Share-based awards to employee of Jimu Group	—	—	—	—	—	—	—	2,736	—	—	—	2,736
Net loss	—	—	—	—	—	—	—	—	—	(101,729)	(7,091)	(108,820)
Appropriation to statutory reserve	—	—	—	—	—	—	516	—	—	(516)	—	—
Fair value change in available for sale investment	—	—	—	—	—	—	—	—	(91)	—	—	(91)
Foreign currency translation adjustments, net of nil tax	—	—	—	—	—	—	—	—	(10,702)	—	—	(10,702)
As of December 31, 2021	<u>—</u>	<u>—</u>	<u>249,085,237</u>	<u>233</u>	<u>50,939,520</u>	<u>42</u>	<u>31,279</u>	<u>1,992,321</u>	<u>9,120</u>	<u>(2,257,924)</u>	<u>159,900</u>	<u>(65,029)</u>

The accompanying notes are an integral part of these consolidated financial statements.

PINTEC TECHNOLOGY HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

(RMB and US\$ in thousands, except for share data and per share data, or otherwise noted)

	For the year ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$ Note 2 (f)
Cash flows from operating activities:				
Net loss	(906,490)	(296,140)	(108,820)	(17,077)
Adjustments to reconcile net loss to net cash provided by/(used in) operating activities:				
Depreciation and amortization	12,289	15,225	12,356	1,939
Share-based compensation expenses	17,847	11,898	3,793	596
Provision/(reversal) for doubtful accounts and credit losses	961,851	50,965	(7,276)	(1,142)
Impairment on prepayment for long-term investment	200,000	—	—	—
Impairment loss of goodwill and intangible assets	—	69,358	3,096	486
Impairment loss on equity investment	—	15,908	—	—
Loss from equity-method investments	8,149	11,523	—	—
Loss from disposal of a subsidiary	—	—	5,498	863
Accretion of debt instrument	7,343	18,947	—	—
Deferred income tax	(17,263)	46,915	1,845	290
Change in the fair value of contingent consideration payable from acquisition of Infrarisk	1,496	985	—	—
Changes in operating assets and liabilities:				
Short-term and long-term financing receivables	112,540	108	(2,415)	(379)
Short-term and long-term financial guarantee assets	(86,939)	83,806	6,523	1,024
Accounts receivable	(49,780)	17,162	10,473	1,643
Amounts due from related parties, net	83,020	(8,076)	3,486	547
Prepayments and other current assets	2,112	12,299	4,636	727
Short-term and long-term funding debts	(172,792)	(22,210)	—	—
Accounts payable	15,070	(47,362)	11,281	1,770
Amounts due to related parties	(30,495)	261,229	18,989	2,980
Tax payable	(5,539)	(12,755)	3,859	606
Financial guarantee liabilities	86,397	(81,673)	(6,523)	(1,024)
Accrued expenses and other liabilities	(63,737)	(91,149)	7,017	1,100
Net cash provided by/(used in) operating activities	175,079	56,963	(32,182)	(5,051)
Cash flows from investing activities:				
Purchase of property, equipment and software	(10,015)	(97,801)	(177)	(28)
Proceeds from disposal of property, equipment and software	—	924	1,964	308
Prepayment for financing receivable	(200,000)	—	—	—
Financing receivables facilitated	(1,988,899)	(360,984)	(326,637)	(51,256)
Collection of principal on financing receivables	2,313,229	691,655	306,835	48,149
Collection of loan from a third party	135,296	—	—	—
Net cash advances to Jimu Group	(697,754)	293	232	36

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Loans provided to Jimu Group	(137,000)	(40,000)	—	—
Collection of loan from Jimu Group	122,000	40,000	—	—
Cash acquired due to acquisition of Qilehui (Note 4)		26	—	—
Cash acquired due to acquisition of Ganzhou Micro Finance (Note 4)	42,591	—	—	—
Purchase of Infrarisk, net of cash acquired (Note 4)	(3,650)	—	—	—
Purchase of long-term investments	(91,500)	(41,494)	—	—
Equity transfer consideration paid to Jimu Group	(23,000)	—	—	—
Prepayment of intent acquisition (Note 7)	—	—	(100,000)	(15,692)
Net cash outflow from disposal of subsidiary	—	—	(1,681)	(264)
Net cash (used in)/provided by investing activities	(538,702)	192,619	(119,464)	(18,747)
Cash flows from financing activities:				
Proceeds from short-term and long-term borrowings	495,000	50,000	—	—
Repayment of short-term and long-term borrowings	(315,000)	(320,000)	(130,000)	(20,400)
Loan received from third parties	17,000	—	—	—
Loan repayment to third parties	(17,000)	—	—	—
Repayment of loans to Jimu Group	(23,831)	—	—	—
Proceeds from funding debts	682,100	—	—	—
Proceeds from related parties as funding debts	—	—	472	74
Principal repayments on funding debts	(904,074)	(296,659)	(2,811)	(441)
Proceeds from issuance of convertible loans	—	400,000	—	—
Proceeds from issuance of debt instrument	100,000	—	—	—
Repayment of debt instrument	—	(100,000)	—	—
Proceeds from exercise of options	26	20	1	—
Proceeds from capital injection by non-controlling shareholders	170,151	—	4	1
Proceeds from notes payable	20,000	—	—	—
Repayment of notes payable	—	(20,000)	—	—
Net cash provided by/(used in) financing activities	224,372	(286,639)	(132,334)	(20,766)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	10,114	(21,503)	(13,578)	(2,131)
Net decrease in cash, cash equivalents and restricted cash	(129,137)	(58,560)	(297,558)	(46,695)
Cash, cash equivalents and restricted cash at beginning of the year	710,041	580,904	522,344	81,968
Including:				
Cash and cash equivalents at beginning of the year	457,442	102,755	377,160	59,185
Restricted cash at beginning of the year	252,599	382,695	137,220	21,533
Non-current restricted time deposits at beginning of the year	—	95,454	7,964	1,250
Cash, cash equivalents and restricted cash at end of the year	580,904	522,344	224,786	35,273
Including:				
Cash and cash equivalents at end of the year	102,755	377,160	217,901	34,193
Restricted cash at end of the year	382,695	137,220	1,468	230
Non-current restricted time deposits at end of the year	95,454	7,964	5,417	850
Supplemental disclosure of cash flow information:				
Cash paid for interest and funding cost	64,121	49,473	36,654	5,752
Cash paid for income tax expense	33,419	6,455	1,097	172
Non-cash investing activities:				
Net off amount due to Jimu Group arising from acquisition of Ganzhou Micro Finance with due from Jimu Group	230,000	—	—	—
Contingent payables related to acquisition of Infrarisk	(11,215)	—	—	—

The accompanying notes are an integral part of these consolidated financial statements.

PINTEC TECHNOLOGY HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(RMB in thousands, except for share data and per share data, or otherwise noted)

1. Organization and principal activities

(a) Nature of operations

The Pintec Business commenced operations in June 2015 as a business unit within Jimu Holdings Limited (the “Parent Company” or “Jimu Parent” formerly known as Pintec Holdings Limited), which is a British Virgin Islands (“BVI”) holding company. Pintec Technology Holdings Limited (the “Company” or “Pintec”) is principally engaged in the operation of an online technology platform enabling financial services (the “Pintec Business”) in the People’s Republic of China (the “PRC” or “China”). The financial services enabled by the Company’s technology platform include: (i) assistance for borrowers to obtain loans from third party investors and certain financial partners, (ii) a lending solution for borrowers who want to finance their on-line purchases or who have personal or business installment loan requests, and (iii) a wealth management and insurance product distribution solution for asset management and insurance companies respectively to facilitate the sales of their products. The Company was incorporated in the Cayman Islands on March 2, 2017 as an exempted company with limited liability.

(b) Major subsidiaries and VIEs

To pursue initial public offering of Pintec Business, Jimu Parent initiated a restructuring process (the “Reorganization”) that separated Pintec Business from Jimu Parent as of March 31, 2018.

PINTEC TECHNOLOGY HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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As of December 31, 2021, the Company’s principal subsidiaries, consolidated VIEs and subsidiaries of VIEs (collectively the “Group”) are as follows.

	Date of incorporation/ acquisition	Place of incorporation	Percentage of direct or indirect economic interest	Principal activities
The Company:				
Pintec Technology Holdings Limited (“Pintec”)	March 2, 2017	The Cayman Islands		Investment holding
Wholly owned subsidiaries:				
Sky City (Beijing) Technology Co., Ltd. (“Sky City WFOE”)	December 22, 2016	The PRC	100%	Investment holding
Anxunying (Tianjin) Commercial Factoring Co., Ltd. (“Anxunying Tianjin”)	December 3, 2018	The PRC	100%	Lending solution business
Pintec (Beijing) Technology Co., Ltd (“Pintec Beijing WFOE”)	December 21, 2016	The PRC	100%	Investment holding
Qilehui Credit Information Co., Ltd (“Qilehui”)	August 31, 2020	The PRC	100%	Corporate credit investigation
VIEs and VIEs subsidiaries (referred to as “Pintec Operating Entities”):				
Beijing Hongdian Fund Distributor Co., Ltd. (“Beijing Hongdian”)	April 13, 2015	The PRC	100%	Wealth management solution business
Shanghai Anquying Technology Co., Ltd. (“Shanghai Anquying”)	November 16, 2015	The PRC	100%	Lending solution business
Myfin Insurance Broker Co., Ltd (“Myfin Insurance”)	December 17, 2015	The PRC	60%	Insurance solution business
Anquying (Tianjin) Technology Co., Ltd. (“Tianjin Anquying”)	January 29, 2016	The PRC	100%	Lending solution business
Xuanji Intelligence (Beijing) Technology Co., Ltd. (“Beijing Xuanji”)	May 31, 2016	The PRC	100%	Wealth management solution business
Shenzhen Qianhai Minheng Commercial Factoring Co., Ltd. (“Shenzhen Minheng”)	June 30, 2016	The PRC	100%	Lending solution business
Pintec Jinke (Beijing) Technology Information Co., Ltd., (formerly known as Hezi (Beijing) Consultants Co., Ltd) (“Beijing Jinke”)	January 3, 2017	The PRC	100%	Wealth management solution business

PINTEC TECHNOLOGY HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(RMB in thousands, except for share data and per share data, or otherwise noted)

	<u>Date of incorporation/ acquisition</u>	<u>Place of incorporation</u>	<u>Percentage of direct or indirect economic interest</u>	<u>Principal activities</u>
Ganzhou Dumiao Intelligence Technology Co., Ltd (formerly known as Anquying (Ganzhou) Technology Co., Ltd.) (“Ganzhou Anquying”)	May 27, 2017	The PRC	100%	Lending solution business
Anquyun (Tianjin) Technology Co., Ltd. (“Tianjin Anquyun”)	January 2, 2018	The PRC	100%	Lending solution business
Beijing Xinshun Dingye Technology Co., Ltd. (“Xinshundingye”)	January 30, 2019	The PRC	100%	Wealth management solution business
Ganzhou Aixin Network Micro Finance Co., Ltd, (formerly known as Ganzhou Jimu Micro Finance Co., Ltd.) (“Ganzhou Micro Finance”)	March 21, 2019	The PRC	100%	Micro-loan Lending
Pintec Yunke (Ganzhou) Technology Information Co., Ltd. (“Pintec Yunke”)	May 9, 2019	The PRC	100%	Lending solution business
Subsidiaries:				
Janko Loans Pty Ltd	September 1, 2021	Australia	50%	Lending solution business
Wagepay Pty Ltd	September 1, 2021	Australia	50%	Lending solution business

(c) Variable interest entities (excluding the consolidated trust as discussed in Note 2(j))

In order to comply with the PRC laws and regulations which prohibit or restrict foreign control of companies involved in provision of internet content, the Group operates its websites and carries out other restricted businesses in the PRC through certain PRC domestic companies, whose equity interests are held by certain current or former management members family members of founders as nominee shareholders. The Group obtained control over these PRC domestic companies through certain PRC subsidiaries, by entering into a series of contractual arrangements with these PRC domestic companies and their nominee shareholders. To comply with PRC laws and regulations which prohibit or restrict foreign ownership of internet content, the nominee shareholders are legal owners of an entity. However, the rights of those nominee shareholders have been transferred to the Group’s relevant PRC subsidiaries through such contractual arrangements. These contractual arrangements include exclusive option agreements, exclusive business cooperation agreements, equity pledge agreement and powers of attorney. Management concluded that the Group’s relevant PRC subsidiaries, through the contractual arrangements, have the power to direct the activities that most significantly impact economic performance of these PRC domestic companies, bear the risks of and enjoy the rewards normally associated with ownership of these PRC domestic companies. Therefore, these PRC domestic companies are VIEs of the Group’s relevant PRC subsidiaries, of which the Company is the ultimate primary beneficiary. As such, the Group consolidated the financial statements of these PRC domestic companies.

The following is a summary of the contractual arrangements that the Company’s subsidiaries entered into with VIEs and their nominee shareholders:

PINTEC TECHNOLOGY HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(RMB in thousands, except for share data and per share data, or otherwise noted)

1. Organization and principal activities (Continued)

Powers of attorney —Pursuant to the irrevocable power of attorney, the Company's relevant PRC subsidiaries are authorized by each of the nominee shareholders as their attorney in-fact to exercise all shareholder rights under PRC law and the relevant articles of association, including but not limited to, the sale or transfer or pledge or disposition of all or part of the nominee shareholders' equity interests, and designate and appoint directors, chief executive officers and general manager, and other senior management members of the VIEs. Each power of attorney will remain in force during the period when the nominee shareholder continues to be shareholder of the VIEs. Each nominee shareholder has waived all the rights which have been authorized to the Company's relevant PRC subsidiaries under each power of attorney. The powers of attorney are irrevocable and remain in force continuously upon execution.

Exclusive business cooperation agreements —The Company's relevant PRC subsidiaries and the VIEs entered into exclusive business cooperation agreements under which the VIEs engage the Company's relevant PRC subsidiaries as their exclusive provider of technical services and business consulting services. The VIEs shall pay services fees to the Company's relevant PRC subsidiaries, which are determined by the Company's relevant PRC subsidiaries at its sole discretion. The Company's relevant PRC subsidiaries shall have exclusive and proprietary rights and interests in all rights, ownership, interests and intellectual properties arising from the performance of the agreement. During the term of the agreement, the VIEs shall not accept any consultations and/or services provided by any third party and shall not cooperate with any third party for the provision of identical or similar services without prior consent of the Company's relevant PRC subsidiaries. These agreements will remain in effect for ten years, but can be terminated by the Company's relevant PRC subsidiaries with 30 days' advance written notice. These agreements can be extended at the sole discretion of the Company's relevant PRC subsidiaries.

Equity pledge agreements —Pursuant to the relevant equity pledge agreements, the nominee shareholders of the VIEs have pledged all of their equity interests in the VIEs to the Company's relevant PRC subsidiaries as collateral for all of the VIEs' payments due to the Company's relevant PRC subsidiaries and to secure the VIEs' obligations under the above agreement. The nominee shareholders shall not transfer or assign the equity interests, the rights and obligations in the equity pledge agreement or create or permit to create any pledges which may have an adverse effect on the rights or benefits of the Company's relevant PRC subsidiaries without the Company's relevant PRC subsidiaries' written consent. The Company's relevant PRC subsidiaries are entitled to transfer or assign in full or in part the equity interests pledged. In the event of default, the Company's relevant PRC subsidiaries as the pledgee, will be entitled to request immediate payment of the unpaid service fee and other amounts due to the Company's relevant PRC subsidiaries, and/or to dispose of the pledged equity. These equity pledge agreements will remain effective until the variable interest entities and their shareholders discharge all their obligations under the contractual arrangements.

Exclusive option agreements —The nominee shareholders of the VIEs have granted the Company's relevant PRC subsidiaries the exclusive and irrevocable option to purchase from the nominee shareholders, to the extent permitted under PRC laws and regulations, part or all of their equity interests in these entities for a purchase price equal to the actual capital contribution paid in the registered capital of the VIEs by the nominee shareholders for their equity interests. The Company's relevant PRC subsidiaries may exercise such option at any time. In addition, the VIEs and their nominee shareholders have agreed that without prior written consent of the Company's relevant PRC subsidiaries, they shall not sell, transfer, mortgage or dispose of any assets or equity interests of the VIEs or declare any dividend. These agreements will remain effective for ten years and can be extended at the sole discretion of the Company's relevant PRC subsidiaries.

PINTEC TECHNOLOGY HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(RMB in thousands, except for share data and per share data, or otherwise noted)

1. Organization and principal activities (Continued)

(d) Risks in relation to the VIE structure

The Company believes that the contractual arrangements with its VIE and their respective shareholders are in compliance with PRC laws and regulations and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce the contractual arrangements. If the legal structure and contractual arrangements were found to be in violation of PRC laws and regulations, the PRC government could, among others:

- revoke the Group's business and operating licenses;
- require the Group to discontinue or restrict its operations;
- restrict the Group's right to collect revenues;
- block the Group's websites;
- require the Group to restructure the operations, re-apply for the necessary licenses or relocate the Group's businesses, staff and assets;
- impose additional conditions or requirements with which the Group may not be able to comply; or
- take other regulatory or enforcement actions against the Group that could be harmful to the Group's business.

The Company's ability to conduct its business may be negatively affected if the PRC government were to carry out of any of the aforementioned actions. As a result, the Company may not be able to consolidate its VIE in its consolidated financial statements as it may lose the ability to exert effective control over the VIE and their respective shareholders and it may lose the ability to receive economic benefits from the VIE. The Company, however, does not believe such actions would result in the liquidation or dissolution of the Company, its PRC subsidiary and VIE.

The interests of the shareholders of VIE may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms, for example by influencing VIE not to pay the service fees when required to do so. The Company cannot assure that when conflicts of interest arise, shareholders of VIE will act in the best interests of the Company or that conflicts of interests will be resolved in the Company's favor. The Company believes the shareholders of VIE will not act contrary to any of the contractual arrangements and the exclusive option agreements provide The Company with a mechanism to remove the current shareholders of VIE should they act to the detriment of The Company. The Company relies on certain current shareholders of VIE to fulfill their fiduciary duties and abide by laws of the PRC and act in the best interest of the Company. If the Company cannot resolve any conflicts of interest or disputes between the Company and the shareholders of VIE, the Company would have to rely on legal proceedings, which could result in disruption of its business, and there is substantial uncertainty as to the outcome of any such legal proceedings.

PINTEC TECHNOLOGY HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(RMB in thousands, except for share data and per share data, or otherwise noted)

1. Organization and principal activities (Continued)

The following consolidated financial information of the Group's VIEs as of December 31, 2020 and 2021 and for the years ended December 31, 2019, 2020 and 2021 were included in the Group's consolidated financial statements as follows:

	As of December 31,	
	2020	2021
	RMB	RMB
Total assets	440,444	307,249
Total liabilities	476,397	374,447

	For the year ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
Total net revenues	1,272,943	352,604	147,883
Net (loss)/income	(520,791)	(111,765)	40,717

	For the year ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
Net cash provided by operating activities	404,851	128,547	82,587
Net cash (used in)/provided by investing activities	(165,957)	289,956	(19,956)
Net cash provided by/(used in) financing activities	86,906	(666,659)	(132,810)

In accordance with the contractual arrangements, the relevant PRC subsidiaries have the power to direct activities of the Group's VIEs and VIEs' subsidiaries, and can transfer assets out of the Group's VIEs and VIEs' subsidiaries. No assets of the VIEs and VIEs' subsidiaries are collateral for the VIEs' obligations and all assets can only be used to settle the VIEs' obligations except for the trust arrangements, and the equity interest in Ganzhou Micro Finance was pledged as security for Pintec Yinchuan's obligations under the equity transfer agreements with Ningxia Fengyin Enterprise Management Consulting LLP. Relevant PRC laws and regulations restrict the VIE from transferring a portion of its net assets, equivalent to the balance of its paid-in capital, capital reserve and statutory reserves, to the Group in the form of loans and advances or cash dividends. As the VIEs and VIEs' subsidiaries are incorporated as limited liability companies under the PRC Company Law, the creditors do not have recourse to the general credit of the Group for the liabilities of the VIEs and the VIEs' subsidiaries.

Currently there is no contractual arrangement that could require the relevant PRC subsidiaries or the Group to provide additional financial support to the Group's VIEs and VIEs' subsidiaries. As the Group is conducting certain businesses in the PRC through the VIEs and VIEs' subsidiaries, the Group may provide additional financial support on a discretionary basis in the future, which could expose the Group to a loss.

Management is currently evaluating the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the Company's financial position and results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

PINTEC TECHNOLOGY HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(RMB in thousands, except for share data and per share data, or otherwise noted)

2. Summary of significant accounting policies

(a) Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with U.S. GAAP. Significant accounting policies followed by the Group in the preparation of the consolidated financial statements are summarized below.

(b) Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the VIEs for which the Company is the ultimate primary beneficiary, and the subsidiaries of the VIEs.

All significant intercompany transactions and balances between the Company, its consolidated subsidiaries and the consolidated VIEs have been eliminated upon consolidation.

(c) Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosure of contingent assets and liabilities at the balance sheet dates, and the reported revenues and expenses during the reporting periods and disclosed in the consolidated financial statements and accompanying notes.

Significant accounting estimates reflected in the Group's consolidated financial statements include provision for doubtful accounts and credit losses, valuation and recognition of share-based compensation expenses, uncertain tax positions, valuation allowance of deferred tax assets, fair value of assets and liabilities acquired in business combinations, impairment of long-lived assets including goodwill, the fair value of financial guarantee liabilities under ASC 460, the useful lives of property, equipment and software and intangible assets, and fair values of the debt instruments issued with warrants. Changes in facts and circumstances may result in revised estimates.

(d) Business combination

Business combinations are recorded using the acquisition method of accounting. The assets acquired, the liabilities assumed, and any non-controlling interests of the acquiree at the acquisition date, if any, are measured at their fair values as of the acquisition date. Goodwill is recognized and measured as the excess of the total consideration transferred plus the fair value of any non-controlling interest of the acquiree and fair value of previously held equity interest in the acquiree, if any, at the acquisition date over the fair values of the identifiable net assets acquired. Common forms of the consideration made in acquisitions include cash and common equity instruments. Consideration transferred in a business acquisition is measured at the fair value as of the date of acquisition. Acquisition-related expenses and restructuring costs are expensed as incurred.

PINTEC TECHNOLOGY HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(RMB in thousands, except for share data and per share data, or otherwise noted)

2. Summary of significant accounting policies (Continued)

Where the consideration in an acquisition includes contingent consideration the payment of which depends on the achievement of certain specified conditions post-acquisition, the contingent consideration is recognized and measured at its fair value at the acquisition date and is recorded as a liability, it is subsequently remeasured at fair value at each reporting date with changes in fair value reflected in earnings.

(e) Foreign currency translation

The Group's reporting currency is Renminbi ("RMB"). The functional currency of the Company and the Group's subsidiary incorporated in Hong Kong and BVI is United States dollars ("US\$"). The functional currency of the Group's subsidiary incorporated in Australia is Australian dollars ("AUD"). The functional currency of the Group's subsidiary incorporated in Singapore is Singapore dollars ("SGD"). The functional currency of the Group's PRC subsidiaries, VIEs and VIEs' subsidiaries determined their functional currency to be RMB.

Transactions denominated in foreign currencies other than functional currency are translated into the functional currency at the exchange rates prevailing on the transaction dates. Assets and liabilities denominated in foreign currencies other than functional currency are remeasured into the functional currency at the exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from foreign currency transactions are recorded in the consolidated statements of operations and comprehensive loss.

The financial statements of the Group's non PRC entities are translated from their respective functional currency into RMB. Assets and liabilities are translated into RMB using the applicable exchange rates at the balance sheet date. Equity accounts other than earnings generated in current period are translated into RMB at the appropriate historical rates. Revenues, expenses, gains and losses are translated into RMB using the average exchange rates for the relevant period.

The resulting foreign currency translation adjustments are recorded as a component of accumulated other comprehensive income in the consolidated statements of changes in equity/(deficit) and a component of other comprehensive income/ (loss) in the consolidated statement of operations and comprehensive loss.

(f) Convenience translation

Translations of the consolidated balance sheets, the consolidated statement of operations and comprehensive loss and the consolidated statement of cash flows from RMB into US\$ as of and for the year ended December 31, 2021 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB6.3726, representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 30, 2021. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate, or at any other rate.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, time deposits, and funds held in deposit accounts with banks, which are highly liquid and have original maturities of three months or less and are unrestricted as to withdrawal or use. The Company had cash and cash equivalents of RMB377,160 and RMB217,901 as of December 31, 2020 and 2021, respectively.

PINTEC TECHNOLOGY HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(RMB in thousands, except for share data and per share data, or otherwise noted)

2. Summary of significant accounting policies (Continued)

(h) Restricted cash

Cash that are restricted as to withdrawal for use or pledged as security is reported separately as restricted cash, and that are restricted as to withdrawal or use for other than current operations is classified as non-current. The restricted cash primarily represent: (i) time deposits securing the Group's borrowings from financial institutions. The borrowings are designated to support the Group's general operation and could not be used to fund the Group's financing receivables. (ii) dedicated funding demanded by the China Banking and Insurance Regulatory Commission ("CBIRC") for insurance business. (iii) restricted deposits requested by financial partner for business purpose. The Company had restricted cash of RMB137,220 and RMB1,468 as of December 31, 2020 and 2021, respectively.

(i) Fair value measurement

Accounting guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value:

- Level 1 applies to assets or liabilities for which there are quoted prices, in active markets for identical assets or liabilities.
- Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical asset or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3 applies to asset or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

(j) Financing receivables, net

The Group generates financing receivables by providing the following:

(1) point-of-sale installment services to users of third-party online travel websites and other e-commerce websites (the "Business Partners"). When a user, who qualifies for point-of-sale installment services makes an online purchase using a point-of-sale installment loan, the Group pays the sales price to the Business Partner and collects the sales price from the user with interest and fees.

PINTEC TECHNOLOGY HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(RMB in thousands, except for share data and per share data, or otherwise noted)

2. Summary of significant accounting policies (Continued)

(i) Upon paying the sales price to the Business Partners, the Group promptly obtains financing for the sales price by factoring the receivable due from the user. The Group does not derecognize the receivable from users upon factoring and accounts for the transaction as secured borrowings according to ASC 860-10, because the Group has control over the receivables during the factoring period.

(2) personal and business installment loans to borrowers where the Group uses its own cash to fund the loan.

(3) personal and business installment loans to borrowers which are financed via securitization vehicles in the form of trust arrangements (the “Trusts”), where the Group’s funding source include the proceeds from third-party investors of the Trusts. By the end of 2020, the Trusts arrangement was ended.

The Trusts are considered as variable interest entities under ASC 810. As the Group has power to direct the activities that most significantly impact economic performance of the Trusts that could potentially be significant to the Trusts, and the Group is obligated to repurchase any loans that are delinquent for more than a specified number of days, accordingly, the Group is considered as the primary beneficiary of the Trusts and has consolidated the Trusts’ assets, liabilities, results of operations, and cash flows in the Group’s consolidated financial statements.

The financing receivables due from the borrowers of the personal and business installment loans and the loans payable to the third-party investors of the trust units are measured at amortized cost and recorded on the Group’s consolidated balance sheets as financing receivables and funding debts, respectively.

(4) Accrued interest income on financing receivables

Accrued interest income on financing receivables is calculated based on the contractual interest rate of the loan and recorded as installment service fees as earned. Financing receivables are placed on non-accrual status upon reaching 90 days past due in operating entities in PRC, and 60 days past due in operating entities in Australia. When a financing receivable is placed on non-accrual status, the Group stops accruing interest as of such date. The Group does not resume accrual of interest after a loan has been placed on non-accrual basis.

The Company charges off the accrued interest receivable against the related allowance when management determines that full repayment of a loan is not probable. Generally, charge-off occurs after the 90th day of delinquency in operating entities in PRC, and the 60th day of delinquency in operating entities in Australia. All accrued but unpaid interest as of such date is charged off against the provision for credit loss. The primary factor in making such determination is the assessment of potential recoverable amounts from the delinquent debtor.

(5) Nonaccrual financing receivables and charged-off financing receivables

The Group considers a financing receivable to be delinquent when a monthly payment is one day past due. When the Group determines it is probable that full repayment of a loan will not be made, the remaining unpaid principal balance is charged off against the allowance for credit losses. Generally, charge-offs occur after 90 days of delinquency in operating entities in PRC, and 60 days in operating entities in Australia. Installment service fees for nonaccrual financing receivables is recognized upon the collection of cash.

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2. Summary of significant accounting policies (Continued)

(k) Accounts receivable, net

Accounts receivables are stated at the historical carrying amount net of the allowance for doubtful accounts. The Group reviews the accounts receivable on a periodic basis and makes allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual accounts receivable balances, the Group considers several factors, including the age of the balance, the customer's payment history, and current credit worthiness, and current economic trends. For accounts receivable from individuals, the balances are charged off after 90 days of delinquency. Accounts receivable were RMB50,979 and RMB36,854 as of December 31, 2020 and 2021.

(l) Long-term investments

Long-term investments represent the Group's equity investments in privately held companies accounted for equity method, equity investments without readily determinable fair values, and the available for sale investment.

(1) Equity investments accounted for using the equity method

The Group applies the equity method of accounting to equity investments, in common stock or in-substance common stock, over which it has significant influence but does not own a majority equity interest or otherwise control. Under the equity method, the Group initially records its investment at cost. The difference between the cost of the equity investment and the amount of the underlying equity in the net assets of the equity investee is recognized as equity method goodwill or as an intangible asset as appropriate, which is included in the equity method investment on the consolidated balance sheets. The Group subsequently adjusts the carrying amount of the investment to recognize the Group's proportionate share of each equity investee's net income or loss into consolidated statements of operations and comprehensive income/(loss) after the date of acquisition. The Group makes assessment of whether an investment is impaired based on performance and financial position of the investee as well as other evidence of market value at each reporting date. Such assessment includes, but is not limited to, reviewing the investee's cash position, recent financing, as well as the financial and business performance. The Group recognizes an impairment loss equal to the difference between the carrying value and fair value in the consolidated statements of operations and comprehensive income/(loss) if any.

(2) Equity investments without readily determinable fair values

Beginning on January 1, 2018, the Group's equity investments without readily determinable fair values, which do not qualify for the existing practical expedient in ASC Topic 820, Fair Value Measurements and Disclosures ("ASC 820"), to estimate fair value using the net asset value per share (or its equivalent) of the investment ("NAV practical expedient"), and over which the Group does not have the ability to exercise significant influence through the investments in common stock or in substance common stock, are accounted for under the measurement alternative upon the adoption of ASU 2016-01 (the "Measurement Alternative"). Under the Measurement Alternative, the carrying value is measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. All gains and losses on these investments, realized and unrealized, are recognized in the consolidated statements of operations and comprehensive income/(loss). The Group makes assessment of whether an investment is impaired based on performance and financial position of the investee as well as other evidence of market value at each reporting date. Such assessment includes, but is not limited to, reviewing the investee's cash position, recent financing, as well as the financial and business performance. The Group recognizes an impairment loss equal to the difference between the carrying value and fair value in the consolidated statements of operations and comprehensive income/(loss) if any.

(3) Available for sale investment

Available for sale investment mainly consist of an investment in a private equity fund subscribed from an asset management company. Available-for-sale securities are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income. Realized gains or losses are included in interest income in the consolidated statements of operations and comprehensive income/(loss) during the period in which the gain or loss is realized. For the years ended December 31, 2019, 2020 and 2021, no impairment was recorded for the available for sale investment.

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2. Summary of significant accounting policies (Continued)

(m) Property, equipment and software, net

Property, equipment and software are recorded at cost, less accumulated depreciation and impairment. Depreciation of property and equipment and amortization of software is calculated on a straight-line basis, after consideration of expected useful lives and estimated residual values. The estimated useful lives of these assets are generally as follows:

<u>Category</u>	<u>Estimated useful life</u>
Building	24 years
Office furniture and equipment	3 - 5 years
Computer and electronic equipment	3 - 5 years
Software	5 years
Vehicle	10 years
Leasehold improvements	Over the shorter of lease term or the estimated useful lives of the assets

Repairs and maintenance costs are charged to expenses as incurred, whereas the costs of renewals and betterment that extend the useful lives of property, equipment and software are capitalized as additions to the related assets. Gains and losses from the disposal of property, equipment and software are the differences between the net sales proceeds and the carrying amounts of the relevant assets and are recognized in the consolidated statements of operations and comprehensive income/(loss).

(n) Intangible assets, net

The Group performs valuation of the intangible assets arising from business combination to determine the relative fair value to be assigned to each asset acquired. The acquired intangible assets are recognized and measured at fair value. Intangible assets with useful lives are amortized using the straight-line approach over the estimated economic useful lives of the assets as follows:

<u>Category</u>	<u>Estimated useful life</u>
Microcredit license	17 years
Software copyright	2 years
Customer database	5.5 years
Customer relationship	10 years
Trademark	5.5 years
Credit investigation license	indefinite

The enterprise credit investigation license acquired from acquisition of Qilehui is recognized as an intangible asset with indefinite life and evaluated for impairment when an event occurs or circumstances change that could indicate that the asset might be impaired. Such impairment test compares the fair values of asset with its carrying value and an impairment loss is recognized if and when the carrying amounts exceed the fair value.

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2. Summary of significant accounting policies (Continued)

(o) Goodwill

Goodwill represents the excess of the purchase price over fair value of the identifiable assets and liabilities acquired in a business combination.

Goodwill is not depreciated or amortized but is tested for impairment on an annual basis as of December 31 of each balance sheet date and in between annual tests when an event occurs or circumstances change that could indicate that the asset might be impaired. The Company first has the option to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

If the Company decides, as a result of its qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is mandatory. Otherwise, no further testing is required. The quantitative impairment test consists of a comparison of the fair value of each reporting unit with its carrying amount, including goodwill. A goodwill impairment charge will be recorded for the amount by which a reporting unit's carrying value exceeds its fair value, but not to exceed the carrying amount of goodwill. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units and determining the fair value of each reporting unit. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit. The Company recognized a goodwill impairment charge of nil, RMB37,593 and nil for the years ended December 31, 2019, 2020 and 2021, respectively.

(p) Impairment of long-lived assets

The Group evaluates its long-lived assets with finite lives for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying amount of an asset may not be fully recoverable. When these events occur, the Group evaluates the impairment by comparing carrying amount of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the Group recognizes an impairment loss based on the excess of the carrying amount of the long-lived assets over their fair value. Fair value is estimated based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. The Group recorded impairment of long-lived assets of nil, RMB31,765 and RMB3,096 for the years ended 2019, 2020 and 2021, respectively.

(q) Funding Debts

The proceeds received from financial partners to fund the Group's on-balance sheet financing receivables, are recorded as funding debts on the consolidated balance sheets. Those funding debt from related parties are recorded as amounts due to related parties on the consolidated balance sheets. Accrued interest payable is calculated based on the contractual interest rates of the funding debts and recorded in funding debts.

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2. Summary of significant accounting policies (Continued)

(r) Financial Guarantee

(1) Financial guarantee liabilities

For the off-balance sheet loans funded by certain financial partners, the Group is obligated to compensate the financial partners for the principal and interest of the defaulted loans in the event of borrowers' default. In general, any unpaid principal and interest are paid by the Group when the borrower does not repay as scheduled.

(i) The Group provided guarantees to individual investors for loans that the Group has referred and funded through Jimu Group before December 2019 and Jimu Group announced its exit from the online lending platform business in February 2020. (ii) The Group is obligated to compensate certain institutional financial partners for defaults on principal and interest repayments. The Group recognizes a stand ready obligation for its guarantee exposure in accordance with ASC 460.

At the inception of each loan subject to the guarantee provided, the Group recognizes the guarantee liability at fair value in accordance with ASC 460-10, which incorporates the expectation of potential future payments under the guarantee and takes into both non-contingent and contingent aspects of the guarantee. The liability recorded based on ASC 460 is determined on a loan by loan basis. As the risk of the guarantee liability is relieved, it is recognized into the consolidated statements of operation and comprehensive income/(loss) by a systematic and rational amortization method over the term of the loan, within the "Technical service fees" line item.

For the years ended December 31, 2019, 2020 and 2021, revenues recognized related to releasing of guarantee liabilities were RMB407,403, RMB138,483 and RMB27,035 respectively.

The ASC 450 component is a contingent liability determined based on probable loss considering the actual historical performance and current conditions, representing the obligation to make future payouts under the guarantee liability in excess of the stand-ready liability. The ASC 450 contingent component is determined on a collective basis and loans with similar risk characteristics are pooled into cohorts for purposes of measuring incurred losses. At all times the recognized liability (including the stand ready liability and contingent liability) is at least equal to the probable estimated losses of the guarantee portfolio. The ASC 450 contingent component, including the net payouts by the Group when borrower defaults, is recognized as cost on guarantee, in the consolidated statement of operations and comprehensive loss.

As of December 31, 2020 and 2021, the maximum potential future payment the Group could be required to make were RMB215,704 and RMB30,275, respectively.

(2) Financial guarantee assets

Financial guarantee assets are recognized at loan inception which is equal to the stand-ready liability recorded at fair value in accordance with ASC 460 and considers what premium would be required by the Group to issue the same guarantee service in a standalone arm's-length transaction. Financial guarantee assets are reduced upon the receipt of the service fee payment from the borrowers and financial partners.

The Company assesses the realization of the financial guarantee assets collectively depending on factors such as delinquency rate, size, and other risk characteristics of the portfolio and records an allowance for amounts that it estimates will not be realized. For the year ended December 31, 2019, the Company recorded expense of RMB12,527. For the year ended December 31, 2020, the Company recorded a reversal of RMB8,053, and for the year ended December 31, 2021, the Company recorded a reversal of RMB387 in the statement of operations and comprehensive loss.

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2. Summary of significant accounting policies (Continued)

(s) Revenue recognition

The Group is principally engaged in providing lending solutions through its online technology platform. The Group earns its revenues by providing the following: (i) A lending solution which assists borrowers to obtain loans from third party investors and certain financial partners. The Group provides lending solution but does not provide loan by itself. For these services, the Group earns technical service fees. (ii) A lending solution for borrowers who want to finance their on-line purchases from third parties (“Business Partners”) or who have personal or business installment loan requests. The Group provides financing for these borrowers and earns installment service fees (including interests). (iii) A wealth management and insurance product distribution solution for asset management and insurance companies respectively to facilitate the sale of their products. The Group earns wealth management service and commission on financial products distributed through the Group’s platform that were sold by these asset management, and earns insurance brokerage commission revenue determined as a percentage of premiums paid by the insured. The Group is not a party to the financial products or insurance products sold.

Installment service fee

Installment service fee revenue is recognized over the terms of financing receivables using the effective interest rate method under ASC 310. Installment service fee revenue is not recorded when reasonable doubt exists as to the full, timely collection of installment service fee or principal. The Group also receives miscellaneous fees, such as penalty fees for late payments, which are contingent fees and are recognized when the event occurs and the payment is made by the customer as that is the point in time collectability is reasonably assured.

For technical service fees and wealth management service fees, the Group recognizes revenue pursuant to ASC 606. In accordance with ASC 606, revenues from contracts with customers are recognized when control of the promised services is transferred to the Group’s customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those services, reduced by Value Added Tax (“VAT”). To achieve the core principle of this standard, we applied the following five steps:

1. Identification of the contract, or contracts, with the customer;
2. Identification of the performance obligations in the contract;
3. Determination of the transaction price;
4. Allocation of the transaction price to the performance obligations in the contract; and
5. Recognition of the revenue when, or as, a performance obligation is satisfied.

Technical service fees

Under ASC 606, the Group considers the online credit assessment and referral service and post-lending management service, collectively and guarantee service as two separate services, of which, the guarantee service is accounted for at fair value in accordance with ASC 460. Revenue from the guarantee services is recognized once the Company is released from the underlying risk (see Note2(r)).

As the online credit assessment and referral service and post-lending management service are not distinct, the Group identifies one performance obligation under ASC 606.

The Group determines the transaction price of technical service to be the service fees chargeable from the borrowers or institutional financial partners, net of value-added tax and excluding the transaction price allocated to guarantee service.

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2. Summary of significant accounting policies (Continued)

Revenues from technical services are recognized over time since the customers simultaneously receive and consume benefit provided by the Group's technical service as the Group performs. For technical service fees charged from borrowers, the Group recognizes revenue during the service period. For technical service fees charged from other financial partners, the Group applies the invoice practical expedient and recognizes revenue in the amount to which the Group has a right to invoice.

Wealth management service fee and others

The Group earns wealth management service fee from commission on financial products distributed through the Group's platform that were sold by these asset management companies, and from providing brokerage service for insurance companies.

For wealth management service fee and others, the only performance obligation is to distribute the wealth management products on the Group's platforms for the third-party asset management companies. The Group recognizes commissions on a net basis as the Group is not the primary obligor, it does not have the ability to establish the price nor does it bear the credit risk. The revenue is recognized at a point in time when the performance obligation is satisfied, which occurs when the underlying transaction is executed.

The Group provides insurance brokerage service primarily distributing insurance products as broker for insurance companies and earns brokerage commission revenue determined as a percentage of premiums paid by the insured. The commission rate is based on the bill provided by the insurance companies, and it is also under strict regulation of the CBIRC. As the Group's performance obligation under brokerage service is to sell the insurance policy on behalf the insurance companies, the brokerage services revenue is recognized at the point in time when the insurance policy is signed and the premium is collected by insurance company.

Contract assets

The Group has no contract assets.

Contract liability

Contract liability consists of technical service fees received from borrowers before the Group has a right to invoice, and is recorded as "Deferred service fee" included in "Accrued expenses and other liabilities" on the consolidated balance sheets. For monthly consulting fee which is received monthly from customers and upfront fee which is received upon the successful matching of the loans, contract liability is recognized as revenue when service is provided. The amount of revenue recognized during the years ended December 31, 2019, 2020 and 2021 that was previously included in the contract liabilities balance as of December 31, 2018, 2019 and 2020 was RMB119,684, RMB66,576 and RMB6,890.

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2. Summary of significant accounting policies (Continued)

(t) Funding cost

Funding cost mainly consists of interest expense the Group pays in relation to the funding debts to fund its financing receivables and certain fees incurred in obtaining these funding debts, such as origination and management fees and legal fees.

(u) Provision for credit losses

The Group assesses the creditworthiness and collectability of the portfolios of respective financial assets, mainly based on delinquency levels and historical charge offs of respective underlying on- and off-balance sheet loans, where applicable, using an established systematic process on a pooled basis within each credit risk levels of the borrowers. Each portfolio of respective financial asset subject to credit losses within each credit risk level consists of individually small amount of on- and off-balance sheet loans. In the consideration of above factors, the Group determines that each portfolio of respective financial asset subject to credit losses within each credit risk level is homogenous with similar credit characteristics.

The Group's provision for credit losses of financial assets is calculated separately within each credit risk level of the borrowers. For each credit risk level, the Group estimates the expected loss rate based on delinquency status of the respective financial assets within that level: current, 1 to 30, 31 to 60, 60 to 90, 91 days or greater past due. These loss rates in each delinquency status are based on average historical loss rates of financial assets subject to credit losses associated with each of the abovementioned delinquency categories. The expected loss rate of the specific delinquency status category within each risk level will be applied to the applicable outstanding balances of respective financial assets within that level to determine the provision for credit losses for each reporting period. In addition, the Group considers other general economic conditions, if any, when determining the provision for credit losses.

(v) Origination and servicing cost

Origination and servicing cost mainly consists of costs that are paid for data used in credit assessments, users acquisition costs relating to revenue from lending solutions, bandwidth and data center costs, customer service support costs and fees paid to third-party payment channels.

(w) Research and development expenses

Research and development expenses consist primarily of salaries and benefits (including share-based compensation expenses) of employees and related expenses for IT professionals involved in developing technology platforms and websites, server and other equipment depreciation, bandwidth and data center costs, and rental fees. All research and development costs have been expensed as incurred as the costs qualifying for capitalization have been insignificant.

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2. Summary of significant accounting policies (Continued)

(x) Share-based compensation expenses

All share based awards granted to employees, including restricted ordinary shares and share options, are measured at fair value on grant date. Share based compensation expense is recognized using the straight-line method or graded vesting method, net of estimated forfeitures, over the requisite service period, which is the vesting period.

The Binomial option pricing model is used to estimate fair value of the share options and restricted ordinary shares. The determination of estimated fair value of share-based payment awards on the grant date using an option pricing model was affected by the fair value of underlying ordinary shares as well as assumptions regarding a number of complex and subjective variables. These variables include the expected value volatility over the expected term of the awards, actual and projected employee share option exercise behaviors, a risk-free interest rate and any expected dividends. Shares that do not have quoted market prices, were valued based on the income approach. Determination of estimated fair value shares that do not have quoted market prices requires complex and subjective judgments due to their limited financial and operating history, unique business risks and limited public information on similar companies in China.

Forfeitures are estimated at the time of grant and revised in subsequent periods if actual forfeitures differ from those estimates. The Group uses historical data to estimate pre-vesting option and records share based compensation expenses only for those awards that are expected to vest.

For share options for the purchase of ordinary shares granted to employees determined to be equity classified awards, the related share-based compensation expenses are recognized in the consolidated financial statements based on their grant date fair values which are calculated using the binomial option pricing model. The determination of the fair value is affected by the share price as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, actual and projected employee share option exercise behavior, risk-free interest rates and expected dividends.

For share options granted with service condition and the occurrence of an IPO as performance condition, share-based compensation expenses are recorded net of estimated forfeitures using graded-vesting method during the requisite service period.

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2. Summary of significant accounting policies (Continued)

(y) Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rental expense is recognized from the date, which includes rent holidays, of initial possession of the leased property on a straight-line basis over the term of the lease. Lease renewal periods are considered on a lease-by-lease basis and are generally not included in the initial lease terms.

(z) Taxation

Income taxes

Current income taxes are provided on the basis of net income (loss) for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions.

Deferred income taxes are recognized for temporary differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements, net operating loss carry forwards and credits. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in which temporary differences are expected to be reversed or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the consolidated statement of operations and comprehensive loss in the period of the enactment of the change.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Group considers positive and negative evidence when determining whether a portion or all of its deferred tax assets will more likely than not be realized. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carry-forward periods, its experience with tax attributes expiring unused, and its tax planning strategies. The ultimate realization of deferred tax assets is dependent upon its ability to generate sufficient future taxable income within the carry-forward periods provided for in the tax law and during the periods in which the temporary differences become deductible. When assessing the realization of deferred tax assets, the Group has considered possible sources of taxable income including (i) future reversals of existing taxable temporary differences, (ii) future taxable income exclusive of reversing temporary differences and carry-forwards, (iii) future taxable income arising from implementing tax planning strategies, and (iv) specific known trend of profits expected to be reflected within the industry.

The Company's affiliated entities in the PRC are subject to examination by the relevant tax authorities. According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitations is extended to five years under special circumstances, where the underpayment of taxes is more than RMB100 (\$15). In the case of transfer pricing issues, the statute of limitation is 10 years. There is no statute of limitation in the case of tax evasion. Accordingly, the PRC entities remain subject to examination by the tax authorities based on the above.

Uncertain tax positions

In order to assess uncertain tax positions, the Group applies a more-likely-than-not threshold and a two-step approach for the tax position measurement and financial statement recognition. Under the two-step approach, the first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more-likely-than-not that the position will be sustained, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likelihood of being realized upon settlement. The Group recognizes interest and penalties, if any, under accrued expenses and other current liabilities on its consolidated balance sheets and under income tax expenses in its consolidated statements of operations and comprehensive income/(loss).

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2. Summary of significant accounting policies (Continued)

Value added Tax (“VAT”)

The Group is subject to VAT at the rate of 6% depending on whether the entity is a general tax payer, and related surcharges on revenue generated from providing services. Entities that are VAT general taxpayers are allowed to offset qualified input VAT, paid to suppliers against their output VAT liabilities. Net VAT balance between input VAT and output VAT is recorded in the line item of tax payable on the face of balance sheet. The Group records revenue net of value added tax and related surcharges.

(aa) Segment reporting

The Group’s chief operating decision maker, the Chief Executive Officer, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reporting. The Group’s long-lived assets are substantially all located in the PRC and substantially all of the Group’s revenues are derived from within the PRC. Therefore, no geographical segments are presented.

(bb) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence, such as a family member or relative, shareholder, or a related corporation.

(cc) Loss per share

Loss per share is computed in accordance with ASC 260. The two-class method is used for computing earnings per share in the event the Group has net income available for distribution. Under the two-class method, net income is allocated between ordinary shares and participating securities based on dividends declared (or accumulated) and participating rights in undistributed earnings as if all the earnings for the reporting period had been distributed.

Basic loss per share is computed using the weighted average number of ordinary shares outstanding during the period. Diluted loss per share is computed using the weighted average number of ordinary shares and potential ordinary shares outstanding during the period. Potential ordinary shares include ordinary shares issuable upon the exercise of outstanding share options and restricted shares using the treasury stock method, and convertible loan under if-convertible method. The computation of diluted net loss per share does not assume conversion, exercise, or contingent issuance of securities that would have an anti-dilutive effect (i.e. an increase in earnings per share amounts or a decrease in loss per share amounts) on net loss per share. Net loss per ordinary share is computed on Class A Ordinary Shares and Class B Ordinary Shares on the combined basis, because both classes have the same dividend rights in the Company’s undistributed net income.

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2. Summary of significant accounting policies (Continued)

(dd) Statutory reserves

In accordance with China's Company Laws and Foreign Investment Enterprises, the Company's subsidiaries, VIEs and VIEs' subsidiaries in the PRC must make appropriations from their after-tax profit (as determined under the accounting principles generally acceptable in the People's Republic of China ("PRC GAAP")) to non-distributable reserve funds. The appropriation to the statutory surplus fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the respective company. Appropriation to the discretionary surplus fund is made at the discretion of the respective company.

The use of the statutory surplus fund and discretionary surplus fund are restricted to offsetting of losses or increasing of the registered capital of the respective company. None of these reserves are allowed to be transferred to the Company in terms of cash dividends, loans or advances, nor can they be distributed except under liquidation.

For the years ended December 31, 2019, 2020 and 2021, profit appropriation to general reserve fund and statutory surplus fund for the Group's entities incorporated in the PRC was approximately RMB27,920, RMB1,104 and RMB516, respectively. No appropriation to other reserve funds was made for any of the periods presented.

(ee) Comprehensive loss

Comprehensive loss is defined to include all changes in shareholders' equity/(deficit) of the Group during a period arising from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. Accumulated other comprehensive income, as presented on the consolidated balance sheets, consists of accumulated foreign currency translation adjustments and unrealized loss of available for sales investment.

(ff) Out-of-period corrections

During 2021, the Group recorded an out-of-period adjustment to correct prior period errors relating to bad debt allowance on accounts receivable of RMB 2,903 and impairment of intangible assets of RMB 3,096 after an amortization of RMB 3,688. The Group evaluated the impacts of the out-of-period adjustment to correct the errors for year ended December 31, 2021 and for prior periods, both individually and in the aggregate, and concluded that the adjustments were not material to the consolidated financial statements for the year ended December 31, 2021 for all impacted periods.

(gg) Recently issued accounting pronouncements

The Company is an "emerging growth company" ("EGC") as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, EGC can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies.

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842). The guidance supersedes existing guidance on accounting for leases with the main difference being that operating leases are to be recorded in the statement of financial position as right-of-use assets and lease liabilities, initially measured at the present value of the lease payments. For operating leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. In July 2018, ASU 2016-02 was updated with ASU 2018-11, Targeted Improvements to ASC Topic 842, which provides entities with relief from the costs of implementing certain aspects of the new leasing standard. Specifically, under the amendments in ASU 2018-11, (1) entities may elect not to recast the comparative periods presented when transitioning to ASC 842 and (2) lessors may elect not to separate lease and non-lease components when certain conditions are met. In November 2019, ASU 2019-10, Codification Improvements to ASC 842 modified the effective dates of all other entities. In June 2020, ASU 2020-05 defer the effective date for one year for entities in the "all other" category. For the Company as a EGC, the amendments in ASU 2020-05 are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company adopted ASU 2016-02 from January 1, 2022. The Group recorded the operating lease right-of-use assets of 21,714, and operating lease liabilities of 21,538 at January 1, 2022 in the consolidated financial statements.

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2. Summary of significant accounting policies (Continued)

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments – Credit Losses”, which will require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Subsequently, the FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, to clarify that receivables arising from operating leases are within the scope of lease accounting standards. Further, the FASB issued ASU No. 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11 and ASU 2020-02 to provide additional guidance on the credit losses standard.

For the Group as a EGC, the amendments for ASU 2016-13 are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Adoption of the ASUs is on a modified retrospective basis. The Company will adopt ASU 2016-13 from January 1, 2023. The Company is in the process of evaluating the effect of the adoption of this ASU.

Recently issued ASUs by the FASB, except for the ones mentioned above, are not expected to have a significant impact on the Group’s consolidated results of operations or financial position.

3. Concentration and risks

Concentration of Business Partners

The Group generates the majority of revenues through a limited number of Business Partners. For the years ended December 31, 2019, 2020 and 2021, the Group generated the 43.6%, 49.9% and 53.8% of its total revenues, respectively, through cooperation with five Business Partners, among which 17.2%, 28.9% and 28.8% of total revenues were generated through cooperation with Qunar, which is a large mobile and online travel platform in China. The partnerships with these Business Partners are not on an exclusive basis, and the contract durations are short. If these Business Partners change their policies, terminate their partnership or do not renew their cooperation agreements with the Group, the business and result of operations of the Group may be materially and adversely affected.

Concentration of Financial Partners

The Group have historically relied on Jimu Group, which was considered as one of the Group’s related parties, for the funding of most of the loans issued by the Group. Jimu Box, Jimu Group’s online peer-to-peer lending platform, was the funding source for 24% of the outstanding loans as of December 31, 2019. However, funding from Jimu Box decreased significantly in 2019 when Jimu Box announced its exit from the online lending platform business. Beginning in February 2020, Jimu Box initiated its plans to transition into a micro finance company. Loans funded by Jimu Box were minimal for the years ended December 31, 2020 and 2021, representing only 4% and 0.19% of the outstanding loans as of December 31, 2020 and 2021, respectively.

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3. Concentration and risks (Continued)

Credit risks

The Group's credit risk primarily arises from financing receivables derived from the point-of-sale installment loans and personal and business installment loans. The Group records provision for credit losses based on its estimated probable losses against its financing receivables. Apart from the financing receivables, financial instruments that potentially expose the Group to significant concentration of credit risk primarily included in the financial statement line items of cash and cash equivalents, restricted cash, accounts receivable, prepayments and other current assets, financial guarantee assets, and amounts due from related parties. The Group holds its cash and cash equivalents, restricted cash at reputable financial institutions in the PRC and at international financial institutions with high ratings from internationally recognized rating agencies. Financing receivables, accounts receivable and financial guarantee assets are typically unsecured and are derived from revenues earned from customers in the PRC and Australia. Receivables due from customers are typically unsecured in the PRC and Australia and the credit risk with respect to which is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring process of outstanding balances.

Amounts due from related parties, prepayments and other current assets are typically unsecured. In evaluating the collectability of the balance, the Group considers many factors, including the related parties and third parties' repayment history and their credit-worthiness. An allowance for doubtful accounts is made when collection of the full amount is no longer probable.

Foreign currency exchange rate risk

The Group's operating transactions are mainly denominated in RMB. RMB is not freely convertible into foreign currencies. The value of the RMB is subject to changes by the central government policies and to international economic and political developments. In the PRC, certain foreign exchange transactions are required by law to be transacted only through authorized financial institutions at exchange rates set by the People's Bank of China (the "PBOC"). Remittances in currencies other than RMB by the Group in China must be processed through PBOC or other China foreign exchange regulatory bodies which require certain supporting documents in order to affect the remittances.

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4. Acquisitions

(i) Acquisition of Ganzhou Aixin Micro Finance

On March 21, 2019, Shanghai Anquying acquired 100% equity interest of Ganzhou Aixin Micro Finance, for a cash consideration of RMB230,000 from Jimu Group. The consideration of RMB230,000 was used to reduce the amounts due from Jimu Group pursuant to an offsetting agreement executed in July 2019.

The Group engaged an independent valuation firm to assist management in valuing assets acquired, liabilities assumed and intangible assets identified as of the acquisition day.

The identifiable intangible assets acquired upon acquisition was the license to operate small loan business (the “Microcredit license”), which has an estimated useful life of approximately 17 years. All other current assets and current liabilities carrying value approximated fair value at the time of acquisition. The fair value of the intangible assets identified was determined by adopting the Multi-Period Excess Earning Method.

The allocation of the purchase price is as follows:

	<u>Amount</u> <u>RMB</u>
Cash and cash equivalents	42,591
Accounts and other receivable	12,915
Prepayment	563
Short-term financing receivables, net	148,249
Deferred assets	4,368
Fixed assets	534
Intangible asset - license	35,410
Goodwill*	5,212
Total assets	<u>249,842</u>
Advance from customers	(344)
Tax payable	(993)
Other payables	(9,652)
Deferred tax liabilities	<u>(8,853)</u>
Total	<u>230,000</u>
Total Consideration	<u>230,000</u>

* The goodwill is not deductible for tax purposes.

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4. Acquisitions (Continued)

The net revenue and net loss of Ganzhou Aixin Micro Finance since the acquisition date and that were included in the Company's consolidated statements of operations and comprehensive income/(loss) for the year ended December 31, 2019 are RMB21,846 and RMB1,323, respectively.

Prior to the acquisition, Ganzhou Aixin Micro Finance did not prepare its financial statements in accordance with US GAAP. The Group determined that the cost of reconstructing the financial statement of Ganzhou Micro Finance for the periods prior to the acquisition outweighed the benefits. Based on an assessment of the financial performance and a comparison of Ganzhou Aixin Micro Finance's and the Group's financial performance for the fiscal year prior to the acquisition, the Group did not consider Ganzhou Aixin Micro Finance on its own to be material to the Group. Thus the Group's management believes that the presentation of pro forma financial information with respect to the results of operations of the Group for the business combination is impractical.

(ii) Acquisition and disposal of FT Synergy

On April 18, 2019, Pintec acquired 100% equity interest of FT Synergy Pty Ltd. ("FT Synergy") for a purchase price of RMB16,191. FT Synergy owns a wholly owned subsidiary Infrarisk Pty Limited ("Infrarisk"), an Australia-based SaaS company providing systems to lenders for managing the credit risk origination process. The assets acquired and liabilities assumed and operations of Infrarisk prior to the acquisition were not material. On September 27, 2021, the Company entered into an agreement with NCA Development Unit Trust ("NCA"), a trusted company incorporated in Australia held by a third party, under which the Company transferred out 85% of its equity interest in subsidiaries including FT Synergy and Infrarisk, and other VIE subsidiaries (collectively "FT Group") at the consideration of nil. (the "Deconsolidation"). Upon the completion of this deconsolidation, the FT Group was deconsolidated since September 30, 2021 as the control has transferred to NCA, the Group accounts for the remaining 15% of equity interests of FT Group afterward under long-term investment. The Deconsolidation of FT Group was not a strategic shift and would not have major impact on the Group's business, therefore it was not qualified as discontinued operation. For the year ended December 31, 2021, net loss of RMB5,498 was recognized for the disposal of FT Group.

(iii) Acquisition of Qilehui

On August 31, 2020, the Group acquired 100% equity interest of Qilehui, a company engaged in corporation credit investigation, which owns a credit investigation license, with a consideration of RMB10,000 prepaid by the Company in 2019. The assets acquired and liabilities assumed and operations of Qilehui prior to the acquisition were not material.

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5. Financing receivables, net

The financing receivables, net, consists of the following:

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2021</u>
	<u>RMB</u>	<u>RMB</u>
Short-term:		
Short-term financing receivables	71,271	99,857
Allowance for credit losses	(488)	(2,657)
Short-term financing receivables, net	<u>70,783</u>	<u>97,200</u>
Long-term:		
Long-term financing receivables	2,930	571
Allowance for credit losses	(95)	—
Long-term financing receivables, net	<u>2,835</u>	<u>571</u>

The following table summarizes the balances of financing receivables by due date.

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2021</u>
	<u>RMB</u>	<u>RMB</u>
Due in months:		
0 - 12	71,271	99,857
13 - 24	2,930	571
Total financing receivables	<u>74,201</u>	<u>100,428</u>

The movement of the allowance for credit losses for the years ended December 31, 2019, 2020 and 2021 were as following:

	<u>For the year ended December 31,</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
Balance at beginning of the year	23,183	20,544	583
Addition due to acquisition of Ganzhou Micro Finance	17,470	—	—
Additions/(Reversal)	33,942	45,090	(1,934)
(Charge-offs)/Charge-offs reversal	(54,051)	(65,051)	4,008
Balance at end of the year	<u>20,544</u>	<u>583</u>	<u>2,657</u>

Aging analysis of past due financing receivables are as below:

Financing receivables	1 - 30 Days	31 - 60 Days	61 - 90 Days	91 Days or	Total Past	Current	Total
	Past Due	Past Due	Past Due	Greater Past Due	Due		
As of December 31, 2020	164	154	106	—	424	73,777	74,201
As of December 31, 2021	1,354	700	232	—	2,286	98,142	100,428

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6. Accounts receivable, net

Accounts receivable, net, consists of the following:

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2021</u>
	<u>RMB</u>	<u>RMB</u>
Receivables for technical service fees from borrowers and financial partners	42,082	26,494
Receivables for marketplace service fees from asset management companies	981	1,062
Receivables for marketplace service fees from insurance companies and others	8,285	13,694
Total accounts receivable	<u>51,348</u>	<u>41,250</u>
Allowance for doubtful accounts	<u>(369)</u>	<u>(4,396)</u>
Accounts receivable, net	<u>50,979</u>	<u>36,854</u>

The movements in the allowance for doubtful accounts for the years ended December 31, 2019, 2020 and 2021 were as follows:

	<u>For the year ended December 31,</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
Balance at beginning of the year	13,845	4,780	369
Additions	23,182	6,110	1,152
(Charge-off)/Reversal Charge-off	<u>(32,247)</u>	<u>(10,521)</u>	<u>2,875</u>
Balance at end of the year	<u>4,780</u>	<u>369</u>	<u>4,396</u>

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7. Prepayments and other current assets, net

Prepayments and other current assets, net consist of the following:

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2021</u>
	<u>RMB</u>	<u>RMB</u>
Prepayment of intent acquisition *	—	100,000
Deposits to financial partners and other vendors	33,969	24,809
Prepaid expenses	19,555	16,186
Prepaid input VAT	6,607	8,618
Short-term loan to third parties	5,392	1,500
Receivables from third-party online payment platforms and business partners	959	1,477
Advance to staff	238	289
Others	940	4,344
Total prepayments and other current assets	<u>67,660</u>	<u>157,223</u>
Bad debt provision	<u>(1,500)</u>	<u>(2,136)</u>
Total prepayments and other current assets, net	<u>66,160</u>	<u>155,087</u>

* On August 16, 2021, the Group entered into an investment agreement pursuant to which it agreed to invest a cash consideration of RMB100 million for a minority interest in Beijing Xiao Benniao Information Technology Co., Ltd. (the “XBN”). Since the business performance of XBN is not satisfying, the Group terminated its investment in XBN on December 28, 2021. Pursuant to the termination of investment agreement, XBN transferred 100% interest equity of its subsidiary High Vision (Beijing) Network Technology Co., Ltd. (“High Vision”) with RMB100 million cash in bank and no other assets or liabilities to the Group. On January 10, 2022, the Group acquired 100% equity interest of High Vision.

For the years ended December 31, 2019, 2020 and 2021, the Group made provision for prepayments and other current assets in the amount of nil, RMB 1,500 and RMB 636, respectively.

8. Property, equipment and software, net

Property, equipment and software, net consist of the following:

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2021</u>
	<u>RMB</u>	<u>RMB</u>
Building	92,747	92,747
Computer and electronic equipment	14,442	12,166
Software	11,782	7,990
Office furniture and equipment	1,161	601
Leasehold improvement	1,473	1,458
Vehicle	664	—
Total	<u>122,269</u>	<u>114,962</u>
Less: Accumulated depreciation and amortization	<u>(15,061)</u>	<u>(19,267)</u>
Property, equipment and software, net	<u>107,208</u>	<u>95,695</u>

Depreciation and amortization expenses for the years ended December 31, 2019, 2020 and 2021 was RMB3,906, RMB3,516 and RMB8,830 respectively. In 2021, the Group disposed equipment and software, mainly included with the carry value for software of RMB 1,890, computer and electronic equipment of RMB267, vehicle of RMB598 and office furniture and equipment of RMB82.

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9. Long-term investments

Long-term investments consist of equity investments accounted for using the equity method, equity investments without readily determinable fair values and available for sale investment. The following table sets forth the changes in the Group's Long-term investments:

	Investments without readily determinable fair values	Investments accounted for using the equity method	Available for sale investment	Total
	RMB	RMB		RMB
Balance as of December 31, 2019	85,000	23,603	—	108,603
Investments made	—	4,894	—	4,894
Loss from equity method investments	—	(11,523)	—	(11,523)
Less: Impairment	—	(15,908)	—	(15,908)
Less: Foreign currency translation adjustments	—	(1,066)	—	(1,066)
Subscription of private fund	—	—	36,600	36,600
Loss from private fund	—	—	(421)	(421)
Balance as of December 31, 2020	85,000	—	36,179	121,179
Investments made	1,484	—	—	1,484
Loss from private fund	—	—	(91)	(91)
Balance as of December 31, 2021	86,484	—	36,088	122,572

Equity investments without readily determinable fair values

In December 2018, the Group invested in 5% equity interest of Fullerton Credit (Chongqing) Co., Ltd (“Chongqing Fullerton”) by purchasing ordinary shares, with a total cash consideration of RMB35,000. The investment was accounted for at cost less impairments, adjusted by observable price changes if any, as the Group had neither significant influence nor control over the investee and Chongqing Fullerton is a privately held company without readily determinable fair value.

In June 2019, the Group invested in 9.09% equity interest of Bene Internet Technology Co., Ltd. (“Bene Info”) by purchasing ordinary shares with a total consideration of RMB50,000. In 2021, there was a capital increment from other shareholder in Bene Info and the Group's ownership interests of the Bene Info was diluted at 4.90%. The investment was accounted for at cost less impairments, adjusted by observable price changes if any, as the Group had neither significant influence nor control over the investee and Bene Info is a privately held company without readily determinable fair value.

In September 2021, the Group invested in 15.56% equity interest of Leasego Pty Ltd (“Leasego”) by providing technical support, with a consideration of RMB1,484. The investment was accounted for at cost less impairments, adjusted by observable price changes if any, as the Group had neither significant influence nor control over the investee and Leasego is a privately held company without readily determinable fair value.

For the years ended December 31, 2019, 2020 and 2021, no impairment and observable price changes were recognized on equity investment without readily determine fair value.

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9. Long-term investments (Continued)

Equity investments accounted for using the equity method

The Group has significant influence over these investments but does not own a majority equity interest or otherwise control using the equity method.

In October 2017, the Group acquired a 27% equity interest of Pivot Fintech PTE. Ltd (“Pivot”) by purchasing ordinary shares with a total consideration of RMB8,821. In June 2020, the Group made an additional investment of RMB4,894 (US\$750) in Pivot and acquired total 48.9% equity interest after the additional investment. In the year ended December 31, 2020, full impairment was made to the carrying value of investment to Pivot due to its recurring operating losses and deteriorated financial position, such the impairment is other-than temporary. For the years ended December 31, 2019, 2020 and 2021, the Group recognized its proportionate share of the equity investee’s net loss into earnings in the amount of RMB1,349, RMB1,804 and nil, respectively. As of December 31, 2020 and 2021, the carrying amount of investment in Pivot was nil.

In April, 2018, the Group entered an agreement with United Overseas Bank Limited (“UOB”) to establish a joint venture of Avatec.ai (S) Pte. Ltd (“Avatec”) in Singapore to develop the lending platform so as to providing credit services and solutions, focusing on data technology based credit assessment, scoring and selection with commercial applications, and supporting consumer and small and medium enterprise lending activities. The Group invested in Avatec through purchase of its ordinary shares, with a total cash consideration of RMB19,259 to obtain 40% shareholding interests.

In November 2020, the Group sold the 20% of Avatec’s equity interest to UOB with the consideration of \$1. For the year ended December 31, 2020, the Group recognized the loss from disposal of Avatec’ equity interest in the amount of RMB3,138. In the year ended December 31, 2020, the Group fully impaired the remaining carrying value of investment in Avatec due to its recurring operating losses and deteriorating financial position. For the years ended December 31, 2019, 2020 and 2021, the Group recognized its proportionate share of the equity investee’s net loss in the amount of RMB5,972, RMB6,560 and nil. As of December 31, 2020 and 2021, the carrying amount of investment in Avatec was nil.

In June 2019, The Group acquired 25% equity interest of Beijing Ruisasi Technology Co., Ltd. (“Beijing Ruisasi”) by purchasing its ordinary shares from an agreement with an unaffiliated party with a total cash consideration of RMB6,500. The carrying amount of RMB6,500 is higher than its interest in the investees’ underlying net assets. The basis difference for income taxes of RMB 5,931 relates to goodwill recognized upon acquisition of Beijing Ruisasi’s equity interest; this goodwill is not amortized for tax. In the year ended 2020, the Group fully impaired the remaining carrying value of investment of Beijing Ruisasi due to its recurring operating losses and deteriorating financial position. For the years ended December 31, 2019, 2020 and 2021, the Group recognized the Group’s proportionate share of the equity investee’s net loss into earnings in the amount of RMB828, RMB21 and nil. As of December 31, 2020 and 2021, the carrying value of investment in Beijing Ruisasi was nil.

Available for sale investment

Available for sale investment represents an investment in a private equity fund made in April 2020. The private equity fund was made investment into debt securities of a third-party real estate development company, and was controlled by a third-party fund management company. Jimu Group was the general partner and several other third parties were limited partners.

This investment is carried at fair values and the unrealized gains or losses from the changes in fair values are included in accumulated other comprehensive income. For the year ended December 31, 2020 and 2021, the unrealized losses from the changes in fair values is of RMB421 and RMB91, respectively.

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10. Fair value measurement*Fair value measurements on a recurring basis*

The carrying amount of cash and cash equivalents, restricted cash, short-term financial guarantee assets, accounts receivable, amounts due from related parties, accounts payable, short-term borrowing and amounts due to related parties approximates fair value because of their short-term nature. Financing receivables and funding debts are carried at amortized cost. The carrying amount of the financing receivables, funding debts approximates their respective fair value as the interest rates applied reflect the current quoted market yield for comparable financial instruments. The available for sale investment is carried at fair values and the unrealized gains or losses from the changes in fair values are included in accumulated other comprehensive income.

The following table presents the fair value hierarchy for the Group's liabilities that are measured and recorded at fair value on a recurring basis:

<u>December 31, 2020</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Balance at Fair Value</u>
	RMB	RMB	RMB	RMB
Liabilities				
Consideration payable for acquisition-current	—	—	(7,995)	(7,995)
Consideration payable for acquisition-noncurrent	—	—	(954)	(954)
Total	<u>—</u>	<u>—</u>	<u>(8,949)</u>	<u>(8,949)</u>
<u>December 31, 2021</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Balance at Fair Value</u>
	RMB	RMB	RMB	RMB
Liabilities				
Consideration payable for acquisition-current	—	—	(2,574)	(2,574)
Consideration payable for acquisition-noncurrent	—	—	—	—
Total	<u>—</u>	<u>—</u>	<u>(2,574)</u>	<u>(2,574)</u>

Fair value measurements on a non-recurring basis

The Group measures certain financial assets, including the long-term investments at fair value on a non-recurring basis only if an impairment charge were to be recognized. The Group's non-financial assets, such as property, equipment and software, intangible assets and goodwill, would be measured at fair value only if they were determined to be impaired.

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11. Intangible assets, net

Intangible assets, net consist of the following:

	As of December 31,	
	2020	2021
	RMB	RMB
License with indefinite life	9,882	9,882
Software copyright	14,898	—
Customer database	9,697	8,815
Customer relationship	2,909	—
Trademark	162	65
Less: Accumulated amortization	(20,882)	(8,880)
Intangible assets, net	16,666	9,882

Amortization expenses for the years ended December 31, 2019, 2020 and 2021 was RMB8,383, RMB11,709 and RMB3,526, respectively.

For the years ended December 31, 2019, 2020 and 2021, the Group recognized impairment loss of nil, RMB31,765 for the Microcredit license, and RMB3,096 software copyright and customer relationship, respectively.

As of December 31, 2021, the balance of intangible asset is the enterprise credit investigation license with indefinite life acquired from acquisition of Qilehui. Therefore, amortization expenses related to the intangible asset for future periods are estimated to be zero.

12. Goodwill

As of December 31, 2020, the Group performed quantitative impairment test for goodwill. The management determined that the income approach, specifically the Discounted Cash Flow (“DCF”) method, is appropriate. The management used a revenue growth rate ranging from -35.1% to 57.4%. Other key assumptions besides cash flow projections included discount rate of 15% and terminal growth rate of 3%. As a result of the above factors, fair value of the reporting unit was less than its carrying amount. Goodwill of RMB37,593 was fully impaired for the year ended December 31, 2020, and the impairment loss was recognized in the consolidated statements of operations and comprehensive income/(loss). As of December 31, 2020 and 2021, the carry amount of goodwill was nil.

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13. Funding debts

The following table summarized the Group's outstanding funding debts:

	As of	
	December 31, 2020	2021
	RMB	RMB
Short-term:		
Loan payables to individual investors via financial partners	2,841	30
Total short-term funding debts	2,841	30

The funding debts had a weighted average interest rate of 9.1%, 14.8% and 11.0% for the years ended December 31, 2019, 2020 and 2021, respectively.

14. Borrowings

Borrowings consisted of the following:

	Annual Interest Rate	Maturity (Months)	Principal RMB	December 31, 2020 RMB	December 31, 2021 RMB
Short-term borrowings:					
Bank of Jiangsu Co., Ltd (Beijing Branch)*	4.05%	April 2021	50,000	50,000	—
SPD Silicon Valley Bank**	3.55%	April 2021	80,000	80,000	—
Total short-term borrowings				130,000	—

* Loans from Bank of Jiangsu Co., Ltd (Beijing Branch) were pledged with restricted cash with balance of US\$8,280 (RMB54,026) and nil as of December 31, 2020 and December 31, 2021, respectively. In April, 2021, the Company repaid the short-term borrowing from Bank of Jiangsu of RMB50,000.

** Loan from SPD Silicon Valley Bank were pledged with restricted cash with balance of US\$12,564 (RMB81,981) and nil as of December 31, 2020 and December 31, 2021, respectively. In April, 2021, the Company repaid the short-term borrowing from SPD Silicon Valley Bank of RMB80,000.

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15. Financial guarantee liabilities and financial guarantee assets

(i) Financial guarantee liabilities

The following table sets forth the financial guarantee liabilities movement activities for the years ended December 31, 2019, 2020 and 2021.

	<u>For the years ended December 31,</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
Balance at beginning of the year	15,537	101,933	20,260
Fair value of financial guarantee liabilities upon the inception of new loans	493,799	56,810	20,511
Release of financial guarantee liabilities upon repayment	(407,403)	(138,483)	(27,035)
Contingent liabilities	—	—	—
Balance at the end of the year	<u>101,933</u>	<u>20,260</u>	<u>13,736</u>

(ii) Financial guarantee assets, net

The financial guarantee assets, net consist of the following:

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2021</u>
	<u>RMB</u>	<u>RMB</u>
Short-term:		
Short-term financial assets receivable	19,561	13,552
Allowance for credit losses	(992)	(605)
Short-term financial assets receivable, net	<u>18,569</u>	<u>12,947</u>
Long-term:		
Long-term financial assets receivable	698	184
Allowance for credit losses	—	—
Long-term financial assets receivable, net	<u>698</u>	<u>184</u>

The movement of the allowance for credit losses for the years ended December 31, 2019, 2020 and 2021 consist of the following:

	<u>For the year ended December 31,</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
Balance at beginning of the year	—	9,045	992
Additions/(Reversal)	12,527	(8,053)	(387)
Charge-offs	(3,482)	—	—
Balance at end of the year	<u>9,045</u>	<u>992</u>	<u>605</u>

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16. Convertible loan

In October 2020, the Group entered into certain equity transfer agreements (the “Agreements”) with Ningxia Fengyin Enterprise Management Consulting LLP (“Ningxia Fengyin”) to obtain total equity interests of Yinchuan Chuanxi Technology Co., Ltd. (“Chuanxi Technology”), for total consideration of RMB400,000 (the “Consideration”).

The full Consideration must be paid within 20 days after the third anniversary of October 22, 2020 (the “Closing Date”). As part of the transaction, in October 2020, the Group issued a warrant (the “Warrant”) to Otov Alfa Holding Limited (the “Otov Alfa”), an entity designated by Ningxia Fengyin, to subscribe 320,036,576 class A ordinary shares of the Company at par value US\$0.000125 per share (the “Warrant Shares”). The Warrant is exercisable immediately and will expire on the third anniversary of October 22, 2020. If the Warrant is exercised before its expiration date, the Group will be released from the obligation of paying corresponding portion of the Consideration. The un-released portion of the debt bears an annual interest rate of 8.75%, and the interest is payable quarterly. As of December 31, 2020 and 2021, accrued interest was of RMB5,516 and RMB8,750. For the years ended December 31, 2020 and 2021, interest expenses were RMB5,516 and RMB35,000.

Chuanxi Technology has no operation, it has only cash in the amount of RMB400,000 in its bank account. The acquisition of Chuanxi Technology was in substance to obtain a loan in the principal of RMB 400,000 at an annual interest of 8.75% that has a term of 3 years and is convertible to the Company’s class A ordinary shares. The Company obtained control of Chuanxi Technology as well as its bank account with balance of RMB 400,000 on October 22, 2020.

Since the Warrant is not detachable from the debt and is not a derivative, and no cash conversion features and beneficial conversion features are contained in the instrument, the debt and the Warrant were accounted as a liability equal to the proceeds received in entirety.

To secure the debt due to Ningxia Fengyin, on December 2, 2020, the Group pledged 100% equity interest of Ganzhou Aixin Network Micro Finance Co., Ltd, a subsidiary of the Group, to Ningxia Fengyin. The Group paid a transaction service fee of RMB 4,000 to Guangdong Huawen Industry Group Co., Ltd., a related party of the Group in November 2020.

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17. Accrued expenses and other liabilities

Accrued expenses and other liabilities consist of the following:

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2021</u>
	<u>RMB</u>	<u>RMB</u>
Payables to individual investors and financial partners for collecting principal and interests on behalf of borrowers	6,677	10,561
Interest payable	5,549	8,750
Professional service fees payable	9,791	8,358
Payroll Payable	4,213	3,668
Deferred government grants	14,000	3,000
Investment consideration payable	7,995	2,574
Deferred service fee	6,890	1,885
Collection on behalf of vendors	—	4,593
Others	4,639	5,574
Total	<u>59,754</u>	<u>48,963</u>

18. Non-controlling interests

In June 2019, Beijing Caissa International Travel Agency Co., Ltd. (“Beijing Caissa”) entered into an equity purchase agreement with Pintec Jinke to invest RMB20,151 in Myfin Insurance, a subsidiary of Pintec Jinke, and obtained 40% equity interest of Myfin Insurance. Since the Group retains control of Myfin Insurance, the investment from Beijing Caissa was accounted for as non-controlling interest.

Pursuant to an investment agreement signed in December 2019, Pintec Ganzhou and Yinchuan Xingyin Investment Fund Limited Partnership (“Yinchuan Xingyin”) agreed to invest RMB300,000 and RMB200,000 respectively to setup Huatai Ningxia Corporation Consulting Limited Partnership (“Huatai Ningxia”), the primary purpose of which is to invest in Pintec Yinchuan, a subsidiary of Pintec Ganzhou. Pintec Ganzhou and Yinchuan Xingyin paid RMB300,000 and RMB150,000 respectively in December 2019. Since the Group controlled Huatai Ningxia after the investment, the investment from Yinchuan Xingyin was accounted for as non-controlling interest.

In September 2021, the Group set up Janko Loans Pty Ltd (“Janko”) and Wagepay Pty Ltd (“Wagepay”) and hold 50% and 50% equity interest, respectively. The investment is made by providing technical support, with nil cash consideration for both companies. Since the Group retains control of Janko and Wagepay by owning majority seats of the board, the investment from other shareholders of Janko and Wagepay is accounted for as non-controlling interest.

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19. Taxation

Cayman Islands

Under the current laws of the Cayman Islands, the Group is not subject to tax on income or capital gain. Additionally, upon payments of dividends to the shareholders, no Cayman Islands withholding tax will be imposed.

British Virgin Islands

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

Australia

Under the current laws of the Australia, entities incorporated in Australia are subject to income tax rate at 30%.

Hong Kong

In accordance with the relevant tax laws and regulations of Hong Kong, a company registered in Hong Kong is subject to income taxes within Hong Kong at the applicable tax rate on taxable income. In March 2018, the Hong Kong Government introduced a two-tiered profit tax rate regime by enacting the Inland Revenue (Amendment) (No.3) Ordinance 2018 (the “Ordinance”). Under the two-tiered profits tax rate regime, the first HK dollar 2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance is effective from the year of assessment 2018-2019. According to the policy, if no election has been made, the whole of the taxpaying entity’s assessable profits will be chargeable to Profits Tax at the rate of 16.5% or 15%, as applicable. Because the preferential tax treatment is not elected by the Group, all the subsidiaries registered in Hong Kong are subject to income tax at a rate of 16.5%. Payments of dividends by the subsidiary to the Group are not subject to withholding tax in Hong Kong as the Group has no assessable profits during the years ended December 31, 2019, 2020 and 2021.

PRC

Under the PRC Enterprise Income Tax Law (the “EIT Law”), the standard enterprise income tax rate for domestic enterprises and foreign invested enterprises is 25%. Effective January 1, 2008, the EIT Law in China unifies the enterprise income tax rate for the entities incorporated in China at 25% if they are not eligible for any preferential tax treatment. High and new technology enterprises enjoy a preferential tax rate of 15% under the EIT Law.

Sky City WFOE is qualified as a “high and new technology enterprise” under the EIT Law and is eligible for a preferential enterprise income tax rate of 15%, for the period from 2018 to 2021, so long as it obtains approval from the relevant tax authority and if it is profitable during the period. In addition, Sky City WFOE was qualified as an eligible software enterprise before the income tax year-end final settlement in 2019. As a result of this qualification, it is entitled to a tax holiday of a full exemption for the year ended December 31, 2019, in which its taxable income is greater than zero, followed by a three-year 50% exemption.

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19. Taxation (Continued)

Pintec Beijing WFOE is qualified as a “high and new technology enterprise” under the EIT Law and is eligible for a preferential enterprise income tax rate of 15% for the period from 2018 to 2020, as long as it obtains approval from the relevant tax authority, and is profitable during the period, it could apply the income tax rate of 15%. However, from 2021, the Company did not apply for renewal as they did not expect to be profitable in the near future. Therefore, they are subject to an income tax rate of 25% from 2021.

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose “de facto management body” is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the “de facto management body “as” the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, property, of a non-PRC company is located.” For the year ended December 31, 2019, the Group did not have operations outside of the PRC, thus would not be subject to this tax. Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its operations outside of the PRC should be considered as a resident enterprise for the PRC tax purposes for the years ended December 31, 2020 and 2021.

Withholding tax on undistributed dividends

The EIT law also imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise (“FIE”) to its immediate holding company outside China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where the Company is incorporated, does not have such tax treaty with China. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5%. The Group did not record any dividend withholding tax, as the Group’s FIE, the PRC WFOE, has no retained earnings in any of the period presented.

The following table sets forth current and deferred portion of income tax expense of the Company’s China subsidiaries, overseas subsidiaries, VIEs, and subsidiaries of the VIEs:

	For the year ended December 31,		
	2019	2020	2021
Current income tax expense	19,231	2,281	5,027
Deferred income tax (benefit)/expense	(17,263)	46,915	1,845
Income tax expense	1,968	49,196	6,872

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19. Taxation (Continued)

The following table sets forth reconciliation between the statutory EIT rate and the effective tax rates:

	For the year ended		
	December 31,		
	2019	2020	2021
Statutory income tax rate in PRC	25.00%	25.00%	25.00%
Tax effect of different tax rates in other jurisdictions	(0.04)%	(0.01)%	(0.39)%
Tax effect of unrecognized loss	(0.09)%	— %	— %
Tax effect of tax-exempt entities*	(5.84)%	(4.69)%	(1.89)%
Tax effect of expired tax attribute carryforwards	(0.01)%	(0.86)%	(4.57)%
Tax effect of preferred tax rate	5.40%	(1.55)%	(7.85)%
Tax effect of R&D expense additional deduction	0.67%	0.98%	1.59%
Tax effect of non-deductible interest expenses	— %	(1.92)%	— %
Tax effect of goodwill impairment	— %	(3.37)%	— %
Tax effect of non-deductible expenses	(0.29)%	1.82%	(0.29)%
Tax effect of deferred tax effect of tax rate change	0.40%	0.13%	6.88%
Changes in valuation allowance	(25.42)%	(35.45)%	(25.22)%
Effective tax rate	<u>(0.22)%</u>	<u>(19.92)%</u>	<u>(6.74)%</u>

* Tax-exempt entities represent entities entity incorporated in the Cayman Islands for which the statutory tax rate is zero.

As of December 31, 2020 and 2021, the Company did not have any significant unrecognized uncertain tax positions and the Company does not believe that its unrecognized tax benefits will change over the next twelve months. For the years ended December 31, 2019, 2020 and 2021 the Company did not have any significant interest or penalties associated with uncertain tax positions.

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19. Taxation (Continued)*Deferred tax assets and deferred tax liabilities*

The following table sets forth the significant components of the deferred tax assets and deferred tax liabilities:

Jurisdictions other than Australia

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2021</u>
	<u>RMB</u>	<u>RMB</u>
Deferred tax assets:		
Allowance for doubtful accounts and credit losses	241,248	234,075
Impairment of long-term investment	1,445	706
Deductible advertising fees	225	225
Net operating loss carry forwards	44,371	62,347
Guarantee liabilities	58,555	57,383
Deferred revenue from Upfront assessment fee under 606	227	—
Accrued expense	3,379	12,129
Subtotal	349,450	366,865
Less: valuation allowance	(347,240)	(365,888)
Total deferred tax assets, net	2,210	977
Deferred tax liabilities:		
Intangible assets acquired in a business combination	(2,911)	(2,470)
Total deferred tax liabilities	(2,911)	(2,470)
Net deferred tax liabilities	(701)	(1,493)

Australia

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2021</u>
	<u>RMB</u>	<u>RMB</u>
Deferred tax assets:		
Net operating loss carry forwards	2,525	8
Allowance for doubtful accounts and credit losses	—	1,175
Subtotal	2,525	1,183
Less: valuation allowance	—	(1,183)
Total deferred tax assets, net	2,525	—
Deferred tax liabilities:		
Intangible assets acquired in a business combination	(1,472)	—
Total deferred tax liabilities	(1,472)	—
Net deferred tax assets	1,053	—

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19. Taxation (Continued)

Changes in valuation allowance are as follows:

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
Balance at beginning of the year	30,098	260,002	347,240
Additions	245,886	102,398	35,095
Reversals	(15,982)	(15,160)	(9,388)
Decrease in disposal of a subsidiary	—	—	(5,876)
Balance at end of the year	<u>260,002</u>	<u>347,240</u>	<u>367,071</u>

In September, 2021, the Group disposed FT Group, and valuation allowance decrease in the net amount of RMB5,876.

For entities incorporated in Australia and Hong Kong, net loss can be carried forward indefinitely; for entities incorporated in PRC mainland, net loss can be carried forward for five years. As of December 31, 2021, the Group had net operating loss carryforwards of approximately RMB28, RMB10,249, and RMB287,176 for entities incorporated in Australia, Hong Kong and PRC mainland, respectively. As of December 31, 2021, the net operating loss carryforwards from PRC will expire, if unused, as follows:

	Net operating loss carryforwards due by schedule					
	2022	2023	2024	2025	2026	Total
Net operating loss carryforwards	33,489	53,305	49,208	60,311	90,863	287,176

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20. Share based compensation expenses

For the years ended December 31, 2019, 2020 and 2021, total share based compensation expenses allocated from Jimu Parent were RMB22,434, RMB3,712 and RMB221, respectively.

Share options issued by Jimu Parent to employees of the Company

Starting from 2014, Jimu Parent granted multiple tranches of share options with tiered vesting commencement dates to employees, including employees of the Pintec Business. The options are generally scheduled to be vested over four years, one-fourth of the awards shall be vested upon the end of the calendar year in which the awards were granted or the first anniversary dates of the grants, and the remaining of the awards shall be vested on straight line basis. Options granted typically expire in ten years from the respective vesting commencement date as stated in the grant letters.

A summary of activities of the service-based share options granted to the employees of the predecessor operations of Pintec Business for the year ended December 31, 2021 is presented below:

	Options Outstanding	Weighted Average Exercise Price US\$	Weighted Average Remaining Contractual Life (In years)	Average Intrinsic Value
Outstanding as of December 31, 2020	89,053	1.00	4.92	—
Granted	—	—	—	—
Exercised	(3,759)	1.00	—	—
Forfeited	(10,940)	1.00	—	—
Outstanding as of December 31, 2021	74,354	1.00	3.82	—
Vested and exercisable as of December 31, 2021	74,354	1.00	3.82	—

For the years ended December 31, 2019, 2020 and 2021, share-based compensation expenses recognized associated with the service-based share options granted to employees of the predecessor operations of Pintec Business and allocated to the Company were RMB21,125, RMB3,383 and RMB119, respectively.

As of December 31, 2021, there was no unrecognized share-based compensation expenses related to the share options granted.

Restriction of ordinary shares held by management and employee

In connection with Jimu Parent's issuance of Series A preferred shares on March 5, 2014, 40% of the 72,000,000 ordinary shares held by certain members of Jimu Parent's senior management became restricted pursuant to the shareholders' agreement. The 40% of the shares subject to vesting thereafter in 60 equal and continuous monthly installments following the grant date, provided that the founders' continuous service for the Jimu Parent. This arrangement is accounted for similar to a reverse stock split, followed by the grant of restricted stock awards to the founders subject to service vesting conditions. These shares issued are determined to be share-based compensation. The fair value of the ordinary shares at the grant date was estimated using the income approach. Grant date fair value per restricted share on March 5, 2014 was US\$0.45.

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20. Share based compensation expenses (Continued)

The Company granted 1,863,043 restricted shares on June 28, 2019 to its employees and managements. The shares subject to vesting thereafter in 4 equal and continuous yearly installments following the grant date provided that the employees' and managements' continuous service. The fair value of the restricted shares at the grant date equal to the market price of the Company's ordinary shares, which was US\$0.42 per share.

The fair value of the ordinary shares at the grant date recognized as compensation expenses using graded vesting method over the requisite service period, which is the vesting period.

The activities of the total restricted ordinary shares for the year ended December 31, 2021 are summarized as below:

	<u>Number of shares</u>	<u>Weighted-Average Grant Date Fair Value (in US\$)</u>
Unvested at December 31, 2020	368,618	0.42
Vested	(37,393)	0.42
Forfeited	(263,536)	0.42
Unvested at December 31, 2021	<u>67,689</u>	0.42

For the years ended December 31, 2019, 2020 and 2021, share-based compensation expenses recognized associated with the restricted ordinary shares and allocated to the Company were RMB2,055, RMB329 and RMB102, respectively. As of December 31, 2021, unrecognized compensation cost, adjusted for estimated forfeitures and related to non-vested service-based restricted ordinary shares was RMB183, which was expected to be recognized in a weighted average period of 1.49 years.

Share options issued by Pintec to mirror the options originally granted by Jimu Parent

In connection with the Reorganization and as a result of the anti-dilution provision in the option plan and agreement regarding the options issued by Jimu Parent, 24,287,218 options to purchase the underlying Pintec ordinary shares were issued by the Company as of March 27, 2018 under the Company's first share incentive plan (the "First Plan"). For each of the outstanding share options granted under the Jimu Plan before the Reorganization, excluding those that were forfeited, it was additionally paired with one share option issued by the Company under the First Plan after the Reorganization, as an equitable adjustment pursuant to the anti-dilution provision. Such issuance of options in conjunction with the Reorganization was determined to be a modification of the share option.

Share options granted by Pintec to employees of the Company

The Group granted 16,042,500 share options and 740,000 share options on May 31, 2018 and July 31, 2018, respectively, to its employees and directors of the Company under the First Plan with an exercise price of US\$0.000125. The fair value of the Company's options was estimated to be \$1.2785 per option granted on May 31, 2018, and \$1.4506 per option granted on July 31, 2018 under the plan. These awards have a service condition and an initial public offering performance condition. For share options granted with performance condition, the share-based compensation expenses are recorded when the performance condition is considered probable. As a result, the cumulative share-based compensation expenses for these options that have satisfied the service condition was recorded upon the completion of the IPO.

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20. Share based compensation expenses (Continued)

In 2018, the Company created a second share incentive plan (the “Second Plan”) under which the maximum aggregate number of shares which may be issued under the Second Plan shall initially equal to 2.0% of the total number of shares issued and outstanding as of the effective date, plus an annual increase on September 1 of each year during the ten-year term of this Second Plan commencing with September 1, 2019, by an amount equal to 2.0% of the total number of shares issued and outstanding on August 31 of each year. Share options under this plan may vest over a service period, performance condition or market condition, as specified in each award. Share options expire ten years from the grant date.

A summary of activities of the service and performance-based share options granted to the employees and directors of the Company for the year ended December 31, 2021 are presented below:

	<u>Options Outstanding</u>	<u>Weighted-Average Exercise Price</u> US\$	<u>Weighted Average Remaining Contractual Life</u> (In years)	<u>Aggregate Intrinsic Value</u> (RMB)
Outstanding as of December 31, 2020	4,862,069	0.2566	8.49	1,138
Exercised	(141,764)	0.0001	—	394
Forfeited	(1,875,536)	0.2126	—	—
Outstanding as of December 31, 2021	<u>2,844,769</u>	<u>0.3398</u>	<u>2.71</u>	<u>223</u>
Unvested as of December 31, 2021	352,783	0.5930	7.39	18
Exercisable as of December 31, 2021	2,491,986	0.3039	2.04	205

For the years ended December 31, 2019, 2020 and 2021, share-based compensation expenses (reversed)/ recognized associated with share options granted by the company were RMB(5,333), RMB8,186 and RMB3,572 respectively. As of December 31, 2021, there was RMB84 of unrecognized share-based compensation, which was expected to be recognized in a weighted average period of 2.71 years, adjusted for estimated forfeitures, related to the share options granted to the Group’s employees and directors. The weighted-average grant-date fair value of options granted during the years December 31, 2019 and 2020 and 2021 were \$0.2018, \$0.1599 and nil, respectively. For the year ended December 31, 2021, there was no new granted options. The total intrinsic value of options exercised during the years ended December 31, 2019, 2020 and 2021, was RMB46,558, RMB2,365 and RMB394, respectively.

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20. Share based compensation expenses (Continued)

The estimated fair value of option granted in 2019 and 2020 is estimated on the date of grant using the Binomial option-pricing model with the following assumptions:

	For the year ended December 31,	
	2019	2020
Expected volatility	38.78%~39.90%	40.61%~40.83%
Risk-free interest rate (per annum)	1.78%~2.13%	0.73%~0.87%
Exercise multiples	2.2	2.2
Expected dividend yield	0%	0%
Expected term (in years)	10	5.5~6.25
Fair value of the underlying shares on the date of option grants (in US\$)	0.07~0.55	0.11~0.18

The expected volatility at the grant date is estimated based on the annualized standard deviation of the daily return embedded in historical share prices of comparable companies. The risk-free interest rate is estimated based on the yield to maturity of China treasury bonds at the option valuation date. Expected term is considering the contractual term of the option and the employee's expected exercise term. The Group has not declared or paid any cash dividends and does not anticipate any dividend payments on its ordinary shares in the foreseeable future.

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21. Related party transactions

The table below sets forth the major related parties and their relationships with the Group as of December 31, 2020 and 2021:

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Jimu Group	An entity and its certain subsidiaries that have a high degree of overlap in shareholding with the Group and share two common board members as of December 31, 2020 and three common board members as of December 31, 2021.
Shenzhen Xiaogang Technology Co., Ltd (“Shenzhen Xiaogang”)	An entity which the Group holds 15% equity interests
LeaseGo Pty Ltd (“LeaseGo”)	An entity which the Group holds 15.56% equity interests
Beijing Liangduo Science and Technology Co. Ltd. (“Beijing Liangduo”)	An entity which the Group holds 18% equity interests
Changsha Liangduo Business Consulting Co., Ltd (“Changsha Liangduo”)	An entity which Beijing Liangduo Science and Technology Co., Ltd holds 100% equity interests

(a). The Group entered into the following transactions with related parties:

	<u>For the year ended December 31,</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
<i>(i) Transactions recorded through statement of operations and comprehensive income/(loss)</i>			
- Cost and expenses allocated from the related party	24,994	3,712	221
- Service cost charged by the related party (1)	200,163	23,052	1,574
- Collection service fees charged by Beijing Liangduo and Changsha Liangduo	63,400	32,176	12,746
- Interest income from loans to the related party (4)	(43,156)	(31)	(30)
- Interest expense on borrowings from the related party (5)	213	—	—
- Technical service fees charged to Shenzhen Xiaogang	—	—	4,451
<i>(ii) Operating transactions</i>			
- Technical service fee collected by the related party on behalf of the Group (2)	(64,078)	—	—
- Payment for guarantee deposit to the related party (1)	(100,269)	(24,788)	—
- Loan interests collected from the related party (4)	3,310	—	—
- Borrowing interests paid to the related party (5)	(2,047)	—	—
- Share-based compensation awards to employees of the related party	34,684	3,471	2,736
- Collecting principal and interests from borrowers on behalf of the related party (7)	—	363,342	23,586
- Repayment of collecting principle and interests from borrowers on behalf of the related party (8)	—	(100,000)	—
<i>(iii) Financing/Investing transactions</i>			
- Net cash advances (to)/from the related party (3)	(697,754)	293	232
- Principal of loans provided to the related party (4)	(137,000)	(40,000)	—
- Principal of loans collected from the related party (4)	122,000	40,000	—
- Principal of borrowings repaid to the related party (5)	(23,831)	—	—
- Equity transfer consideration paid to the related party (6)	(23,000)	—	—
- Acquisition of Ganzhou Micro Finance from the related party (see - Note 4.(i))	(230,000)	—	—
- Proceeds from related parties as funding debt	—	—	472

PINTEC TECHNOLOGY HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(RMB in thousands, except for share data and per share data, or otherwise noted)

(1) The Group entered into a strategic cooperation agreement with Jimu Group on December 31, 2017. Pursuant to the agreement, Jimu Group provided financial guarantee to the investors and charged the Group an asset management fee. The accumulative service fee due to Jimu Group of RMB959,073 was used to reduce the amounts due from Jimu Group pursuant to a series of offsetting agreements executed in July 2019.

The Group entered into an information service cooperation agreement with Jimu Group on July 19, 2019. Pursuant to the agreement, the Group provides guarantee to individual investors for loans that the Group has referred and funded through Jimu Group. The guarantee deposit cooperation was terminated on January 1, 2020. Service costs for the year ended December 31, 2020 were charged for the loans facilitated before January 1, 2020 pursuant to the termination agreement.

(2) As of December 31, 2019, the Group had balances of receivables from Yunnan Shiyin Financing Guarantee Co., Ltd. (“Yunnan Shiyin”), a third party, for technical service fees and consultancy fee collected on behalf of the Group from borrowers and other receivables of RMB7,495, RMB55,583 and RMB1,000, respectively. Yunnan Shiyin also carried out business with Jimu Group. Pursuant to the debtor-creditor relationship transfer agreement entered into between Yunnan Shiyin and Jimu Group dated December 31, 2019, the debtor of these balances was transferred from Yunnan Shiyin to Jimu Group in its entirety. The Group therefore reclassified the total outstanding balance of RMB64,078 to amounts due from related parties as of December 31, 2019.

(3) For the year ended December 31, 2019, the Group made a series of cash advances in both U.S dollars and Renminbi to Jimu Group. In 2019, the Group and Jimu Group entered into a series of agreements to settle the accumulative net cash advance balances, and the unsettled balances were converted to a U.S. dollar-denominated loan with a principal balance of US\$18,401 and an interest rate at 3.5% per annum, maturing on January 31, 2020 and a RMB denominated loan with a principal balance of RMB 154,598 with interest rate at 11% per annum, maturing on January 31, 2022.

(4) The Group provided short term loans to Jimu Group with no interest in 2019 and 2020 with an interest rate of 7% per annum in 2019, respectively.

(5) The short-term and long-term borrowings from Jimu Group in 2018 bear interest rates of 12% to 12.13% per annum and matured in 2019. During the year ended December 31, 2021, there was no borrowings from Jimu Group.

(6) In 2019, the Group made payments of RMB13,000 to Jimu Group for settlement of equity interest acquired in connection with the Reorganization. The Group also paid RMB10,000 to Jimu Group to acquire 100% equity interest of Qilehui Credit Investigation Co., Ltd. (“Qilehui”). On August 31, 2020, the Group obtained 100% equity interest of Qilehui.

(7) The Company has played as a business counter-party with Jimu group including loan borrower referrals and collection channel. For purpose of repayments to Jimu Box’s online platform lenders, the repayments from borrowers in connection with the remaining loans funded by Jimu Box has been collected through the Company and repaid to Jimu Box’s online lenders through custody bank account of Jimu Group.

(8) As the custody bank account of Jimu Group established for online lending platform business has been frozen following its insolvency and exit from online lending platform business in February 2020, in order to facilitate Jimu Box’s platform unwinding plan, the Company entered into an agreement with Jimu group, under which the Company was obligated to transfer principal and interest collected from the borrowers to the party designated by Jimu group for purpose of Jimu Box’s online borrowers repayments to lenders. The Company paid RMB100 million to the party designated by Jimu group according to the agreement for the years ended December 31, 2020.

PINTEC TECHNOLOGY HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(RMB in thousands, except for share data and per share data, or otherwise noted)

21. Related party transactions (Continued)

(b). Balances with related parties:

	As of December 31,	
	2020	2021
	RMB	RMB
Amounts due from related parties – current:		
Amounts due from Jimu Group	851,249	846,266
Amounts due from other related parties	30	5,455
Total current amounts due from related parties	851,279	851,721
Allowance for credit losses	(851,249)	(846,266)
Total current amounts due from related parties, net	30	5,455
Amounts due from Jimu Group – noncurrent	7,369	—
Allowance for credit losses	(7,369)	—
Total noncurrent amounts due from related parties, net	—	—
Amounts due to related parties – current:		
Amounts due to Jimu Group	265,974	289,792
Amounts due to other related parties	5,445	144
Total current amounts due to related parties	271,419	289,936
Amounts due to related parties – noncurrent:		
Amounts due to other related parties	—	472
Total noncurrent amounts due to related parties	—	472

The movement of the allowance for credit losses for the years ended December 31, 2020 and 2021 consist of the following:

	For the year ended December 31,	
	2020	2021
	RMB	RMB
Balance at beginning of the year	856,016	858,618
Additions	7,818	—
Charge-offs*	3,471	(2,736)
Reversal	—	(6,743)
Foreign currency exchange differences	(8,687)	(2,873)
Balance at end of the year	858,618	846,266

PINTEC TECHNOLOGY HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(RMB in thousands, except for share data and per share data, or otherwise noted)

21. Related party transactions (Continued)

(b). Balances with related parties (Continued):

As of December 31, 2019, except for the prepaid consideration for acquisition of Qilehui with an amount of RMB10,000, the Group determined that RMB748,427 of the current balance and RMB107,589 of the noncurrent balance due from Jimu Group were unrecoverable since Jimu Group was insolvent and in February 2020, Jimu Group announced its exit from online lending platform business pursuant to the relative regulations. There are significant outstanding balances on its platform unpaid to investors, which has priority over any other debts of Jimu Group including the balance due to the Group. As a result, a full provision was made to these balances in the year ended December 31, 2019. For the year ended December 31, 2020, the total amounts due from Jimu Group decrease by RMB7,398. The Group made additional provision of RMB7,818 for the year ended December 31, 2020. For the year ended December 31, 2021, the total amounts due from Jimu Group decrease by RMB12,352. The Group reversed provision of RMB6,743 for the year ended December 31, 2021.

* The amount due from Jimu Group resulting from the share-based compensation awards to employees of Jimu Group was written off as of December 31, 2020 as the Group waived this balance. As of December 31, 2021, portion of the balance was reversed as several employee's resignation led to the forfeit of share-based compensation.

22. Defined contribution plan

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. Chinese labor regulations require that the PRC subsidiaries, VIEs and VIEs' subsidiaries of the Group make contributions to the government for these benefits based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefit expenses, which were expensed as incurred, were RMB29,936, RMB10,613 and RMB13,278 for the years ended December 31, 2019, 2020 and 2021.

PINTEC TECHNOLOGY HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(RMB in thousands, except for share data and per share data, or otherwise noted)

23. Loss per share

The basic and diluted loss per ordinary share for each of the years are presented as follows:

	<u>For the year ended December 31,</u>			
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>US\$ Note 2 (f)</u>
<u>Basic and diluted loss per ordinary share calculation:</u>				
Numerator:				
Net loss attributable to ordinary shareholders	(905,895)	(293,935)	(101,729)	(15,964)
Denominator:				
Weighted average ordinary shares outstanding-basic and diluted*	282,129,663	297,334,389	299,714,670	299,714,670
Loss per ordinary share basic and diluted	(3.21)	(0.99)	(0.34)	(0.05)

* For the years ended December 31, 2019, 2020 and 2021, restricted shares, share options and warrants were anti-dilutive and thus excluded from the calculation of diluted loss per share. The potential dilutive securities that were not included in the calculation of dilutive loss per share in those periods are 23,228,585, 64,198,232 and 321,768,101 respectively, for the years ended December 31, 2019, 2020 and 2021.

PINTEC TECHNOLOGY HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(RMB in thousands, except for share data and per share data, or otherwise noted)

24. Commitments and contingencies

In the normal course of business, the Group is subject to commitments and contingencies, including operating lease commitments, legal proceedings and claims arising out of its business that relate to a wide range of matters, such as government investigations and tax matters. The Group recognizes a liability for such contingency if it determines it is probable that a loss has occurred and a reasonable estimate of the loss can be made. The Group may consider many factors in making these assessments including historical and the specific facts and circumstances of each matter.

Operating lease commitment

The Group has entered into non-cancellable operating leases covering various facilities. Future minimum lease payments under these non-cancellable leases as follows:

	<u>Payment due by schedule</u>				<u>Total</u>
	<u>Less than 1 year</u>	<u>1 – 2 years</u>	<u>2 – 3 years</u>	<u>More than 3 years</u>	
Office rental	8,220	7,581	3,791	—	19,592

For the years ended December 31, 2019, 2020 and 2021, the Group incurred office rental expenses in the amounts of RMB18,624, RMB16,410 and RMB10,773, respectively.

Legal Proceedings

In September 2020, the Company and certain of its officers and directors were named in a putative shareholder class action lawsuit filed in federal court in the United States, captioned Yaroni v. Pinte Technology Holdings Limited, et al., No. 1:20-cv-08062-JMF (U.S. District Court for the Southern District of New York, Amended Complaint filed February 15, 2021). The complaint alleges, in sum and substance, that defendants made material misstatements and omissions in its Registration Statement in connection with the Company's initial public offering in October 2018 in violation of the U.S. Securities Act of 1933. The Company filed a motion to dismiss on April 16, 2021 and the plaintiffs filed their opposition to the motion to dismiss on June 15, 2021. The Company submitted reply brief on July 15, 2021. On April 25, 2022, the court granted the Company's motion to dismiss the amended complaint in full and ordered the case closed. The plaintiffs have 30 days from the court's order to file a notice of appeal. If the plaintiffs choose to file an appeal, the Company cannot predict the timing, outcome or consequences of such an appeal or of this class action if the court's order of dismissal is vacated or reversed.

Except for the above, the Company is not aware of any pending or threatened claims and litigation as of December 31, 2021 and through the issuance date of these consolidated financial statements.

PINTEC TECHNOLOGY HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(RMB in thousands, except for share data and per share data, or otherwise noted)

25. Subsequent events

On January 26, 2022, the Company entered an agreement to subscribe for 25% of the shares in Ziitech Pty Ltd (“Ziitech”), an Australia company specialized in offering SaaS, Data, and Fintech solution services, at a subscription total price of US\$0.001 for the purpose of strengthening technology ability of the Company and helping the Company to expand small and medium enterprise business in Australia.

The Company has evaluated subsequent events through the issuance of the consolidated financial statements and noted that there are no other subsequent events.

26. Parent company only condensed financial information

The condensed financial information of the Company has been prepared in accordance with SEC Regulation S-X Rule 5-04 and Rule 12-04, using the same accounting policies as set out in the Group’s consolidated financial statements, except that the Company uses the equity method to account for investments in its subsidiaries, VIEs and VIEs’ subsidiaries.

Condensed balance sheets (In thousands, except for share and per share data)

	As of December 31,		
	2020 RMB	2021 RMB	2021 US\$ Note 2 (f)
ASSETS			
Current assets:			
Cash and cash equivalents	3,467	1,255	197
Prepayments and other current assets	352	181	28
Amounts due from subsidiaries of the Company	305,780	156,985	24,636
Total current assets	309,599	158,421	24,861
Non-current assets:			
Long-term investments	—	—	—
Total non-current assets	—	—	—
TOTAL ASSETS	309,599	158,421	24,861
LIABILITIES			
Current liabilities:			
Amounts due to subsidiaries of the Company	415,572	379,533	59,558
Accrued expenses and other liabilities	12,010	3,817	599
Total current liabilities	427,582	383,350	60,157
Non-current liabilities:			
Consideration payable for acquisition	954	—	—
Total non-current liabilities	954	—	—
TOTAL LIABILITIES	428,536	383,350	60,157
Commitments and contingencies (Note 24)			
SHAREHOLDERS’ EQUITY			
Class A Ordinary Shares (US\$ 0.000125 par value per share; 348,217,505 shares authorized as of December 31, 2020 and 2021; 247,852,996 and 249,085,237 shares outstanding as of December 31, 2020 and 2021, respectively)	232	233	37
Class B Ordinary Shares (US\$ 0.000125 par value per share; 51,782,495 shares authorized as of December 31, 2020 and 2021; 50,939,520 shares outstanding as of December 31, 2020 and 2021)	42	42	7
Additional paid-in capital	1,985,792	1,992,321	312,639
Accumulated other comprehensive income	19,913	9,120	1,431
Accumulated deficit	(2,124,916)	(2,226,645)	(349,410)
TOTAL SHAREHOLDERS’ DEFICIT	(118,937)	(224,929)	(35,296)
TOTAL LIABILITIES AND SHAREHOLDERS’ DEFICIT	309,599	158,421	24,861

PINTEC TECHNOLOGY HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(RMB in thousands, except for share data and per share data, or otherwise noted)

Condensed statements of operations and comprehensive loss (In thousands)

	For the year ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$ Note 2 (f)
Operating expenses:				
Sales and marketing expenses	(2,772)	(3,182)	(354)	(56)
General and administrative expenses	(204,810)	(22,839)	(11,138)	(1,748)
Research and development expenses	(3,247)	(1,644)	(1,082)	(170)
Total operating expenses	(210,829)	(27,665)	(12,574)	(1,974)
Equity in loss of subsidiaries	(694,808)	(255,604)	(92,322)	(14,487)
Share of loss from equity method investments	(5,972)	(9,697)	3,331	523
Other expense, net	(1,318)	(969)	(39)	(6)
Interest income from related parties	7,032	—	—	—
loss before income tax expense	(905,895)	(293,935)	(101,604)	(15,944)
Income tax expense	—	—	(125)	(20)
Net loss	(905,895)	(293,935)	(101,729)	(15,964)
Other comprehensive income/(loss):				
Foreign currency translation adjustments net of nil tax	11,876	(22,977)	(10,793)	(1,692)
Total other comprehensive income/(loss)	11,876	(22,977)	(10,793)	(1,692)
Total comprehensive loss	(894,019)	(316,912)	(112,522)	(17,656)

PINTEC TECHNOLOGY HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(RMB in thousands, except for share data and per share data, or otherwise noted)

26. Parent company only condensed financial information (Continued)

Condensed statements of cash flows (In thousands)

	For the year ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$ Note 2 (f)
Net cash used in operating activities	(7,261)	(20,972)	(11,840)	(1,860)
Cash flows from investing activities:				
Net cash advances (to)/from subsidiaries	(203,956)	74,238	14,952	2,346
Collection of cash advance from Jimu Group	20,603	—	—	—
Collection of loan from a third party	135,296	—	—	—
Purchase of Infrarisk, net of cash acquired (Note 4)	(3,650)	(4,911)	—	—
Investment in a subsidiary	(5,196)	—	—	—
Net cash (used in)/provided by investing activities	(56,903)	69,327	14,952	2,346
Cash flows from financing activities:				
Proceeds from exercise of options	26	20	1	—
Net cash provided by financing activities	26	20	1	—
Effect of exchange rate changes on cash, cash equivalents	2,552	(52,516)	(5,325)	(833)
Net decrease in cash, cash equivalents	(61,586)	(4,141)	(2,212)	(347)
Cash and cash equivalents at beginning of the year	69,194	7,608	3,467	544
Cash and cash equivalents at end of the year	7,608	3,467	1,255	197

THE COMPANIES ACT (REVISED)**OF THE CAYMAN ISLANDS****COMPANY LIMITED BY SHARES****FIFTH AMENDED AND RESTATED
MEMORANDUM OF ASSOCIATION****OF****PINTEC TECHNOLOGY HOLDINGS LIMITED**

(adopted by a Special Resolution passed on 7 May 2021)

1. The name of the Company is Pintec Technology Holdings Limited.
2. The Registered Office of the Company will be situated at the offices of International Corporation Services Ltd., P.O. Box 472, Harbour Place, 2nd Floor, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands, or at such other location within the Cayman Islands as the Directors may from time to time determine.
3. The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.
4. The Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit as provided by the Companies Act.
5. The Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this section shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
6. The liability of each Shareholder is limited to the amount, if any, unpaid on the Shares held by such Shareholder.
7. The authorised share capital of the Company is US\$250,000 divided into 2,000,000,000 shares of a par value of US\$0.000125 each, comprising of (i) 750,000,000 Class A Ordinary Shares of a par value of US\$0.000125 each, (ii) 250,000,000 Class B Ordinary Shares of a par value of US\$0.000125 each, and (iii) 1,000,000,000 shares of no specific class of a par value of US\$0.000125 each. Subject to the Companies Act and the Articles, the Company shall have power to redeem or purchase any of its Shares and to increase or reduce its authorised share capital and to sub-divide or consolidate the said Shares or any of them and to issue all or any part of its capital whether original, redeemed, increased or reduced with or without any preference, priority, special privilege or other rights or subject to any postponement of rights or to any conditions or restrictions whatsoever and so that unless the conditions of issue shall otherwise expressly provide every issue of shares whether stated to be ordinary, preference or otherwise shall be subject to the powers on the part of the Company hereinbefore provided.
8. The Company has the power contained in the Companies Act to deregister in the Cayman Islands and be registered by way of continuation in some other jurisdiction.
9. Capitalised terms that are not defined in this Memorandum of Association bear the same meanings as those given in the Articles of Association of the Company.

THE COMPANIES ACT (REVISED)

OF THE CAYMAN ISLANDS

COMPANY LIMITED BY SHARES

**FIFTH AMENDED AND RESTATED
ARTICLES OF ASSOCIATION**

OF

PINTEC TECHNOLOGY HOLDINGS LIMITED

(adopted by a Special Resolution passed on 7 May 2021)

TABLE A

The regulations contained or incorporated in Table 'A' in the First Schedule of the Companies Act shall not apply to the Company and the following Articles shall comprise the Articles of Association of the Company.

INTERPRETATION

1. In these Articles the following defined terms will have the meanings ascribed to them, if not inconsistent with the subject or context:

“ADS”	means an American Depositary Share representing Class A Ordinary Shares;
“Affiliate”	means in respect of a Person, any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person, and (i) in the case of a natural person, shall include, without limitation, such person’s spouse, parents, children, siblings, mother-in-law, father-in-law, brothers-in-law and sisters-in-law, a trust for the benefit of any of the foregoing, and a corporation, partnership or any other entity wholly or jointly owned by any of the foregoing, and (ii) in the case of an entity, shall include a partnership, a corporation or any other entity or any natural person which directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such entity. The term “control” shall mean the ownership, directly or indirectly, of shares possessing more than fifty per cent (50%) of the voting power of the corporation, partnership or other entity (other than, in the case of a corporation, securities having such power only by reason of the happening of a contingency), or having the power to control the management or elect a majority of members to the board of directors or equivalent decision-making body of such corporation, partnership or other entity;
“Articles”	means these articles of association of the Company, as amended or substituted from time to time;
“Board” and “Board of Directors” and “Directors”	means the directors of the Company for the time being, or as the case may be, the directors assembled as a board or as a committee thereof;
“Chairman”	means the chairman of the Board of Directors;
“Class” or “Classes”	means any class or classes of Shares as may from time to time be issued by the Company;

“Class A Ordinary Share”	means a Class A Ordinary Share of a par value of US\$0.000125 in the capital of the Company and having the rights provided for in these Articles;
“Class B Ordinary Share”	means a Class B Ordinary Share of a par value of US\$0.000125 in the capital of the Company and having the rights provided for in these Articles;
“Commission”	means the Securities and Exchange Commission of the United States of America or any other federal agency for the time being administering the Securities Act;
“Company”	means Pintec Technology Holdings Limited, a Cayman Islands exempted company;
“Companies Act”	means the Companies Act (Revised) of the Cayman Islands and any statutory amendment or re-enactment thereof;
“Company’s Website”	means the main corporate/investor relations website of the Company, the address or domain name of which has been disclosed in any registration statement filed by the Company with the Commission in connection with its initial public offering of ADSs, or which has otherwise been notified to Shareholders;
“Core Founder”	refer to Mr. Wei Wei, Mr. Jun Dong and Ms. Xiaomei Peng, each of whom is referred to as a “Core Founder”;
“Designated Stock Exchange”	means the stock exchange in the United States on which any Shares and ADSs are listed for trading;
“Designated Stock Exchange Rules”	means the relevant code, rules and regulations, as amended, from time to time, applicable as a result of the original and continued listing of any Shares or ADSs on the Designated Stock Exchange;
“electronic”	has the meaning given to it in the Electronic Transactions Act and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor;
“electronic communication”	means electronic posting to the Company’s Website, transmission to any number, address or internet website or other electronic delivery methods as otherwise decided and approved by not less than two-thirds of the vote of the Board;
“Electronic Transactions Act”	means the Electronic Transactions Act (Revised) of the Cayman Islands and any statutory amendment or re-enactment thereof;
“electronic record”	has the meaning given to it in the Electronic Transactions Act and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor;
“Memorandum of Association”	means the memorandum of association of the Company, as amended or substituted from time to time;
“Ordinary Resolution”	means a resolution: <ul style="list-style-type: none"> (a) passed by a simple majority of the votes cast by such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorised representatives, at a general meeting of the Company held in accordance with these Articles; or (b) approved in writing by all of the Shareholders entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Shareholders and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments, if more than one, is executed;

“Ordinary Share”	means a Class A Ordinary Share or a Class B Ordinary Share;
“paid up”	means paid up as to the par value in respect of the issue of any Shares and includes credited as paid up;
“Person”	means any natural person, firm, company, joint venture, partnership, corporation, association or other entity (whether or not having a separate legal personality) or any of them as the context so requires;
“Register”	means the register of Members of the Company maintained in accordance with the Companies Act;
“Registered Office”	means the registered office of the Company as required by the Companies Act;
“Seal”	means the common seal of the Company (if adopted) including any facsimile thereof;
“Secretary”	means any Person appointed by the Directors to perform any of the duties of the secretary of the Company;
“Securities Act”	means the Securities Act of 1933 of the United States of America, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time;
“Share”	means a share in the capital of the Company. All references to “Shares” herein shall be deemed to be Shares of any or all Classes as the context may require. For the avoidance of doubt in these Articles the expression “Share” shall include a fraction of a Share;
“Shareholder” or “Member”	means a Person who is registered as the holder of one or more Shares in the Register;
“Share Premium Account”	means the share premium account established in accordance with these Articles and the Companies Act;
“signed”	means bearing a signature or representation of a signature affixed by mechanical means or an electronic symbol or process attached to or logically associated with an electronic communication and executed or adopted by a Person with the intent to sign the electronic communication;
“Special Resolution”	means a special resolution of the Company passed in accordance with the Companies Act, being a resolution: <ul style="list-style-type: none"> (a) passed by not less than two-thirds of the votes cast by such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorised representatives, at a general meeting of the Company of which notice specifying the intention to propose the resolution as a special resolution has been duly given; or (b) approved in writing by all of the Shareholders entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Shareholders and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments, if more than one, is executed;

“Treasury Share” means a Share held in the name of the Company as a treasury share in accordance with the Companies Act; and

“United States” means the United States of America, its territories, its possessions and all areas subject to its jurisdiction.

2. In these Articles, save where the context requires otherwise:
- (a) words importing the singular number shall include the plural number and vice versa;
 - (b) words importing the masculine gender only shall include the feminine gender and any Person as the context may require;
 - (c) the word “may” shall be construed as permissive and the word “shall” shall be construed as imperative;
 - (d) reference to a dollar or dollars (or US\$) and to a cent or cents is reference to dollars and cents of the United States of America;
 - (e) reference to a statutory enactment shall include reference to any amendment or re-enactment thereof for the time being in force;
 - (f) reference to any determination by the Directors shall be construed as a determination by the Directors in their sole and absolute discretion and shall be applicable either generally or in any particular case;
 - (g) reference to “in writing” shall be construed as written or represented by any means reproducible in writing, including any form of print, lithograph, email, facsimile, photograph or telex or represented by any other substitute or format for storage or transmission for writing including in the form of an electronic record or partly one and partly another;
 - (h) any requirements as to delivery under the Articles include delivery in the form of an electronic record or an electronic communication;
 - (i) any requirements as to execution or signature under the Articles, including the execution of the Articles themselves, can be satisfied in the form of an electronic signature as defined in the Electronic Transaction Act; and
 - (j) Sections 8 and 19(3) of the Electronic Transactions Act shall not apply.
3. Subject to the last two preceding Articles, any words defined in the Companies Act shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.

PRELIMINARY

4. The business of the Company may be conducted as the Directors see fit.
5. The Registered Office shall be at such address in the Cayman Islands as the Directors may from time to time determine. The Company may in addition establish and maintain such other offices and places of business and agencies in such places as the Directors may from time to time determine.
6. The expenses incurred in the formation of the Company and in connection with the offer for subscription and issue of Shares shall be paid by the Company. Such expenses may be amortised over such period as the Directors may determine and the amount so paid shall be charged against income and/or capital in the accounts of the Company as the Directors shall determine.

7. The Directors shall keep, or cause to be kept, the Register at such place as the Directors may from time to time determine and, in the absence of any such determination, the Register shall be kept at the Registered Office.

SHARES

8. Subject to these Articles, all Shares for the time being unissued shall be under the control of the Directors who may, in their absolute discretion and without the approval of the Members, cause the Company to:
- (a) issue, allot and dispose of Shares (including, without limitation, preferred shares) (whether in certificated form or non-certificated form) to such Persons, in such manner, on such terms and having such rights and being subject to such restrictions as they may from time to time determine;
 - (b) grant rights over Shares or other securities to be issued in one or more classes or series as they deem necessary or appropriate and determine the designations, powers, preferences, privileges and other rights attaching to such Shares or securities, including dividend rights, voting rights, conversion rights, terms of redemption and liquidation preferences, any or all of which may be greater than the powers, preferences, privileges and rights associated with the then issued and outstanding Shares, at such times and on such other terms as they think proper; and
 - (c) grant options with respect to Shares and issue warrants or similar instruments with respect thereto.
9. The Directors may authorise the division of Shares into any number of Classes and the different Classes shall be authorised, established and designated (or re-designated as the case may be) and the variations in the relative rights (including, without limitation, voting, dividend and redemption rights), restrictions, preferences, privileges and payment obligations as between the different Classes (if any) may be fixed and determined by the Directors or by an Ordinary Resolution. The Directors may issue Shares with such preferred or other rights, all or any of which may be greater than the rights of Ordinary Shares, at such time and on such terms as they may think appropriate. Notwithstanding Article 12, the Directors may issue from time to time, out of the authorised share capital of the Company (other than the authorised but unissued Ordinary Shares), series of preferred shares in their absolute discretion and without approval of the Members; provided, however, before any preferred shares of any such series are issued, the Directors shall by resolution of Directors determine, with respect to any series of preferred shares, the terms and rights of that series, including:
- (a) the designation of such series, the number of preferred shares to constitute such series and the subscription price thereof if different from the par value thereof;
 - (b) whether the preferred shares of such series shall have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights, which may be general or limited;
 - (c) the dividends, if any, payable on such series, whether any such dividends shall be cumulative, and, if so, from what dates, the conditions and dates upon which such dividends shall be payable, and the preference or relation which such dividends shall bear to the dividends payable on any shares of any other class or any other series of shares;
 - (d) whether the preferred shares of such series shall be subject to redemption by the Company, and, if so, the times, prices and other conditions of such redemption;
 - (e) whether the preferred shares of such series shall have any rights to receive any part of the assets available for distribution amongst the Members upon the liquidation of the Company, and, if so, the terms of such liquidation preference, and the relation which such liquidation preference shall bear to the entitlements of the holders of shares of any other class or any other series of shares;
 - (f) whether the preferred shares of such series shall be subject to the operation of a retirement or sinking fund and, if so, the extent to and manner in which any such retirement or sinking fund shall be applied to the purchase or redemption of the preferred shares of such series for retirement or other corporate purposes and the terms and provisions relative to the operation thereof;

- (g) whether the preferred shares of such series shall be convertible into, or exchangeable for, shares of any other class or any other series of preferred shares or any other securities and, if so, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same, and any other terms and conditions of conversion or exchange;
- (h) the limitations and restrictions, if any, to be effective while any preferred shares of such series are outstanding upon the payment of dividends or the making of other distributions on, and upon the purchase, redemption or other acquisition by the Company of, the existing shares or shares of any other class of shares or any other series of preferred shares;
- (i) the conditions or restrictions, if any, upon the creation of indebtedness of the Company or upon the issue of any additional shares, including additional shares of such series or of any other class of shares or any other series of preferred shares; and
- (j) any other powers, preferences and relative, participating, optional and other special rights, and any qualifications, limitations and restrictions thereof;

and, for such purposes, the Directors may reserve an appropriate number of Shares for the time being unissued. The Company shall not issue Shares to bearer.

- 10. The Company may insofar as may be permitted by law, pay a commission to any Person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any Shares. Such commissions may be satisfied by the payment of cash or the lodgement of fully or partly paid-up Shares or partly in one way and partly in the other. The Company may also pay such brokerage as may be lawful on any issue of Shares.
- 11. The Directors may refuse to accept any application for Shares, and may accept any application in whole or in part, for any reason or for no reason.

MODIFICATION OF RIGHTS

- 12. Whenever the capital of the Company is divided into different Classes the rights attached to any such Class may, subject to any rights or restrictions for the time being attached to any Class, only be materially adversely varied with the consent in writing of the holders of two-thirds of the issued Shares of that Class or with the sanction of a resolution passed at a separate meeting of the holders of the Shares of that Class by the holders of two-thirds of the issued Shares of that Class. To every such separate meeting all the provisions of these Articles relating to general meetings of the Company or to the proceedings thereat shall, *mutatis mutandis*, apply, except that the necessary quorum shall be one or more Persons holding or representing by proxy at least one-third in nominal or par value amount of the issued Shares of the relevant Class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those Shareholders who are present shall form a quorum) and that, subject to any rights or restrictions for the time being attached to the Shares of that Class, every Shareholder of that Class shall on a poll have one vote for each Share of that Class held by him. For the purposes of this Article, the Directors may treat all the Classes or any two or more Classes as forming one Class if they consider that all such Classes would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate Classes.
- 13. The rights conferred upon the holders of the Shares of any Class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to the Shares of that Class, be deemed to be materially adversely varied by, *inter alia*, the creation, allotment or issue of further Shares ranking *pari passu* with or subsequent to them or the redemption or purchase of any Shares of any Class by the Company. The rights of the holders of Shares shall not be deemed to be materially adversely varied by the creation or issue of Shares with preferred or other rights including, without limitation, the creation of Shares with enhanced or weighted voting rights.

CLASS A ORDINARY SHARES AND CLASS B ORDINARY SHARES

14. Holders of Class A Ordinary Shares and Class B Ordinary Shares shall at all times vote together as one class on all resolutions submitted to a vote by the Members. Each Class B Ordinary Share shall entitle the holder thereof to fifteen (15) votes on all matters subject to vote at general meetings of the Company, and each Class A Ordinary Share shall entitle the holder thereof to one (1) vote on all matters subject to vote at general meetings of the Company, until the earlier of (i) the date when the Core Founders on an aggregate basis cease to beneficially own no less than 40% of the total issued and outstanding Class B Ordinary Shares immediately prior to the initial public offering of the Company, as adjusted for share splits, share dividends, recapitalization and the like, or (ii) the seventh (7th) anniversary date of the completion of the initial public offering of the Company. Immediately following the earlier of the foregoing dates, each Ordinary Share shall entitle the holder thereof to one (1) vote on all matters subject to vote at general meetings of the Company.
15. Each Class B Ordinary Share is convertible into one (1) Class A Ordinary Share at any time at the option of the holder thereof. The right to convert shall be exercisable by the holder of the Class B Ordinary Share delivering a written notice to the Company that such holder elects to convert a specified number of Class B Ordinary Shares into Class A Ordinary Shares. In no event shall Class A Ordinary Shares be convertible into Class B Ordinary Shares.
16. Any conversion of Class B Ordinary Shares into Class A Ordinary Shares pursuant to these Articles shall be effected by means of the re-designation of each relevant Class B Ordinary Share as a Class A Ordinary Share. Such conversion shall become effective forthwith upon entries being made in the Register to record the re-designation of the relevant Class B Ordinary Shares as Class A Ordinary Shares.
17. Each Class B Ordinary Share shall automatically be re-designated into one Class A Ordinary Share without any action being required by its holder and whether or not the certificates representing such shares are surrendered to the Company or its transfer agent, if at any time the relevant Core Founder, who is the beneficial owner of such Class B Ordinary Share, ceases to be a director or employee of the Company or ceases to have the capability to make business decisions on behalf of the Company due to health reasons.
18. Upon any sale, transfer, assignment or disposition of any Class B Ordinary Share by a holder thereof or an Affiliate of such holder to any person or entity who is not an Affiliate of any of the Core Founders, or upon a change of ultimate beneficial ownership of any Class B Ordinary Share to any Person or entity who is not an Affiliate of any of the Core Founders, such Class B Ordinary Share shall be automatically and immediately converted into one Class A Ordinary Share. For the avoidance of doubt, (i) a sale, transfer, assignment or disposition shall be effective upon the Company's registration of such sale, transfer, assignment or disposition in its Register; and (ii) the creation of any pledge, charge, encumbrance or other third party right of whatever description on any Class B Ordinary Shares to secure a holder's contractual or legal obligations shall not be deemed as a sale, transfer, assignment or disposition unless and until any such pledge, charge, encumbrance or other third party right is enforced and results in the third party holding legal title to the relevant Class B Ordinary Shares, in which case all the related Class B Ordinary Shares shall be automatically converted into the same number of Class A Ordinary Shares. For purpose of this Article 18, beneficial ownership shall have the meaning set forth in Rule 13d-3 under the United States Securities Exchange Act of 1934, as amended.
19. Save and except for voting rights and conversion rights as set out in Articles 14 to 19 (inclusive), the Class B Ordinary Shares and the Class A Ordinary Shares shall rank *pari passu* with one another and shall have the same rights, preferences, privileges and restrictions.

CERTIFICATES

20. Every Person whose name is entered as a Member in the Register may, without payment and upon its written request, request a certificate within two calendar months after allotment or lodgement of transfer (or within such other period as the conditions of issue shall provide) in the form determined by the Directors. All certificates shall specify the Share or Shares held by that Person, provided that in respect of a Share or Shares held jointly by several Persons the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a Share to one of several joint holders shall be sufficient delivery to all. All certificates for Shares shall be delivered personally or sent through the post addressed to the Member entitled thereto at the Member's registered address as appearing in the Register.

21. Every share certificate of the Company shall bear legends required under the applicable laws, including the Securities Act.
22. Any two or more certificates representing Shares of any one Class held by any Member may at the Member's request be cancelled and a single new certificate for such Shares issued in lieu on payment (if the Directors shall so require) of one dollar (US\$1.00) or such smaller sum as the Directors shall determine.
23. If a share certificate shall be damaged or defaced or alleged to have been lost, stolen or destroyed, a new certificate representing the same Shares may be issued to the relevant Member upon request, subject to delivery up of the old certificate or (if alleged to have been lost, stolen or destroyed) compliance with such conditions as to evidence and indemnity and the payment of out-of-pocket expenses of the Company in connection with the request as the Directors may think fit.
24. In the event that Shares are held jointly by several Persons, any request may be made by any one of the joint holders and if so made shall be binding on all of the joint holders.

FRACTIONAL SHARES

25. The Directors may issue fractions of a Share and, if so issued, a fraction of a Share shall be subject to and carry the corresponding fraction of liabilities (whether with respect to nominal or par value, premium, contributions, calls or otherwise), limitations, preferences, privileges, qualifications, restrictions, rights (including, without prejudice to the generality of the foregoing, voting and participation rights) and other attributes of a whole Share. If more than one fraction of a Share of the same Class is issued to or acquired by the same Shareholder such fractions shall be accumulated.

LIEN

26. The Company has a first and paramount lien on every Share (whether or not fully paid) for all amounts (whether presently payable or not) payable at a fixed time or called in respect of that Share. The Company also has a first and paramount lien on every Share registered in the name of a Person indebted or under liability to the Company (whether he is the sole registered holder of a Share or one of two or more joint holders) for all amounts owing by him or his estate to the Company (whether or not presently payable). The Directors may at any time declare a Share to be wholly or in part exempt from the provisions of this Article. The Company's lien on a Share extends to any amount payable in respect of it, including but not limited to dividends.
27. The Company may sell, in such manner as the Directors in their absolute discretion think fit, any Share on which the Company has a lien, but no sale shall be made unless an amount in respect of which the lien exists is presently payable nor until the expiration of fourteen calendar days after a notice in writing, demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the Share, or the Persons entitled thereto by reason of his death or bankruptcy.
28. For giving effect to any such sale the Directors may authorise a Person to transfer the Shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the Shares comprised in any such transfer and he shall not be bound to see to the application of the purchase money, nor shall his title to the Shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
29. The proceeds of the sale after deduction of expenses, fees and commissions incurred by the Company shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue shall (subject to a like lien for sums not presently payable as existed upon the Shares prior to the sale) be paid to the Person entitled to the Shares immediately prior to the sale.

CALLS ON SHARES

30. Subject to the terms of the allotment, the Directors may from time to time make calls upon the Shareholders in respect of any moneys unpaid on their Shares, and each Shareholder shall (subject to receiving at least fourteen calendar days' notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on such Shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.
31. The joint holders of a Share shall be jointly and severally liable to pay calls in respect thereof.
32. If a sum called in respect of a Share is not paid before or on the day appointed for payment thereof, the Person from whom the sum is due shall pay interest upon the sum at the rate of eight percent per annum from the day appointed for the payment thereof to the time of the actual payment, but the Directors shall be at liberty to waive payment of that interest wholly or in part.
33. The provisions of these Articles as to the liability of joint holders and as to payment of interest shall apply in the case of non-payment of any sum which, by the terms of issue of a Share, becomes payable at a fixed time, whether on account of the amount of the Share, or by way of premium, as if the same had become payable by virtue of a call duly made and notified.
34. The Directors may make arrangements with respect to the issue of partly paid Shares for a difference between the Shareholders, or the particular Shares, in the amount of calls to be paid and in the times of payment.
35. The Directors may, if they think fit, receive from any Shareholder willing to advance the same all or any part of the moneys uncalled and unpaid upon any partly paid Shares held by him, and upon all or any of the moneys so advanced may (until the same would, but for such advance, become presently payable) pay interest at such rate (not exceeding without the sanction of an Ordinary Resolution, eight percent per annum) as may be agreed upon between the Shareholder paying the sum in advance and the Directors. No such sum paid in advance of calls shall entitle the Member paying such sum to any portion of a dividend declared in respect of any period prior to the date upon which such sum would, but for such payment, become presently payable.

FORFEITURE OF SHARES

36. If a Shareholder fails to pay any call or instalment of a call in respect of partly paid Shares on the day appointed for payment, the Directors may, at any time thereafter during such time as any part of such call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.
37. The notice shall name a further day (not earlier than the expiration of fourteen calendar days from the date of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed, the Shares in respect of which the call was made will be liable to be forfeited.
38. If the requirements of any such notice as aforesaid are not complied with, any Share in respect of which the notice has been given may at any time thereafter, before the payment required by notice has been made, be forfeited by a resolution of the Directors to that effect.
39. A forfeited Share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.
40. A Person whose Shares have been forfeited shall cease to be a Shareholder in respect of the forfeited Shares, but shall, notwithstanding, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the Shares forfeited, but his liability shall cease if and when the Company receives payment in full of the amount unpaid on the Shares forfeited.

41. A certificate in writing under the hand of a Director that a Share has been duly forfeited on a date stated in the certificate shall be conclusive evidence of the facts in the declaration as against all Persons claiming to be entitled to the Share.
42. The Company may receive the consideration, if any, given for a Share on any sale or disposition thereof pursuant to the provisions of these Articles as to forfeiture and may execute a transfer of the Share in favour of the Person to whom the Share is sold or disposed of and that Person shall be registered as the holder of the Share and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Shares be affected by any irregularity or invalidity in the proceedings in reference to the disposition or sale.
43. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a Share becomes due and payable, whether on account of the amount of the Share, or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

TRANSFER OF SHARES

44. The instrument of transfer of any Share shall be in writing and in any usual or common form or such other form as the Directors may, in their absolute discretion, approve and be executed by or on behalf of the transferor and if in respect of a nil or partly paid up Share, or if so required by the Directors, shall also be executed on behalf of the transferee and shall be accompanied by the certificate (if any) of the Shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain a Shareholder until the name of the transferee is entered in the Register in respect of the relevant Shares.
45. (a) The Directors may in their absolute discretion decline to register any transfer of Shares which is not fully paid up or on which the Company has a lien.
(b) The Directors may also decline to register any transfer of any Share unless:
 - (i) the instrument of transfer is lodged with the Company, accompanied by the certificate for the Shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
 - (ii) the instrument of transfer is in respect of only one Class of Shares;
 - (iii) the instrument of transfer is properly stamped, if required;
 - (iv) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four; and
 - (v) a fee of such maximum sum as the Designated Stock Exchange may determine to be payable, or such lesser sum as the Board of Directors may from time to time require, is paid to the Company in respect thereof.
46. The registration of transfers may, on ten calendar days' notice being given by advertisement in such one or more newspapers, by electronic means or by any other means in accordance with the Designated Stock Exchange Rules, be suspended and the Register closed at such times and for such periods as the Directors may, in their absolute discretion, from time to time determine, provided always that such registration of transfer shall not be suspended nor the Register closed for more than thirty calendar days in any calendar year.

47. All instruments of transfer that are registered shall be retained by the Company. If the Directors refuse to register a transfer of any Shares, they shall within three calendar months after the date on which the transfer was lodged with the Company send notice of the refusal to each of the transferor and the transferee.

TRANSMISSION OF SHARES

48. The legal personal representative of a deceased sole holder of a Share shall be the only Person recognised by the Company as having any title to the Share. In the case of a Share registered in the name of two or more holders, the survivors or survivor, or the legal personal representatives of the deceased survivor, shall be the only Person recognised by the Company as having any title to the Share.
49. Any Person becoming entitled to a Share in consequence of the death or bankruptcy of a Shareholder shall, upon such evidence being produced as may from time to time be required by the Directors, have the right either to be registered as a Shareholder in respect of the Share or, instead of being registered himself, to make such transfer of the Share as the deceased or bankrupt Person could have made; but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by the deceased or bankrupt Person before the death or bankruptcy.
50. A Person becoming entitled to a Share by reason of the death or bankruptcy of a Shareholder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered Shareholder, except that he shall not, before being registered as a Shareholder in respect of the Share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company, provided however, that the Directors may at any time give notice requiring any such Person to elect either to be registered himself or to transfer the Share, and if the notice is not complied with within ninety calendar days, the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Share until the requirements of the notice have been complied with.

REGISTRATION OF EMPOWERING INSTRUMENTS

51. The Company shall be entitled to charge a fee not exceeding one U.S. dollar (US\$1.00) on the registration of every probate, letters of administration, certificate of death or marriage, power of attorney, notice in lieu of distringas, or other instrument.

ALTERATION OF SHARE CAPITAL

52. The Company may from time to time by Ordinary Resolution increase the share capital by such sum, to be divided into Shares of such Classes and amount, as the resolution shall prescribe.
53. The Company may by Ordinary Resolution:
- (a) increase its share capital by new Shares of such amount as it thinks expedient;
 - (b) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares;
 - (c) subdivide its Shares, or any of them, into Shares of an amount smaller than that fixed by the Memorandum, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in case of the Share from which the reduced Share is derived; and
 - (d) cancel any Shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any Person and diminish the amount of its share capital by the amount of the Shares so cancelled.
54. The Company may by Special Resolution reduce its share capital and any capital redemption reserve in any manner authorised by the Companies Act.

REDEMPTION, PURCHASE AND SURRENDER OF SHARES

55. Subject to the provisions of the Companies Act and these Articles, the Company may:
- (a) issue Shares that are to be redeemed or are liable to be redeemed at the option of the Shareholder or the Company. The redemption of Shares shall be effected in such manner and upon such terms as may be determined, before the issue of such Shares, by either the Board or by the Shareholders by Special Resolution;
 - (b) purchase its own Shares (including any redeemable Shares) on such terms and in such manner and terms as have been approved by the Board or by the Members by Ordinary Resolution, or are otherwise authorised by these Articles; and
 - (c) make a payment in respect of the redemption or purchase of its own Shares in any manner permitted by the Companies Act, including out of capital.
56. The purchase of any Share shall not oblige the Company to purchase any other Share other than as may be required pursuant to applicable law and any other contractual obligations of the Company.
57. The holder of the Shares being purchased shall be bound to deliver up to the Company the certificate(s) (if any) thereof for cancellation and thereupon the Company shall pay to him the purchase or redemption monies or consideration in respect thereof.
58. The Directors may accept the surrender for no consideration of any fully paid Share.

TREASURY SHARES

59. The Directors may, prior to the purchase, redemption or surrender of any Share, determine that such Share shall be held as a Treasury Share.
60. The Directors may determine to cancel a Treasury Share or transfer a Treasury Share on such terms as they think proper (including, without limitation, for nil consideration).

GENERAL MEETINGS

61. All general meetings other than annual general meetings shall be called extraordinary general meetings.
62. (a) The Company may (but shall not be obliged to) in each calendar year hold a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it. The annual general meeting shall be held at such time and place as may be determined by the Directors.
- (b) At these meetings the report of the Directors (if any) shall be presented.
63. (a) The Chairman or a majority of the Directors may call general meetings, and they shall on a Shareholders' requisition forthwith proceed to convene an extraordinary general meeting of the Company.
- (b) A Shareholders' requisition is a requisition of Members holding at the date of deposit of the requisition Shares which carry in aggregate not less than one-third (1/3) of all votes attaching to all issued and outstanding Shares of the Company that as at the date of the deposit carry the right to vote at general meetings of the Company.
- (c) The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the Registered Office, and may consist of several documents in like form each signed by one or more requisitionists.

- (d) If the Directors do not within twenty-one calendar days from the date of the deposit of the requisition duly proceed to convene a general meeting to be held within a further twenty-one calendar days, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of three calendar months after the expiration of the said twenty-one calendar days.
- (e) A general meeting convened as aforesaid by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

NOTICE OF GENERAL MEETINGS

- 64. At least ten (10) calendar days' notice shall be given for any general meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the meeting and the general nature of the business and shall be given in the manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company, provided that a general meeting of the Company shall, whether or not the notice specified in this Article has been given and whether or not the provisions of these Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:
 - (a) in the case of an annual general meeting, by all the Shareholders (or their proxies) entitled to attend and vote thereat; and
 - (b) in the case of an extraordinary general meeting, by two-thirds (2/3rd) of the Shareholders having a right to attend and vote at the meeting, present in person or by proxy or, in the case of a corporation or other non-natural person, by its duly authorised representative or proxy.
- 65. The accidental omission to give notice of a meeting to or the non-receipt of a notice of a meeting by any Shareholder shall not invalidate the proceedings at any meeting.

PROCEEDINGS AT GENERAL MEETINGS

- 66. No business except for the appointment of a chairman for the meeting shall be transacted at any general meeting unless a quorum of Shareholders is present at the time when the meeting proceeds to business. One or more Shareholders holding Shares which carry in aggregate (or representing by proxy) not less than one-third of all votes attaching to all Shares in issue and entitled to vote at such general meeting, present in person or by proxy or, if a corporation or other non-natural person, by its duly authorised representative, shall be a quorum for all purposes.
- 67. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall be dissolved.
- 68. If the Directors wish to make this facility available for a specific general meeting or all general meetings of the Company, participation in any general meeting of the Company may be by means of a telephone or similar communication equipment by way of which all Persons participating in such meeting can communicate with each other and such participation shall be deemed to constitute presence in person at the meeting.
- 69. The Chairman, if any, of the Board of Directors shall preside as chairman at every general meeting of the Company.
- 70. If there is no such Chairman of the Board of Directors, or if at any general meeting he is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as chairman of the meeting, any Director or Person nominated by the Directors shall preside as chairman of that meeting, failing which the Shareholders present in person or by proxy shall choose any Person present to be chairman of that meeting.

71. The chairman may with the consent of any general meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting, or adjourned meeting, is adjourned for fourteen calendar days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
72. The Directors may cancel or postpone any duly convened general meeting at any time prior to such meeting, except for general meetings requisitioned by the Shareholders in accordance with these Articles, for any reason or for no reason, upon notice in writing to Shareholders. A postponement may be for a stated period of any length or indefinitely as the Directors may determine.
73. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman of the meeting or any Shareholder present in person or by proxy, and unless a poll is so demanded, a declaration by the chairman of the meeting that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, that resolution.
74. If a poll is duly demanded it shall be taken in such manner as the chairman of the meeting directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
75. All questions submitted to a meeting shall be decided by an Ordinary Resolution except where a greater majority is required by these Articles or by the Companies Act. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.
76. A poll demanded on the election of a chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs.

VOTES OF SHAREHOLDERS

77. Subject to any rights and restrictions for the time being attached to any Share, on a show of hands every Shareholder present in person or by proxy (or, if a corporation or other non-natural person, by its duly authorised representative or proxy) shall, at a general meeting of the Company, each have one vote and on a poll every Shareholder present in person or by proxy (or, if a corporation or other non-natural person, by its duly authorised representative or proxy) shall have such number of votes for each Share of which he is the holder, including, with respect to each Class B Ordinary Share and each Class A Ordinary Share as provided for in Article 14.
78. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy (or, if a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register.
79. Shares carrying the right to vote that are held by a Shareholder of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may be voted, whether on a show of hands or on a poll, by his committee, or other Person in the nature of a committee appointed by that court, and any such committee or other Person may vote in respect of such Shares by proxy.

80. No Shareholder shall be entitled to vote at any general meeting of the Company unless all calls, if any, or other sums presently payable by him in respect of Shares carrying the right to vote held by him have been paid.
81. On a poll votes may be given either personally or by proxy.
82. Each Shareholder, other than a recognised clearing house (or its nominee(s)) or depository (or its nominee(s)), may only appoint one proxy on a show of hand. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised. A proxy need not be a Shareholder.
83. An instrument appointing a proxy may be in any usual or common form or such other form as the Directors may approve.
84. The instrument appointing a proxy shall be deposited at the Registered Office or at such other place as is specified for that purpose in the notice convening the meeting, or in any instrument of proxy sent out by the Company:
- (a) not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote; or
 - (b) in the case of a poll taken more than 48 hours after it is demanded, be deposited as aforesaid after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll; or
 - (c) where the poll is not taken forthwith but is taken not more than 48 hours after it was demanded be delivered at the meeting at which the poll was demanded to the chairman or to the secretary or to any director;
- provided that the Directors may in the notice convening the meeting, or in an instrument of proxy sent out by the Company, direct that the instrument appointing a proxy may be deposited at such other time (no later than the time for holding the meeting or adjourned meeting) at the Registered Office or at such other place as is specified for that purpose in the notice convening the meeting, or in any instrument of proxy sent out by the Company. The Chairman may in any event at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited. An instrument of proxy that is not deposited in the manner permitted shall be invalid.
85. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
86. A resolution in writing signed by all the Shareholders for the time being entitled to receive notice of and to attend and vote at general meetings of the Company (or being corporations by their duly authorised representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held.

CORPORATIONS ACTING BY REPRESENTATIVES AT MEETINGS

87. Any corporation which is a Shareholder or a Director may by resolution of its directors or other governing body authorise such Person as it thinks fit to act as its representative at any meeting of the Company or of any meeting of holders of a Class or of the Directors or of a committee of Directors, and the Person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Shareholder or Director.

DEPOSITARY AND CLEARING HOUSES

88. If a recognised clearing house (or its nominee(s)) or depositary (or its nominee(s)) is a Member of the Company it may, by resolution of its directors or other governing body or by power of attorney, authorise such Person(s) as it thinks fit to act as its representative(s) at any general meeting of the Company or of any Class of Shareholders provided that, if more than one Person is so authorised, the authorisation shall specify the number and Class of Shares in respect of which each such Person is so authorised. A Person so authorised pursuant to this Article shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) or depositary (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) or depositary (or its nominee(s)) could exercise if it were an individual Member holding the number and Class of Shares specified in such authorisation, including the right to vote individually on a show of hands.

DIRECTORS

89. (a) Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than three (3) Directors, the exact number of Directors to be determined from time to time by the Board of Directors.
- (b) The Board of Directors shall elect and appoint a Chairman by a majority of the Directors then in office. The period for which the Chairman will hold office will also be determined by a majority of all of the Directors then in office. The Chairman shall preside as chairman at every meeting of the Board of Directors. To the extent the Chairman is not present at a meeting of the Board of Directors within fifteen minutes after the time appointed for holding the same, the attending Directors may choose one of their number to be the chairman of the meeting.
- (c) The Company may by Ordinary Resolution appoint any person to be a Director.
- (d) The Board may, by the affirmative vote of a simple majority of the remaining Directors present and voting at a Board meeting, appoint any person as a Director, to fill a casual vacancy on the Board or as an addition to the existing Board.
- (e) An appointment of a Director may be on terms that the Director shall automatically retire from office (unless he has sooner vacated office) at the next or a subsequent annual general meeting or upon any specified event or after any specified period in a written agreement between the Company and the Director, if any; but no such term shall be implied in the absence of express provision. Each Director whose term of office expires shall be eligible for re-election at a meeting of the Shareholders or re-appointment by the Board.
90. A Director may be removed from office by Ordinary Resolution of the Company, notwithstanding anything in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under such agreement). A vacancy on the Board created by the removal of a Director under the previous sentence may be filled by Ordinary Resolution or by the affirmative vote of a simple majority of the remaining Directors present and voting at a Board meeting. The notice of any meeting at which a resolution to remove a Director shall be proposed or voted upon must contain a statement of the intention to remove that Director and such notice must be served on that Director not less than ten (10) calendar days before the meeting. Such Director is entitled to attend the meeting and be heard on the motion for his removal.
91. The Board may, from time to time, and except as required by applicable law or Designated Stock Exchange Rules, adopt, institute, amend, modify or revoke the corporate governance policies or initiatives of the Company and determine on various corporate governance related matters of the Company as the Board shall determine by resolution of Directors from time to time.

92. Subject to applicable laws, including the Securities Act, the Designated Stock Exchange Rules, and provisions of these Articles, no person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or transaction by reason of such Director holding office or of the fiduciary relation thereby established. A Director (or his alternate Director in his absence) shall be at liberty to vote in respect of any contract or transaction in which he is so interested as aforesaid, provided that the nature of the interest of any Director or alternate Director in any such contract or transaction shall be fully disclosed by him or the alternate Director appointed by him at or prior to its consideration and any vote thereon. Notwithstanding any of the foregoing, if a Director (or his/her alternate in his/her absence) is interested in a transaction with the Company (other than transactions with Jimu Holdings Limited or any of its affiliates occurred in the ordinary course of business of the Company and on an arms' length basis), such Director shall be disqualified from or abstain from voting in respect of such transaction if any other Director so requires.
93. A Director shall not be required to hold any Shares in the Company by way of qualification. A Director who is not a Member of the Company shall nevertheless be entitled to attend and speak at general meetings.
94. The remuneration of the Directors may be determined by the Directors or by Ordinary Resolution.
95. The Directors shall be entitled to be paid their travelling, hotel and other expenses properly incurred by them in going to, attending and returning from meetings of the Directors, or any committee of the Directors, or general meetings of the Company, or otherwise in connection with the business of the Company, or to receive such fixed allowance in respect thereof as may be determined by the Directors from time to time, or a combination partly of one such method and partly the other.

ALTERNATE DIRECTOR OR PROXY

96. Any Director may in writing appoint another Person to be his alternate and, save to the extent provided otherwise in the form of appointment, such alternate shall have authority to sign written resolutions on behalf of the appointing Director, but shall not be required to sign such written resolutions where they have been signed by the appointing director, and to act in such Director's place at any meeting of the Directors at which the appointing Director is unable to be present. Every such alternate shall be entitled to attend and vote at meetings of the Directors as a Director when the Director appointing him is not personally present and where he is a Director to have a separate vote on behalf of the Director he is representing in addition to his own vote. A Director may at any time in writing revoke the appointment of an alternate appointed by him. Such alternate shall be deemed for all purposes to be a Director of the Company and shall not be deemed to be the agent of the Director appointing him. The remuneration of such alternate shall be payable out of the remuneration of the Director appointing him and the proportion thereof shall be agreed between them.
97. Any Director may appoint any Person, whether or not a Director, to be the proxy of that Director to attend and vote on his behalf, in accordance with instructions given by that Director, or in the absence of such instructions at the discretion of the proxy, at a meeting or meetings of the Directors which that Director is unable to attend personally. The instrument appointing the proxy shall be in writing under the hand of the appointing Director and shall be in any usual or common form or such other form as the Directors may approve, and must be lodged with the chairman of the meeting of the Directors at which such proxy is to be used, or first used, prior to the commencement of the meeting.

POWERS AND DUTIES OF DIRECTORS

98. Subject to the Companies Act, these Articles and to any resolutions passed in a general meeting, the business of the Company shall be managed by the Directors, who may pay all expenses incurred in setting up and registering the Company and may exercise all powers of the Company. No resolution passed by the Company in general meeting shall invalidate any prior act of the Directors that would have been valid if that resolution had not been passed.

99. Subject to these Articles, the Directors may from time to time appoint any natural person or corporation, whether or not a Director to hold such office in the Company as the Directors may think necessary for the administration of the Company, including but not limited to, chief executive officer, one or more other executive officers, president, one or more vice-presidents, treasurer, assistant treasurer, manager or controller, and for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another), and with such powers and duties as the Directors may think fit. Any natural person or corporation so appointed by the Directors may be removed by the Directors. The Directors may also appoint one or more of their number to the office of managing director upon like terms, but any such appointment shall *ipso facto* terminate if any managing director ceases for any cause to be a Director, or if the Company by Ordinary Resolution resolves that his tenure of office be terminated.
100. The Directors may appoint any natural person or corporation to be a Secretary (and if need be an assistant Secretary or assistant Secretaries) who shall hold office for such term, at such remuneration and upon such conditions and with such powers as they think fit. Any Secretary or assistant Secretary so appointed by the Directors may be removed by the Directors or by the Company by Ordinary Resolution.
101. The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.
102. The Directors may from time to time and at any time by power of attorney (whether under Seal or under hand) or otherwise appoint any company, firm or Person or body of Persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys or authorised signatory (any such Person being an “Attorney” or “Authorised Signatory”, respectively) of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney or other appointment may contain such provisions for the protection and convenience of Persons dealing with any such Attorney or Authorised Signatory as the Directors may think fit, and may also authorise any such Attorney or Authorised Signatory to delegate all or any of the powers, authorities and discretion vested in him.
103. The Directors may from time to time provide for the management of the affairs of the Company in such manner as they shall think fit and the provisions contained in the three next following Articles shall not limit the general powers conferred by this Article.
104. The Directors from time to time and at any time may establish any committees, local boards or agencies for managing any of the affairs of the Company and may appoint any natural person or corporation to be a member of such committees or local boards and may appoint any managers or agents of the Company and may fix the remuneration of any such natural person or corporation.
105. The Directors from time to time and at any time may delegate to any such committee, local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorise the members for the time being of any such local board, or any of them to fill any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any natural person or corporation so appointed and may annul or vary any such delegation, but no Person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.
106. Any such delegates as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities, and discretion for the time being vested in them.

BORROWING POWERS OF DIRECTORS

107. The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof, to issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

THE SEAL

108. The Seal shall not be affixed to any instrument except by the authority of a resolution of the Directors provided always that such authority may be given prior to or after the affixing of the Seal and if given after may be in general form confirming a number of affixings of the Seal. The Seal shall be affixed in the presence of a Director or a Secretary (or an assistant Secretary) or in the presence of any one or more Persons as the Directors may appoint for the purpose and every Person as aforesaid shall sign every instrument to which the Seal is so affixed in their presence.
109. The Company may maintain a facsimile of the Seal in such countries or places as the Directors may appoint and such facsimile Seal shall not be affixed to any instrument except by the authority of a resolution of the Directors provided always that such authority may be given prior to or after the affixing of such facsimile Seal and if given after may be in general form confirming a number of affixings of such facsimile Seal. The facsimile Seal shall be affixed in the presence of such Person or Persons as the Directors shall for this purpose appoint and such Person or Persons as aforesaid shall sign every instrument to which the facsimile Seal is so affixed in their presence and such affixing of the facsimile Seal and signing as aforesaid shall have the same meaning and effect as if the Seal had been affixed in the presence of and the instrument signed by a Director or a Secretary (or an assistant Secretary) or in the presence of any one or more Persons as the Directors may appoint for the purpose.
110. Notwithstanding the foregoing, a Secretary or any assistant Secretary shall have the authority to affix the Seal, or the facsimile Seal, to any instrument for the purposes of attesting authenticity of the matter contained therein but which does not create any obligation binding on the Company.

DISQUALIFICATION OF DIRECTORS

111. The office of Director shall be vacated, if the Director:
 - (a) becomes bankrupt or makes any arrangement or composition with his creditors;
 - (b) dies or is found to be or becomes of unsound mind;
 - (c) resigns his office by notice in writing to the Company;
 - (d) without special leave of absence from the Board, is absent from meetings of the Board for three consecutive meetings and the Board resolves that his office be vacated; or
 - (e) is removed from office pursuant to any other provision of these Articles.

PROCEEDINGS OF DIRECTORS

112. The Directors may meet together (either within or without the Cayman Islands) for the despatch of business, adjourn, and otherwise regulate their meetings and proceedings as they think fit. Questions arising at any meeting shall be decided by a majority of votes. At any meeting of the Directors, each Director present in person or represented by his proxy or alternate shall be entitled to one vote. In case of an equality of votes the Chairman shall have a second or casting vote. A Director may, and a Secretary or assistant Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors.
113. A Director may participate in any meeting of the Directors, or of any committee appointed by the Directors of which such Director is a member, by means of telephone or similar communication equipment by way of which all Persons participating in such meeting can communicate with each other and such participation shall be deemed to constitute presence in person at the meeting.

114. The quorum necessary for the transaction of the business of the Board may be fixed by the Directors, and unless so fixed, the quorum shall be a majority of Directors then in office. A Director represented by proxy or by an alternate Director at any meeting shall be deemed to be present for the purposes of determining whether or not a quorum is present.
115. A Director who is in any way, whether directly or indirectly, interested in a contract or transaction or proposed contract or transaction with the Company shall declare the nature of his interest at a meeting of the Directors. A general notice given to the Directors by any Director to the effect that he is a member of any specified company or firm and is to be regarded as interested in any contract or transaction which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made or transaction so consummated. A Director may vote in respect of any contract or transaction or proposed contract or transaction notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the Directors at which any such contract or transaction or proposed contract or transaction shall come before the meeting for consideration.
116. A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established. A Director, notwithstanding his interest, may be counted in the quorum present at any meeting of the Directors whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged and he may vote on any such appointment or arrangement.
117. Any Director may act by himself or through his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorise a Director or his firm to act as auditor to the Company.
118. The Directors shall cause minutes to be made for the purpose of recording:
 - (a) all appointments of officers made by the Directors;
 - (b) the names of the Directors present at each meeting of the Directors and of any committee of the Directors; and
 - (c) all resolutions and proceedings at all meetings of the Company, and of the Directors and of committees of Directors.
119. When the chairman of a meeting of the Directors signs the minutes of such meeting the same shall be deemed to have been duly held notwithstanding that all the Directors have not actually come together or that there may have been a technical defect in the proceedings.
120. A resolution in writing signed by all the Directors or all the members of a committee of Directors entitled to receive notice of a meeting of Directors or committee of Directors, as the case may be (an alternate Director, subject as provided otherwise in the terms of appointment of the alternate Director, being entitled to sign such a resolution on behalf of his appointer), shall be as valid and effectual as if it had been passed at a duly called and constituted meeting of Directors or committee of Directors, as the case may be. When signed a resolution may consist of several documents each signed by one or more of the Directors or his duly appointed alternate.
121. The continuing Directors may act notwithstanding any vacancy in their body but if and for so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number, or of summoning a general meeting of the Company, but for no other purpose.

122. Subject to any regulations imposed on it by the Directors, a committee appointed by the Directors may elect a chairman of its meetings. If no such chairman is elected, or if at any meeting the chairman is not present within fifteen minutes after the time appointed for holding the meeting, the committee members present may choose one of their number to be chairman of the meeting.
123. A committee appointed by the Directors may meet and adjourn as it thinks proper. Subject to any regulations imposed on it by the Directors, questions arising at any meeting shall be determined by a majority of votes of the committee members present and in case of an equality of votes the chairman shall have a second or casting vote.
124. All acts done by any meeting of the Directors or of a committee of Directors, or by any Person acting as a Director, shall notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or Person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such Person had been duly appointed and was qualified to be a Director.

PRESUMPTION OF ASSENT

125. A Director who is present at a meeting of the Board of Directors at which an action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the chairman or secretary of the meeting before the adjournment thereof or shall forward such dissent by registered post to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favour of such action.

DIVIDENDS

126. Subject to any rights and restrictions for the time being attached to any Shares, the Directors may from time to time declare dividends (including interim dividends) and other distributions on Shares in issue and authorise payment of the same out of the funds of the Company lawfully available therefor.
127. Subject to any rights and restrictions for the time being attached to any Shares, the Company by Ordinary Resolution may declare dividends, but no dividend shall exceed the amount recommended by the Directors.
128. The Directors may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, in the absolute discretion of the Directors, be applicable for meeting contingencies or for equalising dividends or for any other purpose to which those funds may be properly applied, and pending such application may in the absolute discretion of the Directors, either be employed in the business of the Company or be invested in such investments (other than Shares of the Company) as the Directors may from time to time think fit.
129. Any dividend payable in cash to the holder of Shares may be paid in any manner determined by the Directors. If paid by cheque it will be sent by mail addressed to the holder at his address in the Register, or addressed to such person and at such addresses as the holder may direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the Register in respect of such Shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company.
130. The Directors may determine that a dividend shall be paid wholly or partly by the distribution of specific assets (which may consist of the shares or securities of any other company) and may settle all questions concerning such distribution. Without limiting the generality of the foregoing, the Directors may fix the value of such specific assets, may determine that cash payment shall be made to some Shareholders in lieu of specific assets and may vest any such specific assets in trustees on such terms as the Directors think fit.

131. Subject to any rights and restrictions for the time being attached to any Shares, all dividends shall be declared and paid according to the amounts paid up on the Shares, but if and for so long as nothing is paid up on any of the Shares dividends may be declared and paid according to the par value of the Shares. No amount paid on a Share in advance of calls shall, while carrying interest, be treated for the purposes of this Article as paid on the Share.
132. If several Persons are registered as joint holders of any Share, any of them may give effective receipts for any dividend or other moneys payable on or in respect of the Share.
133. No dividend shall bear interest against the Company.
134. Any dividend unclaimed after a period of six calendar years from the date of declaration of such dividend may be forfeited by the Board of Directors and, if so forfeited, shall revert to the Company.

ACCOUNTS, AUDIT AND ANNUAL RETURN AND DECLARATION

135. The books of account relating to the Company's affairs shall be kept in such manner as may be determined from time to time by the Directors.
136. The books of account shall be kept at the Registered Office, or at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.
137. The Directors may from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Shareholders not being Directors, and no Shareholder (not being a Director) shall have any right to inspect any account or book or document of the Company except as conferred by law or authorised by the Directors or by Ordinary Resolution.
138. The accounts relating to the Company's affairs shall be audited in such manner and with such financial year end as may be determined from time to time by the Directors or failing any determination as aforesaid shall not be audited.
139. The Directors may appoint an auditor of the Company who shall hold office until removed from office by a resolution of the Directors and may fix his or their remuneration.
140. Every auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and officers of the Company such information and explanation as may be necessary for the performance of the duties of the auditors.
141. The auditors shall, if so required by the Directors, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment, and at any time during their term of office, upon request of the Directors or any general meeting of the Members.
142. The Directors in each calendar year shall prepare, or cause to be prepared, an annual return and declaration setting forth the particulars required by the Companies Act and deliver a copy thereof to the Registrar of Companies in the Cayman Islands.

CAPITALISATION OF RESERVES

143. Subject to the Companies Act, the Directors may:
 - (a) resolve to capitalise an amount standing to the credit of reserves (including a Share Premium Account, capital redemption reserve and profit and loss account), which is available for distribution;

- (b) appropriate the sum resolved to be capitalised to the Shareholders in proportion to the nominal amount of Shares (whether or not fully paid) held by them respectively and apply that sum on their behalf in or towards:
 - (i) paying up the amounts (if any) for the time being unpaid on Shares held by them respectively, or
 - (ii) paying up in full unissued Shares or debentures of a nominal amount equal to that sum,

and allot the Shares or debentures, credited as fully paid, to the Shareholders (or as they may direct) in those proportions, or partly in one way and partly in the other, but the Share Premium Account, the capital redemption reserve and profits which are not available for distribution may, for the purposes of this Article, only be applied in paying up unissued Shares to be allotted to Shareholders credited as fully paid;

- (c) make any arrangements they think fit to resolve a difficulty arising in the distribution of a capitalised reserve and in particular, without limitation, where Shares or debentures become distributable in fractions the Directors may deal with the fractions as they think fit;
- (d) authorise a Person to enter (on behalf of all the Shareholders concerned) into an agreement with the Company providing for either:
 - (i) the allotment to the Shareholders respectively, credited as fully paid, of Shares or debentures to which they may be entitled on the capitalisation, or
 - (ii) the payment by the Company on behalf of the Shareholders (by the application of their respective proportions of the reserves resolved to be capitalised) of the amounts or part of the amounts remaining unpaid on their existing Shares,and any such agreement made under this authority being effective and binding on all those Shareholders; and
- (e) generally do all acts and things required to give effect to the resolution.

144. Notwithstanding any provisions in these Articles, the Directors may resolve to capitalise an amount standing to the credit of reserves (including the share premium account, capital redemption reserve and profit and loss account) or otherwise available for distribution by applying such sum in paying up in full unissued Shares to be allotted and issued to:

- (a) employees (including Directors) or service providers of the Company or its Affiliates upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the Directors or the Members;
- (b) any trustee of any trust or administrator of any share incentive scheme or employee benefit scheme to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the Directors or Members; or
- (c) any depository of the Company for the purposes of the issue, allotment and delivery by the depository of ADSs to employees (including Directors) or service providers of the Company or its Affiliates upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the Directors or the Members.

SHARE PREMIUM ACCOUNT

145. The Directors shall in accordance with the Companies Act establish a Share Premium Account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any Share.
146. There shall be debited to any Share Premium Account on the redemption or purchase of a Share the difference between the nominal value of such Share and the redemption or purchase price provided always that at the discretion of the Directors such sum may be paid out of the profits of the Company or, if permitted by the Companies Act, out of capital.

NOTICES

147. Except as otherwise provided in these Articles, any notice or document may be served by the Company or by the Person entitled to give notice to any Shareholder either personally, or by posting it by airmail or a recognised courier service in a prepaid letter addressed to such Shareholder at his address as appearing in the Register, or by electronic mail to any electronic mail address such Shareholder may have specified in writing for the purpose of such service of notices, or by facsimile to any facsimile number such Shareholder may have specified in writing for the purpose of such service of notices, or by placing it on the Company's Website should the Directors deem it appropriate. In the case of joint holders of a Share, all notices shall be given to that one of the joint holders whose name stands first in the Register in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.
148. Notices sent from one country to another shall be sent or forwarded by prepaid airmail or a recognised courier service.
149. Any Shareholder present, either personally or by proxy, at any meeting of the Company shall for all purposes be deemed to have received due notice of such meeting and, where requisite, of the purposes for which such meeting was convened.
150. Any notice or other document, if served by:
 - (a) post, shall be deemed to have been served five calendar days after the time when the letter containing the same is posted;
 - (b) facsimile, shall be deemed to have been served upon production by the transmitting facsimile machine of a report confirming transmission of the facsimile in full to the facsimile number of the recipient;
 - (c) recognised courier service, shall be deemed to have been served 48 hours after the time when the letter containing the same is delivered to the courier service; or
 - (d) electronic means, shall be deemed to have been served immediately (i) upon the time of the transmission to the electronic mail address supplied by the Shareholder to the Company or (ii) upon the time of its placement on the Company's Website.

In proving service by post or courier service it shall be sufficient to prove that the letter containing the notice or documents was properly addressed and duly posted or delivered to the courier service.

151. Any notice or document delivered or sent by post to or left at the registered address of any Shareholder in accordance with the terms of these Articles shall notwithstanding that such Shareholder be then dead or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any Share registered in the name of such Shareholder as sole or joint holder, unless his name shall at the time of the service of the notice or document have been removed from the Register as the holder of the Share, and such service shall for all purposes be deemed a sufficient service of such notice or document on all Persons interested (whether jointly with or as claiming through or under him) in the Share.
152. Notice of every general meeting of the Company shall be given to:

- (a) all Shareholders holding Shares with the right to receive notice and who have supplied to the Company an address for the giving of notices to them; and
- (b) every Person entitled to a Share in consequence of the death or bankruptcy of a Shareholder, who but for his death or bankruptcy would be entitled to receive notice of the meeting.

No other Person shall be entitled to receive notices of general meetings.

INFORMATION

- 153. Subject to the relevant laws, rules and regulations applicable to the Company, no Member shall be entitled to require discovery of any information in respect of any detail of the Company's trading or any information which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Board would not be in the interests of the Members of the Company to communicate to the public.
- 154. Subject to due compliance with the relevant laws, rules and regulations applicable to the Company, the Board shall be entitled to release or disclose any information in its possession, custody or control regarding the Company or its affairs to any of its Members including, without limitation, information contained in the Register and transfer books of the Company.

INDEMNITY

- 155. Every Director (including for the purposes of this Article any alternate Director appointed pursuant to the provisions of these Articles), Secretary, assistant Secretary, or other officer for the time being and from time to time of the Company (but not including the Company's auditors) and the personal representatives of the same (each an "Indemnified Person") shall be indemnified and secured harmless against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such Indemnified Person, other than by reason of such Indemnified Person's own dishonesty, willful default or fraud, in or about the conduct of the Company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such Indemnified Person in defending (whether successfully or otherwise) any civil proceedings concerning the Company or its affairs in any court whether in the Cayman Islands or elsewhere.
- 156. No Indemnified Person shall be liable:
 - (a) for the acts, receipts, neglects, defaults or omissions of any other Director or officer or agent of the Company; or
 - (b) for any loss on account of defect of title to any property of the Company; or
 - (c) on account of the insufficiency of any security in or upon which any money of the Company shall be invested; or
 - (d) for any loss incurred through any bank, broker or other similar Person; or
 - (e) for any loss occasioned by any negligence, default, breach of duty, breach of trust, error of judgement or oversight on such Indemnified Person's part; or
 - (f) for any loss, damage or misfortune whatsoever which may happen in or arise from the execution or discharge of the duties, powers, authorities, or discretions of such Indemnified Person's office or in relation thereto;unless the same shall happen through such Indemnified Person's own dishonesty, willful default or fraud.

FINANCIAL YEAR

157. Unless the Directors otherwise prescribe, the financial year of the Company shall end on December 31st in each calendar year and shall begin on January 1st in each calendar year.

NON-RECOGNITION OF TRUSTS

158. No Person shall be recognised by the Company as holding any Share upon any trust and the Company shall not, unless required by law, be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any Share or (except only as otherwise provided by these Articles or as the Companies Act requires) any other right in respect of any Share except an absolute right to the entirety thereof in each Shareholder registered in the Register.

WINDING UP

159. If the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Companies Act, divide amongst the Members in species or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any asset upon which there is a liability.
160. If the Company shall be wound up, and the assets available for distribution amongst the Members shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the par value of the Shares held by them. If in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the Members in proportion to the par value of the Shares held by them at the commencement of the winding up subject to a deduction from those Shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise. This Article is without prejudice to the rights of the holders of Shares issued upon special terms and conditions.

AMENDMENT OF ARTICLES OF ASSOCIATION

161. Subject to the Companies Act, the Company may at any time and from time to time by Special Resolution alter or amend these Articles in whole or in part.

CLOSING OF REGISTER OR FIXING RECORD DATE

162. For the purpose of determining those Shareholders that are entitled to receive notice of, attend or vote at any meeting of Shareholders or any adjournment thereof, or those Shareholders that are entitled to receive payment of any dividend, or in order to make a determination as to who is a Shareholder for any other purpose, the Directors may provide that the Register shall be closed for transfers for a stated period which shall not exceed in any case thirty calendar days in any calendar year.
163. In lieu of or apart from closing the Register, the Directors may fix in advance a date as the record date for any such determination of those Shareholders that are entitled to receive notice of, attend or vote at a meeting of the Shareholders and for the purpose of determining those Shareholders that are entitled to receive payment of any dividend the Directors may, at or within ninety calendar days prior to the date of declaration of such dividend, fix a subsequent date as the record date for such determination.

164. If the Register is not so closed and no record date is fixed for the determination of those Shareholders entitled to receive notice of, attend or vote at a meeting of Shareholders or those Shareholders that are entitled to receive payment of a dividend, the date on which notice of the meeting is posted or the date on which the resolution of the Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of Shareholders. When a determination of those Shareholders that are entitled to receive notice of, attend or vote at a meeting of Shareholders has been made as provided in this Article, such determination shall apply to any adjournment thereof.

REGISTRATION BY WAY OF CONTINUATION

165. The Company may by Special Resolution resolve to be registered by way of continuation in a jurisdiction outside the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to the Registrar of Companies to deregister the Company in the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

DISCLOSURE

166. The Directors, or any service providers (including the officers, the Secretary and the registered office agent of the Company) specifically authorised by the Directors, shall be entitled to disclose to any regulatory or judicial authority or to any stock exchange on which securities of the Company may from time to time be listed any information regarding the affairs of the Company including without limitation information contained in the Register and books of the Company.

Capital Increase Agreement

on

Beijing Xiao Benniao Information Technology Co., Ltd.

[] (month) [] (day), 2021

Capital Increase Agreement

This Capital Increase Agreement (this “Agreement”) was entered into on [] [], 2021 in [Beijing] by and among:

- (1) Beijing Xiao Benniao Information Technology Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China (“Company”), having its registered address at: Room 206, 2/F, Building 3, 18 Keyuan Road, Daxing Economic Development Zone, Beijing; unified social credit code: 91110115MA001HGK4U;
- (2) Xu Danxia, a natural person of PRC holding the identity card No.: 110105196901022929;
- (3) Zheng Yu, a natural person of PRC holding the identity card No.: 110224198610200055;
- (4) Liu Feng, a natural person of PRC holding the identity card No.: 440203197111021837;
- (5) Shi Haonan, a natural person of PRC holding the identity card No.: 110111199603060370;
- (6) Lv Yin, a natural person of PRC holding the identity card No.: 65220119770527168X;
- (7) [Sky City (Beijing) Technology Co., Ltd.], a limited liability company registered in Beijing in accordance with the laws of China (“Pintec”), having its registered address at: 3009, 3/F Bowangyuan Podium, Yangfangdian Subdistrict, Haidian District, Beijing; unified social credit code: 91110108MA00AL746N.

The parties above and the Group Companies are hereinafter referred to as the “Parties” collectively and a “Party” individually. Xu Danxia and Zheng Yu are collectively referred to as the “Founders” or “Founding Shareholders.” Liu Feng, Lv Yin, and Shi Haonan are collectively referred to as the “Other Existing Shareholders.” Pintec is also referred to as the “Investor of this Round.” All shareholders prior to this Capital Increase, i.e., all shareholders listed in Article 1.1 hereof, are collectively referred to as “Existing Shareholders.” The Company, all subsidiaries/branches under the direct or indirect control of the Company and the Founders, and any other subordinate enterprises, are collectively referred to as the “Group Companies,” which include but are not limited to the companies listed in Appendix VII hereto (for the definition of the Group Companies, refer to Appendix VII hereto).

Whereas:

1. The Company, currently a limited liability company established in accordance with the laws of China, mainly engages in the business of [foreign trade general services and cross-border e-commerce services] (“Main Business”).
2. The Parties approve the Investor of this Round to make additional capital investment in the Company in accordance with the terms and conditions provided herein.

The Parties hereto reached the following agreement through friendly negotiation on the principles of equality and mutual benefits:

Article 1 Capital increase

1.1 Existing shareholding structure

As of the execution date of this Agreement, the Company’s registered capital is RMB 16.111111 million. The shareholding structure registered with the administration for industry and commerce is as follows:

<u>Name of shareholder</u>	<u>Registered capital (RMB '0,000)</u>	<u>Shareholding ratio</u>
Xu Danxia	1087.7852	67.5177%
Zheng Yu	362.5951	22.5059%
Lv Yin	68.9539	4.2799%
Liu Feng	68.7928	4.2699%
Shi Haonan	22.9841	1.4266%
Total	1611.1111	100.00%

1.2 Capital increase of this round

Based on the terms and conditions provided in this Agreement, the Investor of this Round invests RMB [100] million ("Investment Amount" or "Pintec Investment Amount") in the Company, in which RMB [1.1373] million is included in the registered capital of the Company, and the remaining amount is included in the capital reserve of the Company, to obtain [6]% equity interests in the Company after the Capital Increase (corresponding to the registered capital of RMB [1.1373] million ("Capital Increase").

Article 2 Closing and delivery

2.1 Closing

Within [fifteen (15) working days] from the Closing Conditions Satisfaction Date (as defined below) or other period agreed among the Parties, the Investor of this Round shall remit the corresponding Investment Amount in currency to the corporate account stated in Appendix VI hereto ("Closing", the date of closing being referred to as the "Closing Date").

The Parties agree that, after the Investor of this Round pays its Investment Amount as provided in this Article, the Investor of this Round shall be deemed to have completed its obligations hereunder, hence becoming a shareholder of the Company, holding equity interests in the Company, and being entitled to the shareholder's rights and rights of the Investor of this Round as provided in this Agreement, the Shareholders' Agreement, and the Articles of Association.

2.2 The Company shall deliver the following to the Investor of this Round on the Closing Date:

- (1) The shareholder register and capital contribution certificate of the Company that have been affixed with the stamp of the Company and signed by the legal representative of the Company; and
- (2) Other documents reasonably requested by the Investor of this Round in accordance with this Agreement and relevant laws and regulations.

Article 3 Representations and warranties

3.1 Representations and warranties of the Group Companies and Founding Shareholders

With respect to the matters listed in Appendix I, except for the information disclosed in the Disclosure Letter (refer to Appendix V for details), the representations and warranties made jointly and severally by the Group Companies and Founding Shareholders ("Warrantors") to the Investor of this Round are true, accurate, and complete on the execution date of this Agreement until the Closing Date (in this Article and the following content in Appendix I, "Company" includes each of the Group Companies and all of their subsidiaries, branches (if any)), and the representations and warranties made in Appendix I are made separately, and are subject to no limit due to any other provisions or any matters of this Agreement mentioned in such representations and warranties.

3.2 Representations and warranties of the Existing Shareholders

With respect to the following matters, the representations and warranties below made severally by the Existing Shareholders to the Investor of this Round are true, accurate, and complete on the execution date of this Agreement until the Closing Date:

- (1) They are natural persons with full capacity for civil conduct;
- (2) They are the lawful and valid owners of the equity interests in the Company they hold (if any), and they are not involved in any dispute, ownership issue, and other circumstances that may cause material adverse effects to the initial public offering (defined in the Shareholders' Agreement, the same below) of the Company concerning the equity interests in the Company;
- (3) They have paid their capital contributions in full and do not have any act of withdrawing the registered capital;
- (4) They, on a voluntary basis, have the full power and authorities to enter into and perform this Agreement and complete the transaction contemplated hereunder. They have been lawfully and validly authorized (if necessary) to enter into this Agreement. This Agreement constitutes their lawful, valid, and binding obligations;
- (5) There are no misrepresentations, material omissions, or misleading statements in the representations and warranties they made during the negotiation and execution of this Agreement.

3.3 Representations and warranties of the Investor of this Round

The Investor of this round makes the following representations and warranties to the Company:

- (1) It is an entity duly established and validly existing under the laws of its place of domicile;

- (2) It, on a voluntary basis, has the full power and authorities to enter into and perform this Agreement and complete the transaction contemplated hereunder. It has been lawfully and validly authorized (if necessary) to enter into this Agreement. This Agreement, once signed, constitutes its lawful, valid, and binding obligations;
- (3) If the Company has a plan for initial public offering, it will cooperate to perform shareholder's obligations of a company to be listed, such as pass-through verification.

Article 4 Prerequisites

4.1 Closing prerequisites

The Closing obligations of the Investor of this Round in this Agreement are subject to the satisfaction of, or exempting, in writing, by the Investor of this Round of, all the following prerequisites on or prior to the Closing Date ("Prerequisites"):

- (1) The representations and warranties made by the Warrantors in this Agreement and in any document submitted in accordance with this Agreement are true, accurate, and complete in all aspects at the time of making such representations and warranties and until the Closing Date. The Warrantors have properly performed or complied with the undertakings, obligations, and provisions to be performed or complied with on or prior to the Closing Date under this Agreement.
- (2) Relevant parties have signed the Shareholders' Agreement in Appendix III hereto, new Articles of Association in Appendix IV hereto ("New Articles of Association"), and other documents related to the transaction hereunder (collectively, "Transaction Documents"). For the purpose of this Agreement, the "Articles of Association" refers to the articles of association of the Company signed on [] (month) [] (day), 2021 and amended from time to time afterwards, and the "Shareholders' Agreement" refers to the Shareholders' Agreement of the Company signed on [] (month) [] (day), 2021 and amended from time to time afterwards.

- (3) The shareholders' meeting and executive director of the Company have approved: (a) the Capital Increase, for which the Existing Shareholders of the Company waive their right of first refusal with respect to the Capital Increase; (b) the execution of all documents related to Capital Increase; and (c) the adoption of the New Articles of Association.
- (4) The shareholders' meetings and executive directors (or board of directors) of all Group Companies have approved the execution of all documents related to the Capital Increase.
- (5) The Founders, and the senior executives and core employees of the Company (hereinafter collectively referred to as "Core Staff," refer to Appendix II for the list) have joined the Company as full-time employees. As of the Closing Date, none of the Core Staff has resigned or terminated their services, and all of them have signed with the Company and provided to the Investor of this Round a labor contract and confidentiality, non-competition, and intellectual property protection agreements in a lawful manner, in which the labor term provided in the labor contract shall be no less than Two (2) years from the Closing Date.
- (6) From the execution date of this Agreement to the Closing Date, there is no change in the assets, financial conditions, business operation, technologies, and legal matters of the Company that may cause material adverse effects to the Company.
- (7) The Company has sent a Remittance Notice, containing the information about the Company's bank account, to the Investor of this Round.
- (8) On the Closing Date, the Warrantors deliver a notice indicating the satisfaction of closing conditions to the Investor of this Round, confirming that the Prerequisites provided in Article 4 hereof have been satisfied, and declaring that there are no matters causing material adverse effects to the equity interests, assets, business, and operation of the Company from the execution date of this Agreement to the Closing Date.
- (9) The investment committee or another decision-making body of the Investor of this Round has approved the transaction under this Agreement.

- (10) The Investor of this Round has completed the legal, financial, and business due diligence investigation on the Company; and a law firm and accounting firm having corresponding qualifications have issued to the Investor of this Round a due diligence report on Chinese laws and a financial and tax due diligence report under the *Accounting Standard for Business Enterprises* in the form and content satisfactory to the Investor of this Round with respect to the Capital Increase.
- (11) The Group Companies have performed the notification obligations and provided relevant written documents to lenders (including but not limited to China Construction Bank Corporation Daxing Branch, Bank of Beijing Co., Ltd. Daxing Branch, Hua Xia Bank Co., Ltd. Daxing Branch, Beijing Rural Commercial Bank Co., Ltd. Daxing Branch, Industrial and Commercial Bank of China Limited Beijing Economy and Technology Development Zone Branch) with respect to the Capital Increase.

4.2 Satisfaction and exemption

- (1) Subject to applicable laws, the Investor of this Round may confirm the exemption of any Prerequisites in writing at its discretion, and state the duration for completing the obligations involved in the Prerequisites exempted in such written confirmation.
- (2) The Warrantors shall, when considering that all Prerequisites are satisfied (except for those exempted in Article 4.2(1)), send a written confirmation letter to the Investor of this Round that has been signed by the Warrantors and in the form and content satisfactory to the Investor of this Round (hereinafter referred to as "Confirmation Letter for Prerequisites"), confirming that all the conditions in Article 4.1 have been satisfied, and declaring that there are no matters causing material adverse effects to the equity interests, assets, business, and operation of the Company from the execution date of this Agreement to the date when the Confirmation Letter for Prerequisites is issued. The Warrantors shall, when or before sending the Confirmation Letter for Prerequisites, provide various corresponding documents that may prove the satisfaction of each of the Prerequisites (except for those exempted in Article 4.2(1) or to be independently completed by the Investor of this Round) (in principle, such documents shall be originals ones, and may be duplicates affixed with the relevant parties' stamps to confirm the consistency with the originals with the permission of the Investor of this Round), and other documents reasonably requested by the Investor of this Round.

- (3) Closing Conditions Satisfaction Date
- (a) If the Investor of this Round has any objection to the Confirmation Letter for Prerequisites (no objection shall be raised unreasonably), the Investor of this Round has the right to, within ten (10) working days after receiving the Confirmation Letter for Prerequisites, require the Warrantors to take further actions or provide further documents to the reasonable satisfaction of the Investor of this Round; in such cases, the Warrantors shall send a Confirmation Letter for Prerequisites to the Investor of this Round again, and the date when the Investor of this Round receives such Confirmation Letter for Prerequisites shall be the “Closing Conditions Satisfaction Date.”
 - (b) If the Investor of this Round has no objection to the Confirmation Letter for Prerequisites, or makes no reply within ten (10) working days after receiving the Confirmation Letter for Prerequisites, the date when the Investor of this Round receives the Confirmation Letter for Prerequisites shall be the “Closing Conditions Satisfaction Date.”
 - (c) The Warrantors shall notify the Investor of this Round in a timely manner in the event of any change in the Prerequisites stated in the Confirmation Letter for Prerequisites after the Closing Conditions Satisfaction Date and prior to the Closing Date.

Article 5 Undertakings of the Parties

- 5.1 The Warrantors jointly and severally make the following undertakings to the Investor of this Round (in the following content of this Article, the “Company”) includes each of the Group Companies and all of its subsidiaries and branches (if any)):
- (1) From the execution date of this Agreement to the Closing Date, the Warrantors shall make best efforts to cause the transaction contemplated under this Agreement to be completed in accordance with the provisions of this Agreement.

- (2) From the execution date of this Agreement to the Closing Date, unless notified and confirmed by the Parties in writing, without the consent of the Investor of this Round, the Warrantors shall not engage in any communication, discussion, or negotiation or sign any document with any other investor or investment company or institution on matters of making investment in the Company.
- (3) From the execution date of this Agreement to the Closing Date, without the consent of the Investor of this Round, the Warrantors shall not engage in matters listed in Article 11 of Appendix I hereto.
- (4) If the Investor of this Round exempts any Prerequisites provided in Article 4 of this Agreement on the basis of the Warrantors' undertakings, the Warrantors shall abide by such undertakings, and continue to perform the obligations they have undertaken during the period approved in writing by the Investor of this Round.
- (5) If the absence of historical change documents causes an obstacle to the future financing or listing of the Group Companies, the Group Companies shall take all necessary measures to make rectification at the request of intermediary institutions.
- (6) From the execution date of this Agreement, unless with the prior written consent of the Investor of this Round, the Company shall operate its existing business as a going concern during normal operation without making any substantial changes to the nature, scope, or manner of such operation while keeping the principles of operation unchanged.
- (7) After the Closing Date, the Pintec Investment Amount (including any shareholder loans provided by Pintec to the Company, if any) shall be fully used for the day-to-day operation of the Company or other purposes agreed among the Parties in a manner to the satisfaction of Pintec; the Pintec Investment Amount shall not be used for other purposes not related to the foregoing without the consent of Pintec.

- (8) The Group Companies shall comply with the provisions of laws and regulations and abide by various industry standards in its operating activities. If, under relevant applicable laws or the requirements of competent authorities, a relevant business permit is required for the Company's main business or any matter or act involved in the business operation related to its main business, the Company shall take all necessary measures and acts to apply for and renew such business permit no later than one year from the Closing Date in accordance with the provisions of laws and regulations, and the Warrantors shall cause the Company to apply and make best efforts to obtain such business permit without delay, including but not limited to Internet data center (IDC) business permit (if applicable), corporate credit business filing (if applicable), individual credit business permit (if applicable), and submit relevant written certificate documents to the Investor of this Round.
- (9) After the Closing Date, the Company shall establish and maintain accounting policies and financial regulations in compliance with applicable laws and regulations, so that the Company is in compliance with the requirements in Chinese laws and regulations on financial and accounting in its financial regulations and the management of books, vouchers, and invoices.
- (10) The Company shall pay taxes in strict compliance with the requirements of relevant tax laws and regulations of China.
- (11) Unless with the prior written consent of the Investor of this Round, (i) from the Closing Date to the first (1) anniversary of the Company's initial public offering, the Founding Shareholders shall work on a full-time basis for the Group Companies, devote all their working time and energy to the business development of the Group Companies, and make best efforts for the benefits of the Group Companies without holding positions, making investments, or providing services outside of the Group Companies; and (ii) from the execution date of this Agreement to the later of the following ("Restricted Period"): (A) the first (1) anniversary of the Company's initial public offering; or (B) the second (2) anniversary of the date when the labor (service) relationship between the Founders and the Company is terminated; or (C) the second (2) anniversary of the date when the Founding Shareholders do not hold, directly or indirectly, any equity interests in the Company, the Founding Shareholders and their affiliates shall not conduct, directly or indirectly, the following competing activities:
- (a) To directly or indirectly invest, participate in, assist, or engage in a business or entity ("Competing Entity") in competition with the business of the Company by any means;

- (b) To persuade persons who are the Company's clients or customers by any means for the purpose of providing them with goods or services similar to or in competition with those of the Company;
- (c) To persuade or induce the Company's core employees or senior executives to leave the Company and joint or otherwise participate in a Competing Entity, except for employees or managers dismissed by the Company in accordance with relevant provisions for violating the labor contract of the Company's regulations;
- (d) To disclose to others or use the Company's commercial, accounting, financial, transaction, or intellectual property information, or any trade secrets or confidential information related to the Company for purposes not related to the Company at any time (including but not limited to the Restricted Period), except for information that is available from public channels.

If a Founding Shareholder engages in any competing activities in violation of the provisions of this article, the Founding Shareholder shall compensate the Company for direct economic losses, and all the shareholder's rights (including but not limited to the rights to attend the Company's shareholders' meetings, designate directors and senior executives, and all shareholder voting rights provided under Chinese laws, the Shareholders' Agreement, and Articles of Association) corresponding to the equity interests (if any) in the Company held, directly or indirectly, by the Founding Shareholder shall not be exercised, directly or indirectly through another entity, by such Founding Shareholder, but should be unconditionally entrusted to another person designated by the board of directors (with the consent of the director designated by Pintec); if the Founding Shareholder is a director of the Company at that time, the Founding Shareholder must resign from director, which vacancy shall be filled by an appointment made by other shareholders of the Company excluding the Founding Shareholder. For the avoidance of doubt, the shareholder's rights entrusted to another person designated by the board of directors do not include economic rights in dividends, liquidation, etc.

For the purpose of this Agreement, an “affiliate” of a Party refers to any company, partnership, joint venture, or another entity that controls, is controlled by, or is under common control with the Party other than the Company; or refers to any direct relatives of the Party if the Party is an individual. An entity “controls” another entity if it is capable of deciding, or caused to be decided, the operation and decision making of the other entity by holding voting securities, contract, or otherwise. A “direct relative” refers to the spouse, children, parents, grandparents, and siblings.

- (12) The Founding Shareholders undertake that, their investments or positions held (if any) outside the Company shall be in compliance with Chinese laws and regulations and the requirements of China Securities Regulatory Commission (“CSRC”) or other relevant competent authorities on the review of initial public offering, and will not cause any legal obstacles to the initial public offering of the Company. During the application process for initial public offering of the Company, if CSRC or another competent authority raises any question on the external investment or position held by the Founding Shareholders, or if the external investment or position held by the Founding Shareholders is not in compliance with the policies of CSRC or other competent authorities on the review of initial public offering, the Founding Shareholders shall actively make adjustment to ensure that the initial public offering of the Company shall not be hindered. Notwithstanding the foregoing, at any time after the Closing, the Investor of this Round has the right to request the Founding Shareholders to terminate their external investment or position based on reasonable commercial purposes for the development of the Company, and the Founding Shareholders shall cooperate with such request.

- (13) The Founding Shareholders undertake to pay all the registered capitals subscribed in a full and timely manner in accordance with the Articles of Association. Notwithstanding the foregoing, at any time after the Closing, if the Company intends to apply for initial public offering, and the relevant competent authority and the listing rules applicable at that time request full payment of all registered capitals of the Company, the Warrantors shall cause the Founding Shareholders to make full payment for the registered capitals they subscribed.
- (14) The Warrantors shall make their best to protect the Company's intangible assets, and take effective measures to prevent and stop acts infringing the Company's intangible assets. Within three (3) months from the Closing Date, the Warrantors shall cause the intangible assets (if any, including but not limited to business operation qualifications, trademarks, domain names, source code and server accounts for mobile Internet applications, WeChat official accounts and similar SNS website/application accounts, patents, and software copyrights) held by all employees (including the Founders) of the Company in connection with the Company's main business to be transferred to the Company with lawful ownership being held by the Company, regardless of whether such intangible assets are obtained before or after the execution date of this Agreement. Without the written consent of the Investor of this Round, none of the Warrantors and the Company's employees may dispose of such intangible assets or use such intangible assets for activities beyond the Company's main business without permission.
- (15) The Warrantors undertake to take all necessary measures and acts to submit registration or filing applications to government authorities within three (3) months when the conditions are satisfied for obtaining title certificates for the intangible assets (including but not limited to trademarks, patents, software copyrights, and domain names) required in the Company's main business.
- (16) The Warrantors shall take all necessary measures to prevent any acts infringing the intellectual property rights, trade secrets, proprietary information, or other similar rights of others, and shall promptly notify the Investor of this Round of possible claims, disputes, or litigation proceedings requiring the Company to make compensation for infringing the intellectual property rights, trade secrets, proprietary information, or other similar rights of any third party.

- (17) The Warrantors undertake that the Company will continue to abide by all laws and regulations related to labor and taxation (including but not limited to making full payment for relevant social insurance premiums and contributions of housing funds for all employees in accordance with applicable laws and regulations, and reporting and promptly paying due taxes in accordance with applicable laws and regulations and the requirements of relevant tax authorities).
- (18) At the request of Pintec, the Company shall, within thirty (30) working days from receiving a written notice from Pintec, obtain a business license issued by an operation registration authority and provide the Investor of this Round with a duplicate of such business license, in which the shareholders registered by the Company with the operation registration authority shall be changed to those listed in Article 1.3 hereof. The Company shall, within [thirty (30)] working days from obtaining the new business license, provide the Investor of this Round with one original of the Articles of Association retrieved from the operation registration authority and affixed with the query stamp of the operation registration authority.
- (19) The Investor of this Round shall be automatically entitled to all conditions, shareholder's rights, or protection provisions that are more preferential and offered by the Company to other investors before and after the Capital Increase is completed.
- (20) The Company shall de-register Hong Kong XBN Ecommerce within eight (8) months from the Closing Date.
- (21) Within six (6) months from the Closing Date, the Company shall go through all necessary domestic registration or filing formalities for external investment to be made by the Company in Hong Kong XBN Information Technology (including but not limited to overseas investment project filing and foreign exchange registration with the Development and Reform Commission).
- (22) The Company shall de-register Xiao Benniao Zhonghan within six (6) months from the Closing Date.

- (23) Prior to the initial public offering of the Company, the employee share/option pool planned by the Company shall not dilute the shareholding ratio of Pintec in the Company.
- (24) Prior to the initial public offering of the Company, subject to local laws and regulations of Bahrain, the Company shall transfer all the equity interests in Bahrain XBN Electronic and Bahrain XBN Furniture to US Bestmind Trade, and complete the shareholder register or other documents and proceedings required by competent local authorities for Bahrain XBN Electronic and Bahrain XBN Furniture before the Closing.
- (25) Within six (6) months from the Closing Date, the Company shall sign an *Information Technology Service Contract* and obtain a *Registration Certificate for Technology Export Contract* from the commerce administration, which *Contract* and *Certificate* are contingent upon the incomes of US XBN and the needs for repatriation to China.
- (26) The Company undertakes to notify Beijing Xingxing Equity Investment Partnership (Limited Partnership) (“Beijing Xingxing”) of this Capital Increase within ninety (90) days from the Closing, and confirm, with Beijing Xingxing, the subsequent handling of the *Debt-to-Equity Agreement on Beijing Xiao Benniao Information Technology Co., Ltd.* dated July 26, 2019 (“Debt-to-Equity Agreement”): (a) if Beijing Xingxing elects the conversion of debts to equity, Beijing Xingxing shall issue a written exemption letter, confirming that the Company is exempted from all legal liabilities for failure in fully performing obligations after the previous round of financing, that Beijing Xingxing will not take any remedy measures such as violation or claim proceedings, and shall complete change formalities with the administration for industry and commerce for the conversion of debts to equity; or (b) if Beijing Xingxing does not elect the conversion of debts to equity, the Company and Beijing Xingxing shall terminate the Debt-to-Equity Agreement and the *Supplementary Agreement to the Debt-to-Equity Agreement on Beijing Xiao Benniao Information Technology Co., Ltd.* dated May 12, 2020 (“Supplementary Agreement”), for which the violation liabilities shall be borne by Existing Shareholders; or (c) other handling method negotiated by the Parties to the satisfaction of Pintec.

- (27) The Company undertakes to transfer 66% equity interests held by the Company in Shoukong Jinxin to a third party and complete corresponding change formalities with the administration for industry and commerce within sixty (60) day from the Closing.
- (28) The Company undertakes that Xu Danxia and the Company or a wholly-owned subsidiary of the Company shall sign an Equity Transfer Agreement and complete corresponding change formalities with the administration for industry and commerce within sixty (60) days from the Closing, under which the 1% equity interests held by Xu Danxia in Xiong'an Xianfei Shuzhi shall be transferred to the Company or the wholly-owned subsidiary of the Company at the consideration of zero.
- (29) The Company undertakes to determine its actual office place within ninety (90) days from the Closing, sign a Property Lease Contract with the lessor of the office place, and deliver a duplicate thereof to the Investor of this Round. If the Company changes its actual office address to another address other than its registered address, the Company shall further go through corresponding change formalities with the administration for industry and commerce.
- (30) The Company undertakes that, Xu Danxia shall transfer 40% equity interests held by Xu Danxia in Yunruitian (Beijing) Technology Co., Ltd. to a third party and complete corresponding change formalities with the administration for industry and commerce within sixty (60) day from the Closing.
- (31) US Bestmind Trade becomes the sole shareholder of US XBN, for which the change registration has been completed in California.
- (32) The Group Companies have obtained a written consent document with respect to the Capital Increase from lenders (including but not limited to China Construction Bank Corporation Daxing Branch, Bank of Beijing Co., Ltd. Daxing Branch, Hua Xia Bank Co., Ltd. Daxing Branch, Beijing Rural Commercial Bank Co., Ltd. Daxing Branch, Agricultural Bank of China Limited Beijing Daxing Branch, Industrial and Commercial Bank of China Limited Beijing Economy and Technology Development Zone Branch).

5.2 The Existing Shareholders undertake that:

- (1) From the execution date of this Agreement to the completion of the Capital Increase, the Existing Shareholders shall make all reasonable efforts to cause the transaction contemplated under this Agreement to be completed in accordance with the provisions of this Agreement.
- (2) From the execution date of this Agreement to the completion of the Capital Increase, they shall provide necessary documents to assist the Company in obtaining all the government approvals, consents, permits, registration, and filing required under this Agreement or required for performing this Agreement.
- (3) Pintec, as the Investor of this Round, has all pre-emptive rights; in the event of any inconsistency between the provisions in agreements with other investors and in this Agreement, the written confirmation issued by Pintec prevails.

5.3 The Investor of this Round undertakes that:

- (1) From the execution date of this Agreement to the completion of the Capital Increase, the Investor of this Round shall make all reasonable efforts to cause the transaction contemplated under this Agreement to be completed in accordance with the provisions of this Agreement.
- (2) The Investor of this Round shall provide necessary documents to assist the Company in obtaining all the government approvals, consents, permits, registration, and filing required under this Agreement or required for performing this Agreement.

Article 6 Effectiveness, amendment, and rescission of this Agreement

6.1 This Agreement shall become effective and binding on the Parties from the date first written above after being signed by the Parties or being affixed with the official stamps of the Parties.

6.2 Any amendment to this Agreement shall be made by the Parties in writing, and constitute an integral part of this Agreement.

6.3 Rescission.

This Agreement may be rescinded by any of the following means:

- (1) The Parties hereto negotiate to reach a consensus and rescind this Agreement in writing;

- (2) Upon the occurrence of any of the following circumstances, the Investor of this Round may notify the Company and Founding Shareholders in writing to rescind this Agreement, which notice shall be sent at least [five (5)] working days in advance and shall state the effective date of the rescission:
 - (a) The representations or warranties made by the Warrantors are seriously untrue or contain material omissions, causing the effect that the investment cannot be closed, or causing serious limits on the rights of the investor;
 - (b) The Warrantors seriously violate any of their undertakings, obligations, or responsibilities hereunder not due to force majeure, and fail to make rectification within sixty (60) working days from the date of violation, causing the effect that the investment cannot be closed, or causing serious limits on the rights of the investor.
- (3) If the Prerequisites provided in Article 4 hereof are not satisfied within [ninety (90) days] from the execution date of this Agreement and not exempted by the Investor of this Round, the Investor of this Round has the right to send a written notice to unilaterally rescind this Agreement.

6.4 Effects of rescission

After this Agreement is rescinded in accordance with Article 6.3 above:

- (1) Unless otherwise agreed by the Parties then, each Party shall return the consideration (if any) it received from any other Party hereunder on the principle of fairness, reasonableness, honesty and good faith, to return to the original state prior to the execution of this Agreement. For the avoidance of doubt, any Party shall be liable for any losses it caused due to violation of this Agreement prior to the rescission of this Agreement;
- (2) Except for Article 7 (Confidentiality), Article 8 (Liabilities for breach of agreement and indemnity), Article 9 (Applicable law and dispute resolution), and Article 11 (Miscellaneous), this Agreement shall not be binding and effective any longer, and the rights, obligations, and responsibilities of the Parties under this Agreement shall be terminated.

Article 7 Confidentiality

- 7.1 Unless otherwise provided herein, the Parties hereto shall make their best efforts to keep the confidentiality of any technical information, business information, or any non-public information and materials (including written, oral, tangible, or intangible information and materials) in any form of the other Party obtained by negotiating, signing, or performing this Agreement or by due diligence investigation, such information including but not limited to any content hereof and other possible cooperation and transactions between the Parties, until such information and materials are disclosed to the public by the providing party. Any Party shall restrict such information only to its directors, shareholders/partners, senior employees, employees, agents, advisors, contractors, suppliers, and customer etc. who are required to know such information for performing the obligations hereunder.
- 7.2 The restriction above is not applicable to:
- (1) Information generally and lawfully available to the public at the time of disclosure;
 - (2) Information that becomes generally and lawfully available to the public after the disclosure not due to the faults of the receiving party;
 - (3) Information proven to be in the possession of the receiving party prior to the disclosure instead of being obtained, directly or indirectly, from the other party;
 - (4) Confidential information that any Party is obliged to disclose to relevant government authority or stock exchange under laws, or that is disclosed by any Party to its legal advisers, financial advisers, and investors as required by normal business operation.
- 7.3 Every Party hereto shall instruct its directors, shareholders/partners, senior employees, employees, agents, advisors, contractors, suppliers, and customers, and the directors, shareholders/partners, senior employees, employees, agents, advisors, contractors, suppliers, and customers of its affiliates to abide by the confidentiality obligations provided in Article 7.
- 7.4 The Parties shall abide by the confidentiality obligations provided in Article 7 despite the rescission or termination of this Agreement for any reason.

Article 8 Liabilities for breach of agreement and indemnity

- 8.1 The Group Companies and Founding Shareholders (“Indemnifying Party”) shall jointly and severally indemnify and hold the Investor of this Round (“Indemnified Party”) harmless from their acts in violation of the provisions hereof, unless exempted in writing by the Indemnified Party.
- 8.2 The Indemnifying Party shall jointly and severally indemnify and hold the Indemnified Party harmless from any damages and losses suffered, directly or indirectly, by the Indemnified Party due to any of the following circumstances, whether disclosed or not:
- (1) The Group Companies fail to pay the contributions to the social insurance program (including pension, medical, unemployment, employment injury and maternity insurances) and housing provident fund the Chinese laws require them to pay for their employees on or prior to the Closing Date;
 - (2) The Group Companies fail to pay any taxes due that the Chinese laws require them to pay or withhold on or prior to the Closing Date, (including but not limited to any penalties, surcharges, fines and interest in connection with such taxes and charges);
 - (3) Any penalty or liability resulting from any accounting treatment made by the Group Companies;
 - (4) The Group Companies fail to obtain relevant business certificates or licenses in accordance with legal requirements, resulting in punishments or liabilities;
 - (5) The Group Companies are involved in a dispute over equity ownership;
 - (6) The Group Companies infringe the intellectual property rights of a third party, or the Company’s intellectual property rights are involved in any ownership dispute;
 - (7) There are any pending litigation, arbitration, or other legal proceedings, in which the Group Companies are held liable for any compensation to a third party;

- (8) Any core employee of the Group Companies violates their non-competition or confidentiality undertakings made to any third party or the Group Companies, and the Company is indolent to hold such core employee liable;
 - (9) Missing documents about historical changes of the Group Companies cause material adverse effects to the daily operation and listing of the Group Companies;
 - (10) The Group Companies and/or Founders fail to complete the approval or filing formalities for overseas investments (including but not limited to those for the investment made by the Group Companies and Founders in the United States, Hong Kong, Kingdom of Bahrain, etc.);
 - (11) Any related-party transaction of the Group Companies is unfair or involves tunneling of interests;
 - (12) Any property leased by the Group Companies is involved in any dispute due to ownership;
 - (13) The founders or Core Staff of the Group Companies engage in business competing with the Company, causing losses to the Company;
 - (14) The Group Companies and/or Founders violate anti-corruption and anti-bribery laws, regulations, and policies.
- 8.3 If the Company has any actual or potential debts that are not reflected in the financial statements dated [December 31, 2020] as provided in the due diligence investigation, the Founding Shareholders are responsible for repaying such debts, and neither the Company nor the Investor of this Round shall be responsible for such debts; furthermore, if any loss is caused to the Company or the Investor of this Round due to such debts, the Founding Shareholders shall indemnify the Company and the Investor of this Round in a manner satisfactory to the Investor of this Round.
- 8.4 If any Party hereto violates the provisions hereof, in addition to other rights provided hereunder, the other Parties also have the right to request specific and comprehensive performance of obligations under this Agreement by indemnifying party.

Article 9 Applicable law and dispute resolution

9.1 Applicable law

This Agreement is governed by the laws of China. In the absence of provisions in relevant prevailing Chinese laws on certain content in this Agreement, common international practices shall be applicable.

9.2 Dispute resolution

Any disputes arising from or in connection with this Agreement shall be submitted to Beijing Arbitration Commission for arbitration in Beijing in accordance with its then effective arbitration rules. The arbitration award shall be final, and binding on the Parties. During the dispute resolution, except for the matters in dispute, the Parties shall continue to perform other provisions hereof.

Article 10 Expenses

If the transaction under this Agreement is completed, or if the Closing is not achieved not due to Pintec, the Company shall bear all the expenses incurred by Pintec for this transaction for legal, financial, due diligence investigation, and drafting documents related to this transaction. However, Pintec shall be solely responsible for such expenses if the transaction under this Agreement is terminated due to Pintec.

Article 11 Miscellaneous

11.1 Headings: The headings contained herein are for reference only without affecting the meanings or interpretation of this Agreement by any means.

11.2 Notice

For notices sent to the Group Companies or the Founding Shareholders:

Attention: [Xu Danxia]

Mailing address: [Building 5, Huashang Creativity Center, 18 Keyuan Road, Daxing Economic Development Zone, Beijing]

Telephone: [13901175376]

Email: [xdx@Xiao Benniao.com]

For notices sent to Other Existing Shareholders:

Attention: [Zhang Ping]

Mailing address: [Building 5, Huashang Creativity Center, 18 Keyuan Road, Daxing Economic Development Zone, Beijing]

Telephone: [13801113373]

Email: [zhang_ping@Xiao Benniao.com]

For notices sent to Pintec:

Attention: [Investor Relation Department]

Mailing address: [9/F, No. 17, East 3 Ring Road, Chaoyang District, Beijing]

Telephone: [010-8564 3600]

Email: [ir@pintec.com]

Any notice, demand, request, or any other communication required or permitted under this Agreement shall be made in writing, and any notice shall be deemed as delivered when sent in the following manner:

- (1) sent by fax, image scanner, or other electronic communication means (provided that the sending party has received a confirming notice email);
- (2) personal delivery;
- (3) upon seven (7) days after handing over to a courier service company.

11.3 If any one or more provisions hereof, or any one or more legal documents related to the capital increase are held invalid, illegal, or unenforceable under any relevant laws:

- (1) The validity, legality, and enforceability of other provisions hereof shall not be affected or damaged but shall be fully valid, and except for the agreements that are held as invalid, illegal, or unenforceable, the validity, legality, and enforceability of other agreements related to the capital increase shall not be affected or damaged but shall be fully valid;

- (2) The Parties shall immediately replace such invalid, illegal, or unenforceable provisions or agreements with valid, legal, and enforceable provisions or agreements with the intention closest to that of the invalid, illegal, or unenforceable provisions or agreements.
- 11.4 This Agreement is made in Chinese in [9] originals, with the Group Companies holding [8] originals and the Investor of this Round holding one original, each original having the same legal force.
- 11.5 The Parties agree that, when the Company goes through the approval/filing formalities for change registration with a business registration authority with respect to the Capital Increase, if a relevant administrative authority requires the Parties to separately sign an capital increase agreement in a specified format, the Parties acknowledge and agree that, such capital increase agreement in the specified format is merely for the purpose of registration, filing, or approval by the relevant administrative authority, but does not constitute the modification, supplement, or alternation to this Agreement, and in the event of any inconsistency between such capital increase agreement in such specified format and this Agreement, this Agreement still prevails.

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[This page contains no text, but is a signature page to the *Capital Increase Agreement on Beijing Xiao Benniao Information Technology Co., Ltd.*]

Group Companies:

Beijing Xiao Benniao Information Technology Co., Ltd. (Stamp)

Legal representative: _____

Beijing Qinliandeli International Trade Co., Ltd. (Stamp)

Legal representative: _____

Haiweizhen (Beijing) Network Technology Co., Ltd. (Stamp)

Legal representative: _____

Beijing Yimaoxing International Trade Co., Ltd. (Stamp)

Legal representative: _____

Signature page to the Capital Increase Agreement

Beijing Xiao Benniao Supply Chain Management Co., Ltd. (Stamp)

Legal representative: _____

Beijing Youshida International Trade Co., Ltd. (Stamp)

Legal representative: _____

Signature page to the Capital Increase Agreement

[This page contains no text, but is a signature page to the *Capital Increase Agreement on Beijing Xiao Benniao Information Technology Co., Ltd.*]

Group Companies:

Xianfei (Hainan) International Trade Co., Ltd. (Stamp)

Legal representative: _____

Shenzhen Tianxia Logistics Technology Co., Ltd. (Stamp)

Legal representative: _____

Beijing Hongweichuangshi Technology Co., Ltd. (Stamp)

Legal representative: _____

Beijing Zhuandong Culture Technology Co., Ltd. (Stamp)

Legal representative: _____

Signature page to the Capital Increase Agreement

Shoukong Jinxin (Beijing) Technology Co., Ltd. (Stamp)

Legal representative: _____

Signature page to the Capital Increase Agreement

[This page contains no text, but is a signature page to the *Capital Increase Agreement on Beijing Xiao Benniao Information Technology Co., Ltd.*]

Group Companies:

Xiao Benniao Feishi Technology (Beijing) Co., Ltd. (Stamp)

Legal representative: _____

Xiao Benniao Zhonghan (Beijing) Technology Co., Ltd. (Stamp)

Legal representative: _____

Xuzhou Xianfei Shuzhi Information Technology Co., Ltd. (Stamp)

Legal representative: _____

Hebei Xiong'an Xianfei Shuzhi Technology Co., Ltd. (Stamp)

Legal representative: _____

Signature page to the Capital Increase Agreement

Zhejiang Xianfei Shuzhi Technology Co., Ltd. (Stamp)

Legal representative: _____

XBN E-commerce Co., Ltd.

Authorized representative: _____

Signature page to the Capital Increase Agreement

[This page contains no text, but is a signature page to the *Capital Increase Agreement on Beijing Xiao Benniao Information Technology Co., Ltd.*]

Group Companies:

Bestmind Trade and Service Ltd.

Authorized representative: _____

XBN Information Technology Co., Ltd.

Authorized representative: _____

XBN Ecommerce (Hong Kong) Limited

Authorized representative: _____

[Alphamic Limited]

Authorized representative: _____

Signature page to the Capital Increase Agreement

New & Vigorous Electronic Trading W.L.L.

Authorized representative: _____

Comforyou Furniture & Kitchenware Trading W.L.L.

Authorized representative: _____

Signature page to the Capital Increase Agreement

Existing Shareholders:

Xu Danxia

By: _____

Zheng Yu

By: _____

Lv Yin

By: _____

Shi Haonan

By: _____

Signature page to the Capital Increase Agreement

Liu Feng

By: _____

Signature page to the Capital Increase Agreement

[This page contains no text, but is a signature page to the *Capital Increase Agreement on Beijing Xiao Benniao Information Technology Co., Ltd.*]

Investor of this Round:

[Sky City (Beijing) Technology Co., Ltd.] (Stamp)

By: _____

Signature page to the Capital Increase Agreement

Appendix I

The Warrantors jointly and severally make the representations and warranties to the Investor of this Round with respect to the matters below:

1. The Company is a limited liability company duly established and validly existing under the laws of the People's Republic of China, and the historical changes of the Company are fully in compliance with the provisions in the laws of China. The Existing Shareholders are lawful and valid owners of the Company.
2. None of the Founding Shareholders, the Company, or its subsidiaries and branches has promised to offer, or actually offered, any corporate equity interests, shares, bonds, options, or rights and interests of the same or similar nature to any third person in any manner. As of the Closing Date, all the equity interests or capital contributions of the Company are free from any pledge, other security interests, third-person rights and interests, or any other encumbrance.
3. Historical capital contributions or additional capital contributions made by the Company's Existing Shareholders to the Company, and relevant formalities thereof, are in full compliance with the prevailing laws and regulations of China at that time without any act of delaying in making payment, making false capital contribution, or withdrawing capitals. In historical equity transfers of the Company prior to the Capital Increase, the considerations for relevant equity transfers have been paid without any dispute, and taxes have been reported and paid (if necessary) correspondingly.
4. The Warrantors have disclosed to the Investor of this Round, in writing, all the subsidiaries and branches of the Company and their shareholding structures. None of the shareholding structures contain shareholding on behalf of others except for those agreed by the investor. Except for the circumstances disclosed in writing to the Investor of this Round prior to the Closing hereunder, the Company does not own or control, directly or indirectly, any rights and interests in any other companies, partnerships, trusts, joint ventures, organizations, or other entities, and does not operate any offices, branches, or subsidiaries. Except for the circumstances disclosed in writing to the Investor of this Round prior to the Closing hereunder, the Founding Shareholders do not own or control, directly or indirectly, any rights and interests in any other companies, partnerships, trusts, joint ventures, organizations, or other entities except for the Company.

5. The Warrantors are entities duly established and validly existing in accordance with the laws of its place of domicile and have full capacity for civil conduct, or natural persons with full capacity for civil rights and capacity for civil conduct under applicable laws. The Warrantors, on a voluntary basis, have the full rights and authorities to enter into and perform this Agreement and complete the transaction contemplated hereunder. The Warrantors have obtained the lawful and valid authorization for all necessary acts taken for this Agreement and all the transactions contemplated hereunder. This Agreement, once signed, constitutes lawful, valid, and binding obligations of the Warrantors.
6. The execution and performance of this Agreement is not in contradiction or conflict with the Articles of Association of the Company, the laws, regulations, and administrative orders of government authorities applicable to the Warrantors, or other contracts or legal documents to which the Warrantors are a party, and will not result in a violation of the provisions above or constitute non-performance of or inability to perform the provision above.
7. The Company has all permits, authorizations, approvals, recognition, or filing from government authorities or administration authorities required for operating its business at present.
8. The Company is in compliance with the provisions of relevant laws and regulations, including but not limited to industry and commerce administration, taxation, customs, foreign exchange, environment protection, food safety, sanitation, investment in fixed assets, land, construction, safety in production, product quality, fire fighting, labor, anti-corruption, anti-bribery, etc., in all material aspects in its production, operation, project construction, and business activities since its establishment, does not have any acts in violations of laws, and is not subject to any punishment in any form imposed by any government authorities.
9. The financial statements as of [December] [31], [2020] ("Financial Statement Date") provided by the Company to the Investor of this Round presented the operating conditions and financial conditions of the Company during relevant periods and at the Financial Statement Date in a true, accurate, and complete manner, and the content of the information and description reflected in such financial statements is true, accurate, and complete without omissions or concealment that may cause substantial impacts on the transaction contemplated under this Agreement.

10. The Company has disclosed, in writing, all actual and reasonably expected loans, debts, guarantees, and liabilities of the Company as of the execution date of this Agreement to the Investor of this Round in a comprehensive, accurate, and complete manner, including but not limited to outstanding loans (borrowings) from financial institutions, and third-party guarantees provided by the Company for any third-party debts or interests thereof; the Company does not have any actual or potential debts not disclosed by now.
11. From the Financial Statement Date to the Closing Date, unless otherwise provided in this Agreement, or except for matters that have been disclosed, in writing, by the Company to and acknowledged by the Investor of this Round, none of the Founding Shareholders and the Company has the following circumstances:
 - (1) Offering, repurchase, changing, transferring, or other disposal of any equity interests, bonds, options, or rights and interests of the same or similar nature;
 - (2) Any dividends or other distributions declared or paid;
 - (3) Acquisition of any equity interests or assets, combination, merger, joint investment, or other similar transactions;
 - (4) Any sale, lease, transfer, or disposal of all or a substantial part of its assets;
 - (5) Amendment to its Articles of Association except for those made in accordance with this Agreement;
 - (6) Except for daily operations, acquisition of assets over RMB [1] million, or entering into a contract for such purposes;
 - (7) Making any arrangement or entering into any contract or agreement with an affiliate, Founding Shareholder, director, or employee;
 - (8) Borrowing capital from an affiliate, Founding Shareholder, director, or employee;

(9) Taking loans from any party, acting as a guarantor, or making compensation for the performance or obligations of an affiliate, Founding Shareholder, director, or employee; or providing financial assistance to any affiliate, Founding Shareholder, director, or employee in any manner except for internal capital movement made in accordance with law;

(10) Any acts that may lead to the circumstances above.

The scope of an “affiliate” shall be determined in accordance with the *Company Law* and the criteria implemented by China Securities Regulatory Commission in identifying affiliates of listed companies.

12. The Company has reported and promptly made full payment for taxes payable in accordance with Chinese laws and the requirements of relevant tax authorities. The Company does not owe any taxes, and is subject to no punishment imposed by tax authorities due to any tax matters. There are no assets detained due to the Company’s failing in paying taxes. There is no dispute between the Company and tax authorities that may cause tax liabilities on the Company (including penalties collected by tax authorities).
13. The Company is in compliance with the requirements in Chinese laws and regulations on financial and accounting in all material aspects in its financial regulations and the management of books, vouchers, and invoices.
14. The Company has the legitimate title to or right to use any movable properties, real estate, and intangible assets owned, possessed, or used by the Company, and the properties owned, possessed, or used by the Company are free from any pledge, mortgage, lien, other security interests, third-person rights and interests, or any other encumbrance (except for those disclosed in writing by the Company to the Investor of this Round).
15. The Company has fully disclosed to the Investor of this Round, in writing, all the real estates owned and used by the Company. The Company has obtained a lawful and valid title certificate for each real estate held by the Company (including the certificate of housing ownership and certificate of land use rights), and to the knowledge of the Company, there are no records indicating that relevant land and housing administration authorities have objection to any title certificate held by the Company for real estates. The current purposes of real estates are the purposes permitted in compliance with relevant planning and construction regulations, and to the knowledge of the Company, the real estates are subject to no adverse effects of any planning.

16. The Company has fully disclosed to the Investor of this Round, in writing, all the intellectual property rights owned and used by the Company. The Company has lawful ownership of or rights to use all the intellectual property rights in use (including but not limited to patents, trademarks, copyrights, know-hows, domain names, and trade secrets), and has obtained necessary authorizations or licenses for any business operation activities involving the intellectual property rights of others. The Company has not infringed the intellectual property rights, trade secrets, proprietary information, or other similar rights of others, and there are no actual or possible claims, disputes, or litigation proceedings requiring the Company to make compensation for infringing the intellectual property rights, trade secrets, proprietary information, or other similar rights of any third party. The trademarks, patents, software copyrights, and domain names owned by the Company have been duly registered in accordance with law, or relevant registration applications have been filed in accordance with law.
17. Material contracts or agreements with the subject amount over RMB [1] million to which the Company is a party are lawful, valid, and enforceable, and such material contracts or agreements have been properly and fully performed without any violation. Except for those disclosed in writing to the Investor of this Round, the Company has not entered into any of the following contract or agreement: (a) not created during day-to-day operations; (b) not on a fair and justice basis; (c) related-party transactions; or (d) may cause loss or damage to the Company's interests according to reasonable judgement at the time of execution.

A "related-party transaction" refers to a transaction between the Company and its affiliates, directors, supervisors, senior executives, or a direct relative of the foregoing, including but not limited to the use of funds, provision of financing, purchase, license, and debts.
18. The directors, supervisors, senior executives, and Core Staff (refer to Appendix II for a list) of the Company have no direct or indirect business activities in any other companies, enterprises, partnerships, or other entities in competition with the Company's main business as employees (full-time and/or part-time). Except for those disclosed to the Investor of this Round, the Founders, senior executives, and core employees do not have other investments in competition with the Company's main business outside the Company. The Founders, senior executives, and core employees do not have confidentiality obligations or non-competition restriction obligations to their former employers and any third party, and their duties in the Company do not constitute the violation or infringement against any third party.

19. The Company abides by all applicable labor regulations, and is not in any labor dispute with its existing employees. The Company does not have due but unpaid economic compensation or similar payment obligations in connection with termination of employment. The Company has made full payment and/or withheld full amount for the basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and other social insurance premiums and housing funds payable under all relevant laws and regulations in accordance with relevant applicable laws and regulations. The Company is not in any dispute related to social insurance premiums or housing funds, and there is no sign or indication that a punishment will be imposed due to failure in making full payment for social insurance premiums and housing funds.
20. There are no ongoing litigation, arbitration, administrative punishment, administrative review, or other legal proceedings against or in connection with the Company and Founding Shareholders that have not been disclosed in this Agreement, and no circumstances under which the Company will be held legally liable or responsible according to the rulings or decisions made by courts, arbitration institutions, and other judicial or administrative authorities.
21. To the knowledge of the Warrantors, there are no facts related to the Company or its business that may cause material adverse effects but are not disclosed in this Agreement or financial statements, or not otherwise disclosed in writing by the Company to the Investor of this Round. There are no misrepresentations, omissions, or misleading statements in the representations and warranties made by the Warrantors during the negotiation and execution of this Agreement.
22. There are no economic disputes, creditor's rights and debts, or possible liabilities in connection with the Company or its business between the Founding Shareholders and the Company or other Existing Shareholders of the Company that have not been disclosed in this Agreement except for those disclosed.

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23. The use of crawler technologies by the Company is not in violation of laws, regulations, and business ethics, and there is no act of disturbing the market competition order or causing damages to the legitimate rights and interests of other entities or consumers.

Appendix II List of Core Staff

No.	Name	Title	Contract term
1.	Xu Danxia	Chairperson and President	Indefinite term
2.	Wang Wei	Senior Vice President	2020-01-01 to 2023-12-31
3.	Zhang Ge	Senior Vice President	2019-10-14 to 2022-10-14
4.	Zhang Jiaming	Financial Advisor	2021-07-01 to 2024-06-30
5.	Meng Qinghui	Department General Manager	2019-10-01 to 2021-09-11
6.	Ma Hong	Director of Supply Chain Financial	2020-09-01 to 2023-09-02
7.	Qi Yong	Director	2020-05-20 to 2022-05-19
8.	Liu Beibei	Operation Manager	2020-02-22 to 2022-02-21
9.	Lin Yonghui	Supply Chain Business Director	2021-01-04 to 2022-11-06
10.	Zhang Xiaojuan	Department General Manager	2021-04-06 to 2023-04-05
11.	Zhang Ji	Marketing General Manager	2219-01-03 to 2023-01-02
12.	Duan Hefei	Department General Manager	2019-01-01 to 2022-01-01
13.	Sun Shumin	Financial manager	2020-10-01 to 2023-09-30

Appendix VII Group Companies

- (1) Beijing Xiao Benniao Supply Chain Management Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China (“Xiao Benniao Supply Chain”), having its registered address at: Room 138, 1/F, Suite A3, Building 1, 18 Keyuan Road, Daxing Economic Development Zone, Beijing; unified social credit code: 91110115MA01EWY16M;
- (2) Beijing Qinliandeli International Trade Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China (“Beijing Qinliandeli”), having its registered address at: Room 318, 3/F, Building 5, 18 Keyuan Road, Daxing Economic Development Zone, Beijing; unified social credit code: 91110115MA01Q5G99Y;
- (3) Haiweizhen (Beijing) Network Technology Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China (“Beijing Haiweizhen”), having its registered address at: Room 521, 5/F, Building 5, 18 Keyuan Road, Daxing Economic Development Zone, Beijing; unified social credit code: 91110115MA01K0HQ86;
- (4) Beijing Yimaoting International Trade Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China (“Beijing Yimaoting”), having its registered address at: Room 2064, 2/F, Building 2, 12 Jinxing Road, Daxing District, Beijing; unified social credit code: 9111011507857803X5;
- (5) Beijing Youshida International Trade Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China (“Beijing Youshida”), having its registered address at: Room 321, 3/F, Building 5, 18 Keyuan Road, Daxing Economic Development Zone, Beijing; unified social credit code: 91110115MA01Q3HL8E;
- (6) Xianfei (Hainan) International Trade Co., Ltd., a limited liability company registered in Haikou in accordance with the laws of China (“Xianfei Hainan”), having its registered address at: Room 601-2, Building B, Hainan Normal University National University Science Park, 3 Haitao Avenue, Jiangdong New Area, Meilan District, Haikou City, Hainan Province; unified social credit code: 91469027MA5TMEDX3Q;

- (7) Shenzhen Tianxia Logistics Technology Co., Ltd., a limited liability company registered in Shenzhen in accordance with the laws of China ("Shenzhen Tianxia Logistics"), having its registered address at: 202TX, Building 27, Jinxing Materials Company, Science & Industry Park, Technology Park Community, Yuehai Subdistrict, Nanshan District, Shenzhen City; unified social credit code: 91440300MA5FJ7NL0N;
- (8) Beijing Hongweichuangshi Technology Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China ("Beijing Hongweichuangshi"), having its registered address at: Room 431, 4/F, Building 3, 18 Jinxing Road, Daxing District, Beijing; unified social credit code: 91110115MA01BGM87Y;
- (9) Beijing Zhuandong Culture Technology Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China ("Beijing Zhuandong Culture"), having its registered address at: Room 520, 5/F, Building 5, 18 Keyuan Road, Daxing Economic Development Zone, Beijing; unified social credit code: 91110115MA020E1X3M;
- (10) Shoukong Jinxin (Beijing) Technology Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China ("Shoukong Jinxin"), having its registered address at: Room 131, 1/F, Suite A3, Building 1, 18 Keyuan Road, Daxing Economic Development Zone, Beijing; unified social credit code: 91110115MA01EL220B;
- (11) Xiao Benniao Feishi Technology (Beijing) Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China ("Xiao Benniao Feishi"), having its registered address at: Room 413, 4/F, Building 5, 18 Keyuan Road, Daxing Economic Development Zone, Beijing; unified social credit code: 91110115MA01EYF7XC;
- (12) Xiao Benniao Zhonghan (Beijing) Technology Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China ("Xiao Benniao Zhonghan"), having its registered address at: Room 155, 1/F, Suite A3, Building 1, 18 Keyuan Road, Daxing Economic Development Zone, Beijing; unified social credit code: 91110115MA01GU7D8X;
- (13) Bestmind Trade and Service Ltd., a company incorporated in accordance with the laws of California ("US Bestmind Trade"), having the registration No.: C4250332;

- (14) XBN E-commerce Co., Ltd., a company incorporated in accordance with the laws of California ("US XBN"), having the registration No.: C3679117;
- (15) [Alphamic Limited], a company incorporated in accordance with the laws of Hong Kong ("Hong Kong Alphamic"), having the registration No.: [2949175];
- (16) [XBN Information Technology Co., Ltd.], a company incorporated in accordance with the laws of Hong Kong ("Hong Kong XBN Information Technology"), having the registration No.: 70543030-000-04-19-0;
- (17) XBN Ecommerce (Hong Kong) Limited, a company incorporated in accordance with the laws of Hong Kong ("Hong Kong XBN Ecommerce"), having the registration No.: 65816943-000-02-19-5;
- (18) New & Vigorous Electronic Trading W.L.L., a company incorporated in accordance with the laws of the Kingdom of Bahrain ("Bahrain XBN Electronic");
- (19) Comforyou Furniture & Kitchenware Trading W.L.L., a company incorporated in accordance with the laws of the Kingdom of Bahrain ("Bahrain XBN Furniture");
- (20) Xuzhou Xianfei Shuzhi Information Technology Co., Ltd., a limited liability company registered in Xuzhou City in accordance with the laws of China ("Xuzhou Xianfei Shuzhi"), having its registered address at: Room B305, Zhihe Building, Building B2, Software Park, Xuzhou Economic and Technology Development Zone; unified social credit code: 91320301MA23TJLD3Q;
- (21) Hebei Xiong'an Xianfei Shuzhi Technology Co., Ltd., a limited liability company registered in Pilot Free Trade Zone Xiong'an Area in accordance with the laws of China ("Xiong'an Xianfei Shuzhi"), having its registered address at: 302-00001, Enterprise Office Building F, Xiong'an Citizen Service Center, China (Hebei) Pilot Free Trade Zone Xiong'an Area; unified social credit code: 91133100MA0FXB0L2M;
- (22) Zhejiang Xianfei Shuzhi Technology Co., Ltd., a limited liability company registered in Yuhuan City in accordance with the laws of China ("Zhejiang Xianfei Shuzhi"), having its registered address at: Xiaoshanwai Industry Park, Longxi Township, Yuhuan City, Zhejiang Province; unified social credit code: 91331021MA2K7X6Q8R;

Shareholders' Agreement

on

Beijing Xiao Benniao Information Technology Co., Ltd.

[] (month) [] (day), 2021

Shareholders' Agreement

This Shareholders' Agreement (this "Agreement") was entered into on [] [], 2021 in [Beijing] by and among:

- (1) Beijing Xiao Benniao Information Technology Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China ("Company"), having its registered address at: Room 206, 2/F, Building 3, 18 Keyuan Road, Daxing Economic Development Zone, Beijing; unified social credit code: 91110115MA001HGK4U;
- (2) Xu Danxia, a natural person of PRC holding the identity card No.: 110105196901022929;
- (3) Zheng Yu, a natural person of PRC holding the identity card No.: 110224198610200055;
- (4) Liu Feng, a natural person of PRC holding the identity card No.: 440203197111021837;
- (5) Shi Haonan, a natural person of PRC holding the identity card No.: 110111199603060370;
- (6) Lv Yin, a natural person of PRC holding the identity card No.: 65220119770527168X;
- (7) [Sky City (Beijing) Technology Co., Ltd.], a limited liability company registered in Beijing in accordance with the laws of China ("Pintec"), having its registered address at: 3009, 3/F Bowangyuan Podium, Yangfangdian Subdistrict, Haidian District, Beijing; unified social credit code: 91110108MA00AL746N.

The parties above and the Group Companies are hereinafter referred to as the "Parties" collectively and a "Party" individually. Xu Danxia and Zheng Yu are collectively referred to as the "Founders" or "Founding Shareholders." Liu Feng, Lv Yin, and Shi Haonan are collectively referred to as the "Other Existing Shareholders." Pintec is also referred to as the "Investor of this Round." All shareholders prior to this Capital Increase, i.e., all shareholders listed in Article 1.1 of the Capital Increase Agreement, are collectively referred to as "Existing Shareholders." The Company, all subsidiaries/branches under the direct or indirect control of the Company and the Founders, and any other subordinate enterprises, are collectively referred to as the "Group Companies," which include but are not limited to the companies listed in Appendix I hereto (for the definition of the Group Companies, refer to Appendix I hereto).

Whereas:

- A. The Parties have entered into the *Capital Increase Agreement on Beijing Xiao Benniao Information Technology Co., Ltd.* on [] [], 2021 ("Capital Increase Agreement"), and the Company has approved the *Articles of Association of Beijing Xiao Benniao Information Technology Co., Ltd.* on [] [], 2021 ("Articles of Association"), under which the Investor of this Round makes investment in the Company and acquires relevant equity interests and the investment amount of the Investor of this Round is shown in the Capital Increase Agreement (collectively, "Capital Increase"); the Parties have reached an agreement for the Investor of this Round to make investment in the Company in accordance with the terms and conditions provided in this Agreement.

- B. The Parties hereto reached the following consensus on the rights and obligations among shareholders and matters not covered in the Capital Increase Agreement and Articles of Association (unless otherwise provided, the meanings of relevant wordings in this Agreement shall be same as such wording in the Capital Increase Agreement):

Article 1 Pre-emptive right

- 1.1 When increasing its registered capital, the Company shall send a written notice ("Capital Increase Notice") to the Parties, stating the amount of the additional registered capital ("Intended Additional Registered Capital"), subscription price, identity of the intended third-party subscriber, etc. The Investor of this Round ("Pre-emptive Right Holder") has the right (but no obligation) to, within [fifteen (15)] days ("First Subscription Period") after receiving the Capital Increase Notice sent by the Company, subscribe to the Intended Additional Registered Capital in proportion to the shareholding ratio of the Pre-emptive Right Holder in the Company ("Pre-emptive Right").
- 1.2 The additional registered capital that may be subscribed to by the Pre-emptive Right Holder shall not exceed the product of: (i) total Intended Additional Registered Capital, multiplied by (ii) a fraction, in which the numerator is the equity interests held by the Pre-emptive Right Holder, and the denominator is the total equity interests of the Company held by all Pre-emptive Right Holders.
- 1.3 Upon the expiration of the First Subscription Period, if a Pre-emptive Right Holder does not exercise, or does not fully exercise, its Pre-emptive Right, the Company shall immediately send a written notice to all other Pre-emptive Right Holders, stating the number of Intended Additional Registered Capital that the Pre-emptive Right Holder waives to subscribe to ("Remaining Additional Registered Capital") and the list of Pre-emptive Right Holders ("Over-subscription Right Holder") which have fully exercised their Pre-emptive Rights. An Over-subscription Right Holder intending to exercise its over-subscription right shall, within [ten (10)] days after receiving the written notice above, notify the Company of the number of Remaining Additional Registered Capital it intends to subscribe to, in which the number shall not exceed the product of: (i) the amount of the Remaining Additional Registered Capital, multiplied by (ii) a fraction: equity interests held by the Over-subscription Right Holder in the Company/total equity interests held by all Over-subscription Right Holders in the Company. If an Over-subscription Right Holder does not exercise, or does not fully exercise, its over-subscription right, an Over-subscription Right Holder that has fully exercised its over-subscription right may continue to make subscription until all the Remaining Additional Registered Capital is fully subscribed, or no more Over-subscription Right Holder intends to exercise its over-subscription right.

- 1.4 If the Intended Additional Registered Capital is not fully subscribed to by the Pre-emptive Right Holders in accordance with the provisions of Articles 1.1, 1.2, and 1.3 above, other shareholders have the right to subscribe to the remaining Intended Additional Registered Capital at the same price and conditions stated in the Capital Increase Notice in proportion to their shareholding ratios in the Company. If the Intended Additional Registered Capital is not fully subscribed to by the Pre-emptive Right Holders and other shareholders, the Company has the right to sell the remaining Intended Additional Registered Capital to third parties at the same price and conditions stated in the Capital Increase Notice. In the event of any changes in the conditions stated in the Capital Increase Notice, or the Company or the third party cannot sign documents related to the capital increase and submit an application for change registration with the administration for industry and commerce within [one hundred and twenty (120)] days after the Company sends the Capital Increase Notice, the capital increase shall be subject to the pre-emptive right provided under Article 1 again.
- 1.5 Notwithstanding the foregoing, the pre-emptive right provided under Article 1 is not applicable to the increase in the Company's registered capital under the following circumstances: (1) to implement an employee equity/option incentive plan approved by the board of directors, or (2) to convert profits or capital reserves to the registered capital in proportion.

Article 2 Maturity and transfer restrictions of equity interests

- 2.1 Without the prior written consent of Pintec, from the Closing Date to the date of initial public offering, the Founding Shareholders and Other Existing Shareholders shall not transfer, dispose of, pledge, or otherwise handle the equity interests they hold, directly or indirectly, in the Company and/or its controlled subsidiaries by any means. Any equity transfer in violation of the provisions of this article shall be invalid, the transferee shall not have any right, directly or indirectly, as a shareholder of the Company, and the Company shall not consider the transferee as a shareholder. For the purpose of this Agreement, a "controlled subsidiary" refers to (i) a subsidiary in which the Company holds over 50% equity interests, or (ii) a company of which the Company is the largest shareholder. "Initial public offering" refers to the offering and listing of the Company's stocks on a stock exchange in China or another country or region as approved by the Company's Board of Directors (with the prior written consent of Pintec); except for the lock-in or lock-up period provided in relevant laws, administrative regulations, regulations of China Securities Regulatory Commission ("CSRC"), or the stock listing rules of the stock exchange, the shares held by the Investor of this Round in the Company shall not be subject to other circulation limits after the initial public offering of the Company.

- 2.2 Notwithstanding any other provisions in this Agreement, the Investor of this Round has the right to sell, transfer, or otherwise dispose of all or a part of equity interests it holds in the Company to a third party without the consent of the Company and other shareholders; after the equity transfer, the rights of such third party shall be same as the rights of the investor prior to the equity transfer. Other Parties hereby irrevocably consent to the equity transfer above made by the investor, including but not limited to (1) taking all necessary measures to approve such transfer, and (2) waiving the right of first refusal (if any) for the equity interests transferred by the investor.

Article 3 Right of first refusal and right of co-sale

- 3.1 Subject to the transfer restrictions provided in Article 2.1 hereof, any of the Founding Shareholders and Other Existing Shareholders (“Seller”) intending to sell, transfer, or otherwise dispose of all or a part of the equity interests (“Equity Interests for Sale”) it directly or indirectly holds in the Company shall first send a notice to the Investor of this Round (“Holder of Right of First Refusal”) and the Company concerning the intended sale of the equity interests in the Company (“Sale Notice”). The Sale Notice shall contain the ratio of the Equity Interests for Sale, sale price, payment conditions, identity of the transferee, and other main information. The Holder of Right of First Refusal has the right (but no obligation) to purchase such Equity Interests for Sale at the price and conditions stated in the Sale Notice (“Right of First Refusal”). The Holder of Right of First Refusal intending to exercise its Right of First Refusal shall notify the Seller within [thirty (30)] days (“First Purchase Period”) after receiving the Sale Notice; in the absence of such notice upon the expiration of such period, it shall be deemed that the Holder of Right of First Refusal waives its Right of First Refusal. The Holders of Right of First Refusal have the right to exercise their Rights of First Refusal in proportion to their shareholding ratios.
- 3.2 Upon the expiration of the First Purchase Period, if the Equity Interests for Sale are not purchased or not fully purchased, the Seller shall immediately send a written notice to Holders of Right of First Refusal, stating the number of the remaining Equity Interests for Sale, and the list of Holders of Right of First Refusal who have fully exercised their Rights of First Refusal. The Holder of Right of First Refusal (“Over-purchase Right Holder”) that has fully exercised its Right of First Refusal has the right (but no obligation) to continue to purchase such remaining Equity Interests for Sale (“Over-purchase Right”). An Over-purchase Right Holder intending to exercise its Over-purchase Right shall, within [ten (10)] days after receiving the written notice above, notify the Seller of the number of the remaining Equity Interests for Sale that it intends to purchase, in which the number of equity interests to be over-purchased shall not exceed the product of: (i) the amount of the Equity Interests for Sale, multiplied by (ii) a fraction: equity interests held by the Over-purchase Right Holder in the Company/total equity interests held by all Over-purchase Right Holders in the Company. If an Over-purchase Right Holder does not exercise, or does not fully exercise, its Over-purchase Right, an Over-purchase Right Holder that has fully exercised its Over-purchase Right may continue to make purchase until all the Equity Interests for Sale are fully purchased, or no more Over-purchase Right Holder intends to exercise its Over-purchase Right.

- 3.3 For the avoidance of doubt, with respect to the equity interests in the Company for which a Holder of Right of First Refusal opts to exercise its Right of First Refusal and Over-purchase Right, other shareholders hereby specifically waive their right of first refusal and any other possible rights under applicable Chinese laws, the Articles of Association, or based on any other grounds.
- 3.4 If the Equity Interests for Sale are not purchased or not fully purchased in accordance with the provisions of Articles 3.1 and 3.2 above, subject to relevant provisions on the right of co-sale below, the Seller has the right to sell the remaining Equity Interests for Sale to third parties at the conditions stated in the Sale Notice. In the event of any changes in the conditions stated in the Sale Notice, or the Seller or the third party cannot sign a relevant equity transfer agreement and submit an application for change registration with the administration for industry and commerce within [ninety (90)] days after the Seller sends the Sale Notice, the Equity Interests for Sale shall be subject to the right of first refusal and right of co-sale provided under Article 3 again. As a precondition for the Seller to transfer its equity interests, the Seller shall cause the third party to abide by the provisions of this Agreement and the Articles of Association as if the third party is a shareholder of the Company.
- 3.5 If the Equity Interests for Sale are not purchased or not fully purchased in accordance with the provisions of Articles 3.1 and 3.2 above, the Seller shall send a written notice ("Co-sale Notice") to Holders of Right of First Refusal who have waived to exercise their Right of First Refusal ("Holder of Right of Co-sale"), stating the number of Equity Interests for Sale that are not purchased. The Holder of Right of Co-sale has the right (but no obligation) to sell equity interests at the same price and conditions stated in the Sale Notice ("Right of Co-sale"). A Holder of Right of Co-sale intending to exercise its Right of Co-sale shall, within ten (10) days after receiving the Co-sale Notice, send a notice for participating in the sale to the Seller, stating the number of equity interests that it intends to sell, in which such number of equity interests shall not exceed the product of: (i) Equity Interests for Sale that are not purchased under the right of first refusal, multiplied by (ii) a fraction, in which the numerator is the equity interests held by the Holder of Right of Co-sale in the Company, and the denominator is the total equity interests held by the Seller in the Company and the equity interests held by all Holders of Right of Co-sale intending to exercise their Right of Co-sale in the Company. Notwithstanding the foregoing, if the transfer of equity interests by the Founding Shareholders results in that the equity interests held, directly or indirectly, by Xu Danxia in the Company are less than 50%, or Xu Danxia loses the position as the *de facto* controller, the number of equity interests for which the Holder of Right of Co-sale has the right (but no obligation) to exercise its Right of Co-sale shall be all the equity interests held by the lender in the Company. After receiving the notice sent by the Holder of Right of Co-sale, the Seller shall take all reasonable measures to ensure the implementation of the Right of Co-sale for the Holder of Right of Co-sale (including but not limited to reducing the number of equity interests to be sold by the Seller). Before the Holder of Right of Co-sale realizes or waives its Right of Co-sale, the Seller shall not transfer its equity interests unless the Seller purchases all the equity interests that the Holder of Right of Co-sale intends to sell in the co-sale at the same price and conditions stated in the Sale Notice.

- 3.6 Notwithstanding the foregoing, the right of first refusal and right of co-sale under Article 3 are not applicable to the circumstances in which the Seller transfers or disposes of the equity interests it holds, directly or indirectly, in the Company for the purpose of implementing an employee equity/option incentive plan.

Article 4 Drag-along right

- 4.1 During the period when Pintec holds equity interests in the Company, upon the occurrence of a Deemed Liquidation Event (as defined below), and Pintec and any Founding Shareholder holding over 50% equity interests in the Company of the equity interests held by all Founding Shareholders agree with the transaction, all other shareholders of the Company ("Dragged Shareholder") shall agree with and participate in the transaction, cause the shareholders' meeting to pass a resolution in connection with such transaction, and cooperate in such transaction (including signing relevant agreements and documents). If any Dragged Shareholder does not agree with the transaction, the Dragged Shareholder shall purchase all equity interests from other shareholders at the price proposed by a third party; otherwise, it shall be deemed as agreeing with the transaction if it does not purchase such equity interests.

Article 5 Anti-dilution protection right

- 5.1 For the purpose of this article:

"New Financing" refers to additional registered capital, or issuance of convertible bonds or shares of the Company, etc., except for additional capital arising from employee equity/option incentives (with the consent of Pintec) approved at shareholders' meetings, share splitting applicable to all shareholders in proportion, conversion of capital reserves or profits to registered capitals in proportion, or initial public offering;

"New Shareholder" refers to a shareholder subscribing to additional register capital of the Company in New Financing;

“New Subscription Price” refers to the unit price at which the New Shareholder subscribes to one RMB of the registered capital of the Company in the New Financing, i.e., total price paid by New Shareholders for the additional register capital ÷ number of registered capitals subscribed to by New Shareholders;

“Anti-dilution Right Holder” refers to the Investor of this Round;

“Previous Round of Financing” refers to the round of financing preceding the New Financing of the Company (including but not limited to this Capital Increase);

“Original Subscription Price” refers to the unit price at which the Anti-dilution Right Holder obtains one RMB of registered capital of the Company in the Previous Round of Financing, i.e., total price paid by the Anti-dilution Right Holder in the Previous Round of Financing for obtaining the registered capital of the Company ÷ number of registered capitals obtained by the Anti-dilution Right Holders in the Previous Round of Financing. If the Company converts capital reserves to the registered capital for all shareholders in proportion, such price shall be diluted and reduced in proportion. For the avoidance of doubt, the Original Subscription Price for the Investor of this Round in this Capital Increase is RMB [1,086,206.90].

- 5.2 After the Closing Date, if the Company implements any New Financing, and the New Subscription Price at which the New Shareholder obtains the additional registered capital of the Company is lower than the Original Subscription Price at which the Anti-dilution Right Holder obtains the registered capital of the Company, the Anti-dilution Right Holder has the right to require the Company and/or the Founding Shareholders to adjust its Original Subscription Price by generalized weighted average, so that the adjusted subscription price equals the price determined according to the formula below:

$$P2 = P1 * (A + B) / (A + C)$$

For the purpose of the formula above, the meanings of the letters are as follows:

P2 is the adjusted subscription price;

P1 is the Original Subscription Price;

A is the total registered capital of the Company prior to the New Financing (on a fully diluted basis);

B is the additional or offered registered capital on the assumption that the New Financing of the Company is carried out with P1 as the New Subscription Price;

C is the actual additional or offered registered capital in the New Financing of the Company.

- 5.3 The Anti-dilution Right Holder have the right to require the Company and/or the Founding Shareholders to compensate the Anti-dilution Right Holder by using either or both of the following means, so that the value of the equity interests held by the Anti-dilution Right Holder in the Company is not diluted (“Anti-dilution Adjustment”); for the avoidance of doubt, the obligations of the Company and the Founding Shareholders under this article are joint and several obligations:
- (1) Determine the registered capital of the Company that the Anti-dilution Right Holder should obtain in the Previous Round of Financing according to the adjusted subscription price (“Adjusted Registered Capital”), i.e., adjusted registered capital = total price paid by the Anti-dilution Right Holder in the Previous Round of Financing for obtaining the registered capital of the Company ÷ adjusted subscription price. The Company shall issue additional shares to the Anti-dilution Right Holder free of charge or at symbolic price (the pre-emptive right provided in Article 1 hereof is not applicable to such additional capital), or the Founding Shareholders shall transfer equity interests to the Anti-dilution Right Holder free of charge or at symbolic price (the right of first refusal and right of co-sale provided in Article 3 hereof are not applicable to such equity transfer), or another means permitted by laws and regulations with the prior written consent of the Anti-dilution Right Holder shall be implemented, so that the registered capital of the Company obtained by the Anti-dilution Right Holder in the Previous Round of Financing reach the adjusted registered capital. For the avoidance of doubt, if the Anti-dilution Right Holder actually pays any price to the Company or the Founding Shareholders or bears any taxes and charges due to the Anti-dilution Adjustment above, the Company or the Founding Shareholders shall correspondingly compensate the Anti-dilution Right Holder; or
 - (2) Compensate the Anti-dilution Right Holder in cash, so that Original Subscription Price for the Anti-dilution Right Holder in the Previous Round of Financing equals, after and by virtue of such compensation, the adjusted subscription price. For the avoidance of doubt, if all Anti-dilution Right Holders require the Company or the Founding Shareholders to make compensation in cash, while the Company and/or the Founding Shareholders are insufficient in funds, the Company and the Founding Shareholders shall ensure that the Investor of this Round gets its corresponding compensation in cash before other Anti-dilution Right Holders.
- 5.4 The Company and the Founding Shareholders shall complete equity transfer, issuance of additional registered capital, or compensation in cash within [sixty (60)] days after receiving a written compensation request from the Anti-dilution Right Holder, including but not limited to causing the shareholders’ meetings/board meetings of the Company to approve such Anti-dilution Adjustment, sign all necessary legal documents, and complete relevant government approval procedures and procedures for registration with the administration for industry and commerce (if necessary). Before the Anti-dilution Adjustment above is completed, the Company shall not offer additional register capital or offer any securities related to equity interests (including but not limited to convertible bonds).

Article 6 Right of repurchase

6.1 For the purpose of this article, the following events are “Repurchase Events:”

- (1) The Company fails to complete qualified initial public offering or to be acquired within five (5) years from the Closing Date (as defined in the Capital Increase Agreement);
- (2) The Group Companies and/or the Founding Shareholders seriously violate the provisions of this Agreement, the Capital Increase Agreement, and other supplementary documents;
- (3) The Group Companies and/or the Founding Shareholders fail to complete, or to promptly complete, any provisions in Article 5.1 of the Capital Increase Agreement;
- (4) The Group Companies and/or the Founding Shareholders seriously violate the laws and regulations applicable to them, causing adverse effects on the Company;
- (5) There are changes in laws or policies, causing serious hardship in the operation of the main business of the Group Companies;
- (6) Any qualification, certificate, or license of the Group Companies are canceled or revoked, causing material changes in the operation of the Group Companies;
- (7) The Group Companies and/or the Founding Shareholders are subject to criminal liabilities due to violation of laws and regulations related to anti-corruption and anti-bribery;
- (8) Any other shareholder requests repurchase.

Upon the occurrence of any Repurchase Event, the Investor of this Round (“Repurchase Right Holder”) has the right to send a repurchase notice (“Repurchase Notice”) to the Group Companies and the Founding Shareholders (“Repurchase Obligors”), requesting the Repurchase Obligors to jointly and severally purchase all or a part of equity interests (“Equity Interests for Repurchase”) held by the Repurchase Right Holder in the Company at the repurchase price provided in Article 6.2 below. For the avoidance of doubt, the Repurchase Notice shall state the number of Equity Interests for Repurchase, round of financing in which the Repurchase Right Holder obtained such Equity Interests for Repurchase, and the corresponding total costs paid.

6.2 Repurchase price

The repurchase price (“Repurchase Price”) of the Equity Interests for Repurchase shall be calculated according to the formula below:

$$\text{Repurchase Price} = I \times (1 + R \times N) + A - B$$

I is the total costs actually paid by the Repurchase Right Holder for obtaining the Equity Interests for Repurchase;

R is the repurchase interest rate, i.e., [7%];

N is a fraction, in which the numerator is the number of days from the Closing Date to the date (“Repurchase Date”) when the Repurchase Obligors make full payment of the Repurchase Price to the Repurchase Right Holder, and the denominator is 365;

A is all the profit distribution or dividends corresponding to the Equity Interests for Repurchase that have been declared but not actually paid to the Repurchase Right Holder prior to the Repurchase Date;

B is the profit distribution or dividends that have been obtained by the Repurchase Right Holder before the Repurchase Notice is sent.

- 6.3 The Repurchase Obligors shall notify other Repurchase Right Holders within [seven (7)] days after receiving the Repurchase Notice sent by the Repurchase Right Holder, and within [sixty (60)] days after receiving the Repurchase Notice (“Repurchase Period”), make full payment for the Repurchase Price to the Repurchase Right Holder requesting to exercise the repurchase right.
- 6.4 If the Repurchase Obligors cannot make full payment for the Repurchase Price to the Repurchase Right Holder within the Repurchase Period, the Repurchase Right Holder has the right to require the Repurchase Obligors to pay a penalty at the interest rate of [0.05]% for the Repurchase Price not paid in full from the expiration date of the Repurchase Period. Besides paying the penalty to the Repurchase Right Holder, the Repurchase Obligors shall continue to perform their repurchase obligations, and immediately pay the Repurchase Price and all penalties arising to the Repurchase Right Holder as soon as they get available funds.
- 6.5 If the Repurchase Obligors fail to make full payment for the Repurchase Price within [one hundred and twenty (120)] days from the expiration of the Repurchase Period, the Repurchase Right Holder has the right to require the Company to raise funds to perform their repurchase obligations by selling assets, making profit distribution, or by other means to the satisfaction of the Repurchase Right Holder. At that time, the Repurchase Obligors shall cause all shareholders or directors (if applicable) of the Company to approve the plan for raising such repurchase funds, and sign relevant legal documents.
- 6.6 The Repurchase Obligors are obliged to cause other shareholders of the Group Companies and relevant parties to sign all necessary documents and take all necessary acts, so as to ensure the prompt and smooth implementation of the repurchase under Article 6, including but not limited to completing the change registration with the administration for industry and commerce with respect to the repurchase, where the change registration with the administration for industry and commerce shall be no later than thirty (30) working days from the date when the Repurchase Right Holder sends the Repurchase Notice; however, if the Company cannot complete the change registration with the administration for industry and commerce within the specified period due to force majeure, the duration of the force majeure event shall not be included in such period.

- 6.7 Before the Repurchase Right Holder obtains the Repurchase Price in full, the Repurchase Right Holder still has all the shareholder's rights provided in laws, regulations, and this Agreement with respect to the equity interests for which the Repurchase Price has not been obtained.
- 6.8 For the avoidance of doubt, the Group Companies and the Founding Shareholders, and the Founding Shareholders themselves, are jointly and severally liable for the repurchase obligations provided under Article 6.
- 6.9 All expenses and expenditures, such as taxes and charges, paid due to the purchase, shall be borne by the Group Companies and the Founding Shareholders.

Article 7 Right of information and inspection

- 7.1 The Company shall provide the Investor of this Round ("Information Right Holder") with the following documents of the Group Companies as scheduled:
- (1) Within [ninety (90)] days from the end of each accounting year, provide the annual financial statements that have been audited by a qualified accounting firm in accordance with the accounting standards of China;
 - (2) Within [twenty (20)] days from the end of each quarter, submit unaudited quarterly financial statements prepared in accordance with the *Accounting Standard for Business Enterprises of China*;
 - (3) Important information concerning the operation of the Company;
 - (4) Other information and report requested in writing by the Information Right Holder from the Company, including but not limited to monthly operation updates, disclosure of material events, etc.
- All the financial statements provided by the Company to the Information Right Holder in accordance with Article 7.1 hereof shall contain the balance sheets, income statements, and cash flow statements both on a consolidated basis and of individual branches and subsidiaries, and shall contain the comparison between the annual budget and actual results.
- 7.2 The information right holder has the right to review and copy the Articles of Association, records of shareholders' meetings, records of board meetings, records of supervisor meetings (if any), and financial and accounting reports. The Company shall promptly notify the Information Right Holder within three (3) days upon the occurrence of any material events.

Article 8 Corporate governance

- 8.1 At shareholders' meetings convened by the Company, shareholders shall exercise voting rights according to their capital contribution ratios after the Closing to decide matters of the Company unless otherwise provided in this Agreement or the Articles of Association.
- 8.2 Notwithstanding other provisions in this Agreement, the Company shall obtain the prior written consent of Pintec for the following matters to become effective (for the purpose of this article, the following matters are applicable to any of the Group Companies and any subsidiary, branch, and other divisions (if any) of the Group Companies):
- (1) To increase the registered capital of the Company (including conversion of capital reserves into the registered capital), or to issue any equity interests, convertible bonds, or warrants, or to conduct any other acts that may dilute Pintec's equity interests in the Company;
 - (2) To decrease the registered capital of the Company, or to repurchase and de-register any equity interests of the Company (except for the equity interests repurchased in accordance with the provisions hereof);
 - (3) To make equity or debt financing, and approve the Company's financing solutions and plans;
 - (4) To modify or impose any limit on the shareholder's rights or preferential rights of Pintec, or to grant rights to any other shareholders that are more preferential or equally preferential to Pintec in terms of voting, dividends, repurchase, liquidation, or other shareholder's rights, or to reach an agreement that is unfavorable to Pintec;
 - (5) To modify the Capital Increase Agreement, Shareholders' Agreement, and Articles of Association;
 - (6) To implement combination, division, dissolution, liquidation, restructuring, or organization form change of the Company;
 - (7) To engage in any transaction that may result in change of control over the Company;
 - (8) Any other material events jointly identified by the Founding Shareholders and Pintec.

Article 9 Liquidation

- 9.1 In the event of dissolution, liquidation, or bankruptcy of the Company, the properties of the Company shall be used to first pay off liquidation expenses, employee salaries, social insurance premiums, statutory compensation, due taxes of the Company, and debts of the Company in accordance with the provisions of laws. If the Company has remaining properties after the payment above ("Distributable Residual Properties"), such Distributable Residual Properties shall be distributed as follows:
- (1) Pay the following amounts ("Preferred Liquidation Amounts") to the Investor of this Round ("Liquidation Right Holder"): amount equivalent to the investment of the Liquidation Right Holder, plus simple interests of the Liquidation Right Holder's investment amount at [7]% per year, plus dividends distributable to the Liquidation Right Holder that have been declared but unpaid by the Company;
 - (2) After all Liquidation Right Holders get paid of the Preferred Liquidation Amounts provided in Item (1) above, the remaining properties (if any) of the Company shall be distributed among all shareholders, including the Liquidation Right Holders, according to the shareholding ratios of all shareholders of the Company. For the avoidance of doubt, in the calculation of the "shareholding ratios of all shareholders" above, the Company's equity interests under employee incentive plans may be included in the calculation only after the employees have actually obtained, directly or indirectly, the Company's equity interests through the employee incentive plans (and the equity interests are subject to no limit of any restricted period (if any) in accordance with the provisions of the employee incentive plans), while other equity interests of the Company that have not been directly or indirectly obtained by employees shall not be included in the calculation of the "shareholding ratios of all shareholders" above.
- 9.2 Upon the occurrence of any Deemed Liquidation Event (as defined below) on the Company, all the considerations ("Sales Considerations") obtained by the Company or its shareholders in such Deemed Liquidation Event shall be deemed as the Distributable Residual Properties to be distributed according to the distribution plan provided in Article 9.1 above. For the purpose of this article, a "Deemed Liquidation Event" includes (for the avoidance of doubt, except as exempted with the consensus of all Liquidation Right Holders):
- (1) The Company or its controlled subsidiary is merged or acquired, or included in another similar transaction resulting in the change of control on the Company or its controlled subsidiary, causing the shareholders of the Company prior to such merger, acquisition, or similar transaction hold less than fifty percent (50%) equity interests in the company or entity that has survived after such transaction;
 - (2) Any equity transfer, sales, or share replacement transaction, resulting in that fifty percent (50%) or more decision-making power of the Company is transferred to a third party, or there is another event that is defined as transfer of control on the Company;
 - (3) All or substantially all assets or businesses of the Company or its controlled subsidiary are sold, transferred, mortgaged, pledged, or otherwise disposed of; or
 - (4) All or substantially all intellectual property rights of the Company or its controlled subsidiary are licensed on an exclusive basis or sold to a third party.

- 9.3 The Company and the Founding Shareholders shall take all effective measures to ensure that the Liquidation Right Holders may obtain the distributed amounts according to the distribution plan provided in Article 9.1 from the Distributable Residual Properties or Sales Considerations. If, according to the requirements of applicable laws at that time, the Distributable Residual Properties or Sales Considerations cannot be distributed according to the distribution plan provided in Article 9.1, the Liquidation Right Holders have the right to require the Company and/or the Founding Shareholders to take all effective measures to compensate the Liquidation Right Holders so that the distributed amounts obtained by the Liquidation Right Holders are equivalent to all the properties or prices to be obtained in accordance with the provisions of Article 9.1. Such measures include but are not limited to: (1) the Company distributes dividends and profit distribution according to a plan jointly agreed with by the Liquidation Right Holders; (2) the Founding Shareholders compensate the Liquidation Right Holders with the properties or prices they obtained from the Distributable Residual Properties or Sales Considerations; or (3) the Company and the Founding Shareholders cause shareholders which obtained more amounts than those distributable in accordance with the provisions of Article 9.1 to compensate the Liquidation Right Holders by irrevocable gift or other means permitted by law. The Liquidation Right Holders have the right to choose a specific method, while the Company and the Founding Shareholders are obliged to fully cooperate in the method chosen by the Liquidation Right Holders, including but not limited to vote in affirmative at shareholders' meetings, cause the directors they appointed to vote in affirmative, sign all relevant legal documents, obtain the consent of relevant internal and external parties, and bear corresponding costs, taxes, and charges (if any). If the Liquidation Right Holders fail to receive sufficient Preferred Liquidation Amounts due to any reason, the Group Companies and the Founding Shareholders are obliged to compensate the Liquidation Right Holder in cash for corresponding gaps.

Article 10 Effectiveness, amendment, and rescission of this Agreement

- 10.1 This Agreement shall become effective and binding on the Parties from the date first written above after being signed by the Parties or being affixed with the stamps of the Parties.
- 10.2 Any amendment to this Agreement shall be made by the Parties in writing, and constitute an integral part of this Agreement.
- 10.3 Rescission: This Agreement may be rescinded by any of the following means:
- (1) The Parties hereto negotiate to reach a consensus and rescind this Agreement in writing;

- (2) Upon the occurrence of any of the following circumstances, the Investor of this Round may notify the Company and Founding Shareholders in writing to rescind this Agreement, which notice shall be sent at least five (5) working days in advance and shall state the effective date of the rescission:
 - (a) The representations or warranties made by the Warrantors are seriously untrue or contain material omissions, causing the effect that the investment cannot be closed;
 - (b) The Warrantors seriously violate any of their undertakings, obligations, or responsibilities hereunder not due to force majeure, and fail to make rectification within twenty (20) working days from the date of violation, causing the effect that the investment cannot be closed.
- (3) If the Prerequisites provided in Article 4 of the Capital Increase Agreement are not satisfied within [ninety (90) days] from the execution date of this Agreement and not exempted by the Investor of this Round, the Investor of this Round has the right to send a written notice to unilaterally rescind this Agreement.

10.4 Effects of rescission

After this Agreement is rescinded in accordance with Article 10.3 above:

- (1) Unless otherwise agreed by the Parties then, each Party shall return the consideration (if any) it received from any other Party hereunder on the principle of fairness, reasonableness, honesty and good faith, to return to the original state prior to the execution of this Agreement. For the avoidance of doubt, any Party shall be liable for any losses it caused due to violation of this Agreement prior to the rescission of this Agreement;
- (2) Except for Article 11 (Liabilities for breach of agreement and indemnity), Article 12 (Confidentiality), Article 13 (Applicable law), Article 14 (Dispute resolution), and Article 15 (Miscellaneous), this Agreement shall not be binding and effective any longer, and the rights, obligations, and responsibilities of the Parties under this Agreement shall be terminated.

Article 11 Liabilities for breach of agreement and indemnity

- 11.1 Any Party in breach of this Agreement shall be liable for compensating the other Party for all its actual and predictable losses at that time caused by such breach, including profit losses. If any Party hereto violates the provisions hereof, in addition to other rights provided hereunder, the other Parties also have the right to request specific and comprehensive performance of obligations under this Agreement by the violating Party, and may claim compensation for losses suffered by the non-violating Party due to such violation. A Party hereto ("Indemnifying Party") shall indemnify, hold harmless, and pay relevant amounts for other Parties and their respective right and obligation successors, affiliates, and representatives (collectively, "Indemnified Party") under the following circumstances: (a) the Indemnifying Party breaches any representation or warranty it made in this Agreement, or its representations and warranties are untrue; and (b) the Indemnifying Party breaches or fails to fully perform the promises, agreements, warranties, or obligations hereunder except for those exempted by the other Parties in writing. The Indemnifying Party shall indemnify or compensate the Indemnified Party for any and all losses, debts, liabilities, impairments, expenses (including investigation and defense expenses, and reasonable attorney's fees and accountant's fees), or any other damages (regardless of whether a third-party claim is involved) suffered, directly or indirectly, due to the circumstances above.

Article 12 Confidentiality

- 12.1 Unless otherwise provided herein, the Parties hereto shall make their best efforts to keep the confidentiality of any technical or business information in any form of all the other Parties obtained by performing this Agreement, such information including but not limited to any content hereof and other possible cooperation and transactions between among the Parties. Any Party shall restrict such information only to its employees, agents, contractors, suppliers, etc. who are required to know such information for performing the obligations hereunder, and shall instruct its directors, senior executive, and other employees, and the directors, senior executive, and other employees of its affiliates to abide by confidentiality obligations.
- 12.2 The restriction above is not applicable to:
- (1) Information generally available to the public at the time of disclosure;
 - (2) Information that becomes generally available to the public after the disclosure not due to the faults of the receiving party;
 - (3) Information proven to be in the possession of the receiving party prior to the disclosure instead of being obtained, directly or indirectly, from the other party; Confidential Information that any Party is obliged to disclose to relevant government authority or stock exchange under laws, or that is disclosed by any Party to its direct legal advisers and financial advisers as required by normal business operation;
 - (4) Confidential information that any Party is obliged to disclose to relevant government authority or stock exchange under laws, or that is disclosed by any Party to its legal advisers, financial advisers, and investors as required by normal business operation.
- 12.3 Every Party hereto shall instruct its directors, senior executives, employees, agents, advisors, contractors, suppliers, and customers, and the directors, senior executives, employees, agents, advisors, contractors, suppliers, and customers of its affiliates to abide by the confidentiality obligations provided in Article 12.

- 12.4 The Parties shall abide by the confidentiality obligations provided in Article 12 despite the rescission or termination of this Agreement for any reason.

Article 13 Applicable law

- 13.1 This Agreement shall be governed by officially promulgated laws of China. In the absence of provisions in Chinese laws on any aspect in this Agreement, general international practices shall be applicable.

Article 14 Dispute resolution

- 14.1 Any disputes arising from or in connection with this Agreement shall be submitted to Beijing Arbitration Commission for arbitration in Beijing in accordance with its then effective arbitration rules. The arbitration award shall be final, and binding on the Parties. During the dispute resolution, except for the matters in dispute, the Parties shall continue to perform other provisions hereof.

Article 15 Miscellaneous

- 15.1 Without the prior written consent of any investor, and regardless of whether the investor is a shareholder of the Company or not, neither other shareholder of the Company than the investor nor the Company may use, publish, or duplicate: (1) the name or mark of the investor, (2) the name, picture or image, or mark of any shareholder or partner of the investor, or (3) a name, trademark, or mark similar to the foregoing in any marketing, advertising, or promotion materials or for any marketing, advertising, or promotion purposes.
- 15.2 This Agreement shall constitute the entire right and obligation relationship among the Parties hereto together with the Capital Increase Agreement and the New Articles of Association (defined in the Capital Increase Agreement), and the Parties shall exercise their rights and perform their obligations in good faith in accordance with the provisions in this Agreement, the Capital Increase Agreement, and the New Articles of Association. In the event of any inconsistency between this Agreement and the Articles of Association, this Agreement prevails.
- 15.3 Notice

For notices sent to the Company or the Founding Shareholders:

Attention: [Xu Danxia]

Mailing address: [Building 5, Huashang Creativity Center, 18 Keyuan Road, Daxing Economic Development Zone, Beijing]

Telephone: [13901175376]

Email: [xdx@Xiao Benniao.com]

For notices sent to Other Existing Shareholders:

Attention: [Zhang Ping]

Mailing address: [Building 5, Huashang Creativity Center, 18 Keyuan Road, Daxing Economic Development Zone, Beijing]

Telephone: [13801113373]

Email: [zhang_ping@Xiao Benniao.com]

For notices sent to Pintec:

Attention: [Investor Relation Department]

Mailing address: [9/F, No. 17, East 3 Ring Road, Chaoyang District, Beijing]

Telephone: [010-8564 3600]

Email: [ir@pintec.com]

Any notice, demand, request, or any other communication required or permitted under this Agreement shall be made in writing, and any notice shall be deemed as delivered when sent in the following manner:

- (1) If sent by fax, image scanner, or other electronic communication means, when it is sent successfully;
- (2) If sent by personal delivery, when it is signed for receipt;
- (3) If sent through a courier service company, on the seventh (7) day after handing over to the courier service company or when it is signed for receipt (whichever is earlier).

15.4 If any one or more provisions hereof, or any one or more legal documents related to the capital increase are held invalid, illegal, or unenforceable under any relevant laws:

- (1) The validity, legality, and enforceability of other provisions hereof shall not be affected or damaged but shall be fully valid, and except for the agreements that are held as invalid, illegal, or unenforceable, the validity, legality, and enforceability of other agreements related to the capital increase shall not be affected or damaged but shall be fully valid;
- (2) The Parties shall immediately replace such invalid, illegal, or unenforceable provisions or agreements with valid, legal, and enforceable provisions or agreements with the intention closest to that of the invalid, illegal, or unenforceable provisions or agreements.

-
- 15.5 This Agreement is made in Chinese in [9] originals, with the Group Companies holding [8] originals and the Investor of this Round holding one original, each original having the same legal force.
- 15.6 The headings herein are for reference only, and shall not be deemed as a part of this Agreement or affect the meaning or interpretation of this Agreement.
- 15.7 This Agreement is signed by the duly authorized representatives of the Parties on the date first written above.

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[This page contains no text, but is a signature page to the *Shareholders' Agreement of Beijing Xiao Benniao Information Technology Co., Ltd.*]

Group Companies:

Beijing Xiao Benniao Information Technology Co., Ltd. (Stamp)

Legal representative: _____

Beijing Qinliandeli International Trade Co., Ltd. (Stamp)

Legal representative: _____

Haiweizhen (Beijing) Network Technology Co., Ltd. (Stamp)

Legal representative: _____

Beijing Yimaoxing International Trade Co., Ltd. (Stamp)

Legal representative: _____

Signature page to the Shareholders' Agreement

Beijing Xiao Benniao Supply Chain Management Co., Ltd. (Stamp)

Legal representative: _____

Beijing Youshida International Trade Co., Ltd. (Stamp)

Legal representative: _____

Signature page to the Shareholders' Agreement

[This page contains no text, but is a signature page to the *Shareholders' Agreement of Beijing Xiao Benniao Information Technology Co., Ltd.*]

Group Companies:

Xianfei (Hainan) International Trade Co., Ltd. (Stamp)

Legal representative: _____

Shenzhen Tianxia Logistics Technology Co., Ltd. (Stamp)

Legal representative: _____

Beijing Hongweichuangshi Technology Co., Ltd. (Stamp)

Legal representative: _____

Beijing Zhuandong Culture Technology Co., Ltd. (Stamp)

Legal representative: _____

Signature page to the Shareholders' Agreement

Shoukong Jinxin (Beijing) Technology Co., Ltd. (Stamp)

Legal representative: _____

Signature page to the Shareholders' Agreement

[This page contains no text, but is a signature page to the *Shareholders' Agreement of Beijing Xiao Benniao Information Technology Co., Ltd.*]

Group Companies:

Xiao Benniao Feishi Technology (Beijing) Co., Ltd. (Stamp)

Legal representative: _____

Xiao Benniao Zhonghan (Beijing) Technology Co., Ltd. (Stamp)

Legal representative: _____

Xuzhou Xianfei Shuzhi Information Technology Co., Ltd. (Stamp)

Legal representative: _____

Hebei Xiong'an Xianfei Shuzhi Technology Co., Ltd. (Stamp)

Legal representative: _____

Signature page to the Shareholders' Agreement

Zhejiang Xianfei Shuzhi Technology Co., Ltd. (Stamp)

Legal representative: _____

XBN E-commerce Co., Ltd.

Authorized representative: _____

Signature page to the Shareholders' Agreement

[This page contains no text, but is a signature page to the *Shareholders' Agreement of Beijing Xiao Benniao Information Technology Co., Ltd.*]

Group Companies:

Bestmind Trade and Service Ltd.

Authorized representative: _____

XBN Information Technology Co., Ltd.

Authorized representative: _____

XBN Ecommerce (Hong Kong) Limited

Authorized representative: _____

[Alphamic Limited]

Authorized representative: _____

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New & Vigorous Electronic Trading W.L.L.

Authorized representative: _____

Comforyou Furniture & Kitchenware Trading W.L.L.

Authorized representative: _____

Signature page to the Shareholders' Agreement

Existing Shareholders:

Xu Danxia

By: _____

Zheng Yu

By: _____

Lv Yin

By: _____

Shi Haonan

By: _____

Signature page to the Shareholders' Agreement

Liu Feng

By: _____

Signature page to the Shareholders' Agreement

[This page contains no text, but is a signature page to the *Shareholders' Agreement of Beijing Xiao Benniao Information Technology Co., Ltd.*]

Investor of this Round:

[Sky City (Beijing) Technology Co., Ltd.] (Stamp)

By: _____

Signature page to the Shareholders' Agreement

Appendix I Group Companies

- (1) Beijing Xiao Benniao Supply Chain Management Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China (“Xiao Benniao Supply Chain”), having its registered address at: Room 138, 1/F, Suite A3, Building 1, 18 Keyuan Road, Daxing Economic Development Zone, Beijing; unified social credit code: 91110115MA01EWY16M;
- (2) Beijing Qinliandeli International Trade Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China (“Beijing Qinliandeli”), having its registered address at: Room 318, 3/F, Building 5, 18 Keyuan Road, Daxing Economic Development Zone, Beijing; unified social credit code: 91110115MA01Q5G99Y;
- (3) Haiweizhen (Beijing) Network Technology Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China (“Beijing Haiweizhen”), having its registered address at: Room 521, 5/F, Building 5, 18 Keyuan Road, Daxing Economic Development Zone, Beijing; unified social credit code: 91110115MA01K0HQ86;
- (4) Beijing Yimaoting International Trade Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China (“Beijing Yimaoting”), having its registered address at: Room 2064, 2/F, Building 2, 12 Jinxing Road, Daxing District, Beijing; unified social credit code: 9111011507857803X5;
- (5) Beijing Youshida International Trade Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China (“Beijing Youshida”), having its registered address at: Room 321, 3/F, Building 5, 18 Keyuan Road, Daxing Economic Development Zone, Beijing; unified social credit code: 91110115MA01Q3HL8E;
- (6) Xianfei (Hainan) International Trade Co., Ltd., a limited liability company registered in Haikou in accordance with the laws of China (“Xianfei Hainan”), having its registered address at: Room 601-2, Building B, Hainan Normal University National University Science Park, 3 Haitao Avenue, Jiangdong New Area, Meilan District, Haikou City, Hainan Province; unified social credit code: 91469027MA5TMEDX3Q;
- (7) Shenzhen Tianxia Logistics Technology Co., Ltd., a limited liability company registered in Shenzhen in accordance with the laws of China (“Shenzhen Tianxia Logistics”), having its registered address at: 202TX, Building 27, Jinxing Materials Company, Science & Industry Park, Technology Park Community, Yuehai Subdistrict, Nanshan District, Shenzhen City; unified social credit code: 91440300MA5FJ7NL0N;
- (8) Beijing Hongweichuangshi Technology Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China (“Beijing Hongweichuangshi”), having its registered address at: Room 431, 4/F, Building 3, 18 Jinxing Road, Daxing District, Beijing; unified social credit code: 91110115MA01BGM87Y;

- (9) Beijing Zhuandong Culture Technology Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China ("Beijing Zhuandong Culture"), having its registered address at: Room 520, 5/F, Building 5, 18 Keyuan Road, Daxing Economic Development Zone, Beijing; unified social credit code: 91110115MA020E1X3M;
- (10) Shoukong Jinxin (Beijing) Technology Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China ("Shoukong Jinxin"), having its registered address at: Room 131, 1/F, Suite A3, Building 1, 18 Keyuan Road, Daxing Economic Development Zone, Beijing; unified social credit code: 91110115MA01EL220B;
- (11) Xiao Benniao Feishi Technology (Beijing) Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China ("Xiao Benniao Feishi"), having its registered address at: Room 413, 4/F, Building 5, 18 Keyuan Road, Daxing Economic Development Zone, Beijing; unified social credit code: 91110115MA01EYF7XC;
- (12) Xiao Benniao Zhonghan (Beijing) Technology Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China ("Xiao Benniao Zhonghan"), having its registered address at: Room 155, 1/F, Suite A3, Building 1, 18 Keyuan Road, Daxing Economic Development Zone, Beijing; unified social credit code: 91110115MA01GU7D8X;
- (13) Bestmind Trade and Service Ltd., a company incorporated in accordance with the laws of California ("US Bestmind Trade"), having the registration No.: C4250332;
- (14) XBN E-commerce Co., Ltd., a company incorporated in accordance with the laws of California ("US XBN"), having the registration No.: C3679117;
- (15) [Alphamic Limited], a company incorporated in accordance with the laws of Hong Kong ("Hong Kong Alphamic"), having the registration No.: [2949175];
- (16) [XBN Information Technology Co., Ltd.], a company incorporated in accordance with the laws of Hong Kong ("Hong Kong XBN Information Technology"), having the registration No.: 70543030-000-04-19-0;
- (17) XBN Ecommerce (Hong Kong) Limited, a company incorporated in accordance with the laws of Hong Kong ("Hong Kong XBN Ecommerce"), having the registration No.: 65816943-000-02-19-5;
- (18) New & Vigorous Electronic Trading W.L.L., a company incorporated in accordance with the laws of the Kingdom of Bahrain ("Bahrain XBN Electronic");
- (19) Comforyou Furniture & Kitchenware Trading W.L.L., a company incorporated in accordance with the laws of the Kingdom of Bahrain ("Bahrain XBN Furniture");

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- (20) Xuzhou Xianfei Shuzhi Information Technology Co., Ltd., a limited liability company registered in Xuzhou City in accordance with the laws of China ("Xuzhou Xianfei Shuzhi"), having its registered address at: Room B305, Zhihe Building, Building B2, Software Park, Xuzhou Economic and Technology Development Zone; unified social credit code: 91320301MA23TJLD3Q;
- (21) Hebei Xiong'an Xianfei Shuzhi Technology Co., Ltd., a limited liability company registered in Pilot Free Trade Zone Xiong'an Area in accordance with the laws of China ("Xiong'an Xianfei Shuzhi"), having its registered address at: 302-00001, Enterprise Office Building F, Xiong'an Citizen Service Center, China (Hebei) Pilot Free Trade Zone Xiong'an Area; unified social credit code: 91133100MA0FXB0L2M;
- (22) Zhejiang Xianfei Shuzhi Technology Co., Ltd., a limited liability company registered in Yuhuan City in accordance with the laws of China ("Zhejiang Xianfei Shuzhi"), having its registered address at: Xiaoshanwai Industry Park, Longxi Township, Yuhuan City, Zhejiang Province; unified social credit code: 91331021MA2K7X6Q8R.

Cooperation Agreement

This Cooperation Agreement (this “**Agreement**”) is entered into as of September 27, 2021 in Chaoyang District, Beijing, People’s Republic of China, by and among:

Party A: **Pintec Technology Holdings Limited**, a limited liability company incorporated under the laws of Cayman Islands (“**Pintec**” or “**PT**”). Registered Address: P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1 - 1205 Cayman Islands;

Party B: **NCA DEVELOPMENT UNIT TRUST**, a trust incorporated under the laws of Australia (“**NCA**”). Registered Address: 2A Kilsyth Avenue, Toorak 3142;

Party C: **FT Synergy Pte. Ltd.**, a limited liability company incorporated under the laws of Singapore (the “**Target Company**” or “**JV**”), whose registered address is at 120 ROBINSON ROAD #08-01 SINGAPORE (068913), and whose subsidiaries are listed in Appendix 2;

Party A, Party B and Party C are hereinafter referred to collectively as the “**Parties**”, and individually as a “**Party**”.

WHEREAS:

1. Party A is the existing shareholder of the Target Company, and holds 100% of shares of the Target Company as of the date of execution hereof.
2. Party B is a trust company.
3. Party C is a tech company capable of providing computer network technology development and technology consulting services.
4. The Parties are willing to join their efforts to pursue reciprocity and mutual benefit as well as the goals of the Target Company.

In consideration of the foregoing, the Parties, intending to be legally bound hereby, agree as follows upon consensus through negotiations in accordance with the provisions of applicable laws and regulations:

Clause 1 Content of Cooperation

1.1 Share Transfer and Purchase

- (1) Party A shall transfer to Party B 85% of the shares of the Target Company owned by it (the “**Target Shares**”), and Party B agrees to accept the Target Shares, and undertakes to give full support, together with the Target Company, to Party A in completing the registration of change of the Target Shares and other relevant work by September 30, 2021. Upon consummation of the transfer of the Target Shares, the Target Company shall become a JV, and Party A shall be entitled to receive the income earned by the Target Company in proportion to its shareholding therein, including but not limited to legal income and distributable business profits. The ownership structure of the JV is set out below:

Name of Shareholder	Shareholding Proportion (%)
Pintec Technology Holdings Limited	15
NCA DEVELOPMENT UNIT TRUST	85
Total	100

- (2) The Parties agree that, Party A shall have the right of first refusal with respect to any proposed increase in the registered capital of the Target Company; Party B shall firstly send a written notice to Party A, indicating such particulars as the amount of proposed increase in the registered capital, subscription price and the identity of the prospective third party subscriber, and Party A shall have the right (but not the obligation) to subscribe for the proposed increase in the registered capital in proportion to its shareholding in the Target Company.
- (3) The Parties further agree that, if Party B wishes to sell, transfer or otherwise dispose of all or part of its direct or indirect ownership of shares of the Target Company, Party A shall have the right of first refusal with respect thereto. Party B shall firstly send to Party A a notice of the sale of its ownership of shares of the Target Company (the “**Notice of Sale**”). The Notice of Sale shall contain all such particulars as the shares to be sold, selling price, payment terms and the identity of the transferee. Party A shall have the right (but not the obligation) to purchase the shares to be sold at such price and subject to such conditions as indicated in the Notice of Sale.

1.2 Funds and Expenses

- (1) Upon consummation of the transfer of the Target Shares, Party A will no longer fund the JV in any form, and all funds required for day-to-day management of the JV and all obligations of the JV to customers shall be for the account of Party B and the JV. Party A undertakes to waive the JV from all loans, debts and future receivables (if any) between the JV and Party A or its affiliates, provided that the historical debts (if any) owed by the JV to any third party shall be for the account of the JV.

- (2) Upon consummation of the transfer of the Target Shares, Party A will no longer provide the JV with any support in terms of finance, legal affairs, human resources, administration or technical personnel. If the JV needs any such support from Party A, then Party A shall collect from Party B a fee at the cost per person per day plus 25%, and vice versa.

1.3 Business Divestiture

- (1) Party B undertakes to complete the business divestiture (including but not limited to novation of the business contract between Party B and Party A or any of Party A's affiliates) between the JV (including its subsidiaries) and Party A or any of its affiliates by September 30, 2021, upon which divestiture the JV shall be responsible for its own profit and loss.
- (2) The credit business (e.g. WagePay) of FT Synergy Pte. Ltd. (AU) shall be transferred to Pintec Australia Pty Ltd;
- (3) Following completion of the divestiture, Party B shall, upon Party A's request, provide the audited financial statements and relevant books of accounts of the Target Company and all of its subsidiaries (if required).

1.4 Personnel Assignment

- (1) All personnel listed in Appendix 1 (each "**Divested Employee**") shall enter into a new labor contract with Shanghai Xuanji Intelligent Technology Co., Ltd. and/or Shanghai Xuanji Intelligent Technology Co., Ltd. by September 30, 2021.
- (2) Party A or any of its affiliates shall cooperate with each Divested Employee in entering into a new labor contract, and the Parties acknowledge that Party A or such affiliate has not paid or is not required to pay any compensation or fee in any form with respect to the entry into a new labor contract.
- (3) Party B undertakes and warrants that continuation of the Divested Employee's service with Party A will be acknowledged, the position of the Divested Employee under the new labor contract be set out in an appendix hereto, and his or her salary and other benefits remain unchanged.
- (4) Any Divested Employee or employee of the JV's subsidiaries shall be transferred to Beijing Xuanji Intelligent Technology Co., Ltd., Shanghai Xuanji Intelligent Technology Co., Ltd. or the JV along with all Party A's computer and other IT devices currently used thereby, for which Party A shall not charge any fee.

1.5 Office Lease

Upon consummation of the transfer of the Target Shares, if the relevant personnel of the JV wish to continue to lease the space on 9/F of Party A's Heng'an Building (address: No.17 North Road of East 3rd Ring, Chaoyang District, Beijing) for office use, then the JV shall bear all lease expenses (including but not limited to rental, property management fee and water and electricity bills) based on the area of use/number of work stations and settle the same on a monthly basis.

1.6 IP Cross-Licensing

Upon consummation of the transfer of the Target Shares, the Parties (including but not limited to Party A and Party A's affiliates, Party B, Party C and their subsidiaries) agree to and shall cause the cross-licensing of their respective IPs.

1.7 Technical Support

If the JV or any of its subsidiaries needs any support for technology development from Party A or Party A's affiliates in the future, the support costs shall be accounted for at cost plus 25%, and vice versa. Specific details shall be agreed in a separate cooperation agreement entered into by and among the Parties.

1.8 The Parties shall make their best efforts to proactively facilitate the cooperation hereunder, and the particulars of the cooperation hereunder and specific legal rights and obligations of the Parties in the cooperation shall be subject to any specific agreement subsequently executed by the Parties (if required).

Clause 2 Liabilities for Breach of Contract

2.1 Either Party who fails to perform or duly perform this Agreement shall be deemed to have committed a breach of contract. The breaching Party shall be held liable for breach of contract in accordance with this Agreement, and shall compensate the non-breaching Party any losses actually caused thereto. The liability for breach of contract shall not be released by reason of termination hereof.

Clause 3 Confidentiality

3.1 The Parties acknowledge that the substance of and transactions under this Agreement shall be deemed confidential information.

3.2 Each Party agrees that it shall and shall procure its affiliates, subsidiaries and their respective senior officers, directors, employees, agents, representatives, accountants and legal counsels to keep in confidence any confidential information that it receives or obtains from any other Party, and shall not disclose to any third party (including but not limited to any other investor of such Party) or use such confidential information, unless agreed by the other Party in writing in advance or required by judicial or administrative proceedings or other laws or regulations.

3.3 The confidentiality obligation under this Clause 3 shall not apply to: (i) any information permitted to be disclosed pursuant to this Agreement; (ii) any information that has become available to the public at the time of disclosure through no breach of this Agreement by any Party or any of its affiliates or subsidiaries or their respective senior officers, directors, employees, agents, representatives, accountants and legal counsels; (iii) any information obtained from any third party in good faith under no confidentiality obligation; or (iv) any information disclosed to the extent agreed upon by the Parties.

3.4 The Parties agree that any Party and its affiliates and subsidiaries (including their senior officers, directors, employees, partners, members, shareholders, agents, representatives, accounts, financial advisors and legal counsels) may disclose any confidential information to competent government, judicial or securities regulatory authority in accordance with the provisions of applicable laws and regulations or the requirements of such authority, provided that such disclosure shall be made to the extent so required.

4.1 Notices

4.1.1 All notices and other communications required or given hereunder shall be addressed to any Party at its address set forth below by personal delivery, registered mail (postage prepaid), commercial courier service or facsimile. Also, each notice shall be served on the addressee by email. The date on which such notice is duly served shall be determined in such manner as set forth below:

- (1) If the notice is sent by personal delivery, courier service or registered mail (postage prepaid), then it shall be deemed to have been duly served on the date when it is received or refused at the address of notice;
- (2) If the notice is sent via facsimile, then it shall be deemed to have been duly served on the date of successful transmission (as proven by the automatically generated acknowledgment of transmission).

4.1.2 The addresses of the Parties for the purpose of notice are provided below:

Party A: Pintec Technology Holdings Limited

Address: 9/F, No.17 North Road of East 3rd Ring, Chaoyang District, Beijing

Attention: Victor Huike Li

Tel: 010-85643600

Party B: NCA DEVELOPMENT UNIT TRUST

Address: 2A Kilsyth Avenue, Toorak 3142

Attention: Ms. Lei Zheng

Tel: +61 425 406 594

Party C: FT Synergy Pte. Ltd.

Address: 16 Raffles Quay # 41-01 Hong Leong Building Singapore 048581

Attention: Victor Huike Li

Tel: +65 8120 9266

4.1.3 Any Party may at any time change its address for notice by giving notice to any other Party in accordance with this clause.

4.2 Modification and Amendment

In case the cooperation under or any business clause of this Agreement needs to be improved, the Parties may alter this Agreement in writing to the extent necessary for cooperation.

4.3 Assignment

This Agreement shall not be assigned by law or by any Party without the prior written consent of the other Parties.

4.4 Entire Agreement

The Parties acknowledge that this Agreement shall constitute the entire agreement and understanding reached by the Parties with respect to the subject matter hereof, and entirely supersedes all prior agreements and/or understandings, whether oral or in writing, by and among the Parties with respect to the subject matter hereof.

4.5 Severability

Should any provision hereof be held invalid or unenforceable, the remaining provisions hereof shall not be affected, and shall remain in full force and effect and continue to be enforceable.

4.6 Legality

During the term of this Agreement, in case the implementation of any provision hereof is affected by national laws, regulations or policies, the Parties shall adjust such provision accordingly in accordance with national applicable regulations.

4.7 Effectiveness

This Agreement shall become effective as of the date on which the Parties affix hereunto their seals or signatures. This Agreement is executed in three (3) counterparts, with each Party holding one (1) counterpart and each counterpart having the same legal force and effect.

4.8 Governing Laws

This Agreement shall be governed by and interpreted in accordance with the laws of the PRC (for the avoidance of doubt, excluding the laws of Hong Kong, Macau and Taiwan).

4.9 Dispute Resolution

Any dispute, controversy or claim arising from or in connection with this Agreement (including its existence, validity or termination) shall be firstly resolved by the Parties through amicable negotiations. If such dispute, controversy or claim has not been resolved within sixty (60) days after giving of the written notice of commencement of negotiation, the dispute, controversy or claim shall be filed with Beijing Arbitration Commission for arbitration in accordance with its then effective arbitration rules (which rules shall be included in this clause by reference). The arbitral award shall be final and binding on the Parties. The arbitral tribunal shall consist of a sole arbitrator, to be appointed in accordance with the then effective rules of Beijing Arbitration Commission. The arbitration proceedings shall be conducted in Chinese.

(The remainder of this page is intentionally left blank)

IN WITNESS WHEREOF, the Parties have caused their respective authorized representatives to execute this Agreement as of the first date written above.

Party A: Pintec Technology Holdings Limited (Seal)

By: _____
Name: Victor Huike Li
Title: Director

Party B: NCA DEVELOPMENT UNIT TRUST (Seal)

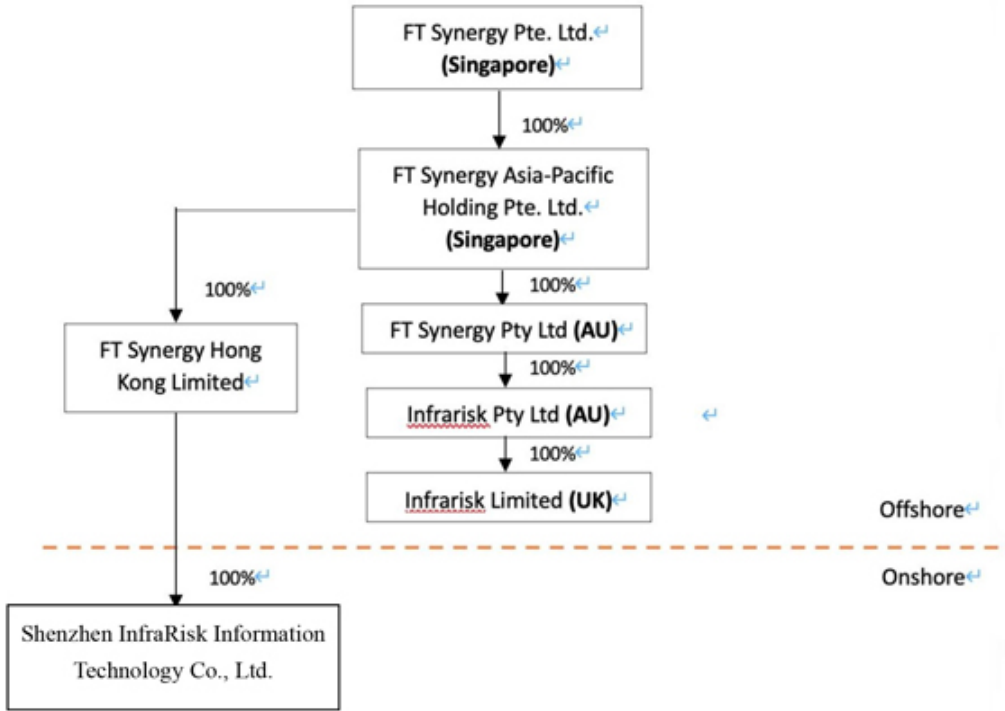
By: _____
Name: Ms. Lei Zheng
Title: Director

Party C: FT Synergy Pte. Ltd. (Seal)

By: _____
Name: Victor Huike Li
Title: Director

Appendix 1

<u>S/N</u>	<u>Name</u>	<u>New Signer</u>	<u>Title</u>
1	Zhou Lun	Beijing Xuanji	President of Business Department
2	Sun Hui	Beijing Xuanji	Project Delivery Director
3	He Li	Beijing Xuanji	Project Manager
4	Wang Xiaoli	Beijing Xuanji	Senior Development Engineer
5	Li Xingle	Beijing Xuanji	Software Development Engineer
6	Qian Jizhi	Beijing Xuanji	Test Manager
7	Zhang Chen	Beijing Xuanji	Senior Product Manager
8	Song Zhijian	Beijing Xuanji	Software Development Engineer
9	Wang Yang	Beijing Xuanji	Software Development Engineer
10	Guo Haolei	Beijing Xuanji	Software Development Engineer
11	Wang Yu	Beijing Xuanji	Test Engineer
12	Liu Hongbin	Beijing Xuanji	Post-Lending Management Expert
13	Guo Yuping	Beijing Xuanji	Senior Test Engineer
14	Luo Wentao	Beijing Xuanji	Project Manager
15	Tian Mengyuan	Shanghai Xuanji	Credit Strategy Analyst
16	Wang Bowen	Shanghai Xuanji	Credit Strategy Analyst



Investment Termination Agreement

on

Beijing Xiao Benniao Information Technology Co., Ltd.

[] (month) [] (day), 2021

Investment Termination Agreement

This Investment Termination Agreement (“Agreement”) was entered into by and among the following parties on [] (month) [] (day), 2021:

- (1) Beijing Xiao Benniao Information Technology Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China (“Company”), having its registered address at: Room 206, 2/F, Building 3, 18 Keyuan Road, Daxing Economic Development Zone, Beijing; unified social credit code: 91110115MA001HGK4U;
- (2) Xu Danxia, a natural person of PRC holding the identity card No.: 110105196901022929;
- (3) Zheng Yu, a natural person of PRC holding the identity card No.: 110224198610200055;
- (4) Sky City (Beijing) Technology Co., Ltd., a limited liability company registered in Beijing in accordance with the laws of China (“Pintec”), having its registered address at: 3009, 3/F Bowangyuan Podium, Yangfangdian Subdistrict, Haidian District, Beijing; unified social credit code: 91110108MA00AL746N.

The parties above are hereinafter referred to as the “Parties” collectively and a “Party” individually. Xu Danxia and Zheng Yu are collectively referred to as the “Founders” or “Founding Shareholders.” The Founding Shareholders and the Company are collectively referred to as the “Company Parties.”

Whereas:

1. The Company, currently a limited liability company established in accordance with the laws of China, mainly engages in the business of foreign trade general services and cross-border e-commerce services (“Main Business”).
2. The Company Parties, Pintec, and other relevant parties have entered into the *Capital Increase Agreement on Beijing Xiao Benniao Information Technology Co., Ltd.* (“Capital Increase Agreement”), under which Pintec invested RMB [100] million (“Pintec Investment Amount”) in the Company to acquire [6]% equity interests in the Company after the capital increase (corresponding to the registered capital of RMB [1.1373] million).

The Parties reached the following agreement through friendly negotiation in accordance with the provisions of the relevant laws and regulations of the People's Republic of China.

I. Termination of the investment

- 1.1 The Parties agree and acknowledge that, Pintec terminates its investment in the Company made under the Capital Increase Agreement, and as a refund for the Pintec Investment Amount that has been paid by Pintec in accordance with the Capital Increase Agreement, the Company transfers the equity interests (corresponding to the registered capital of RMB [100] million) in Haiweizhen (Beijing) Network Technology Co., Ltd. ("Beijing Haiweizhen"), which is 100% held by the Company, to Pintec.
- 1.2 To complete the equity transfer above, the Company and Founders shall, and shall cause the Company to, sign an equity transfer agreement ("Equity Transfer Agreement") in the format and with the content satisfactory to Pintec with Pintec or a party designated by Pintec; under the Equity Transfer Agreement, the Company agrees and acknowledges that: all assets of Beijing Haiweizhen shall be owned by Pintec, and the Company shall not claim any right in Beijing Haiweizhen and the assets thereof.
- 1.3 The Parties agree and acknowledge that, after the equity transfer is completed (i.e., after the Equity Transfer Agreement is signed and becomes effective, and Pintec becomes the *de facto* owner of the equity interests in Beijing Haiweizhen), the investment made by Pintec in the Company under the Capital Increase Agreement is terminated, and the Company does not need to refund the Pintec Investment Amount to Pintec.
- 1.4 The Parties agree and acknowledge that, if the investment is terminated by the Parties in accordance with this Agreement, Pintec still has the right (but no obligation) to subscribe to the additional register capital of the Company prior to the initial public offering with the investment amount of RMB 100 million at the valuation of (A) valuation of the Company as provided in the Capital Increase Agreement, or (B) valuation of the Company prior to the initial public offering, whichever is lower.

II. Rescission and termination

2.1 This Agreement may be rescinded by any of the following means:

- (1) The Parties hereto negotiate to reach a consensus and rescind this Agreement in writing;
- (2) If the equity transfer is not completed within [ninety (90)] days from the execution date of this Agreement, Pintec has the right to send a written notice to unilaterally rescind this Agreement.

2.2 Effects of rescission and termination:

- (1) After this Agreement is rescinded or terminated, the Parties hereto shall, on the principles of fairness, reasonableness, and good faith, refund the consideration obtained from the other Party under this Agreement, and restore the state to that prior to the execution of this Agreement as much as possible.
- (2) Upon the rescission or termination of this Agreement, except for Article 3 (Confidentiality), Article 4 (Liabilities for breach of agreement and indemnity), Article 5 (Applicable law and dispute resolution), and Article 6 (Miscellaneous), all the rights and obligations of the Parties under this Agreement shall be terminated, and neither Party has any claim to other Parties under this Agreement or with respect to the rescission of this Agreement.

III. Confidentiality

3.1 Unless otherwise provided herein, the Parties hereto shall make their best efforts to keep the confidentiality of any technical information, business information, or any non-public information and materials (including written, oral, tangible, or intangible information and materials) in any form of the other Party obtained by negotiating, signing, or performing this Agreement or by due diligence investigation, such information including but not limited to any content hereof and other possible cooperation and transactions between the Parties, until such information and materials are disclosed to the public by the providing party. Any Party shall restrict such information only to its directors, shareholders/partners, senior employees, employees, agents, advisors, contractors, suppliers, and customer etc. who are required to know such information for performing the obligations hereunder.

- 3.2 The restriction above is not applicable to:
- (1) Information generally available to the public at the time of disclosure;
 - (2) Information that becomes generally available to the public after the disclosure not due to the faults of the receiving party;
 - (3) Information proven to be in the possession of the receiving party prior to the disclosure instead of being obtained, directly or indirectly, from the other party;
 - (4) Confidential information that any Party is obliged to disclose to relevant government authority or stock exchange under laws, or that is disclosed by any Party to its legal advisers, financial advisers, and investors as required by normal business operation.
- 3.3 Every Party hereto shall instruct its directors, shareholders/partners, senior employees, employees, agents, advisors, contractors, suppliers, and customers, and the directors, shareholders/partners, senior employees, employees, agents, advisors, contractors, suppliers, and customers of its affiliates to abide by the confidentiality obligations provided in Article 3.
- 3.4 The Parties shall abide by the confidentiality obligations provided in Article 3 despite the rescission or termination of this Agreement for any reason.

IV. Liabilities for breach of agreement and indemnity

- 4.1. If any Party hereto violates the provisions hereof, in addition to other rights provided hereunder, the other Parties may also raise a claim for the losses suffered by the non-breaching party due to the violation.
- 4.2. Subject to other provisions of this Agreement, a Party ("Indemnifying Party") hereto shall indemnify, hold harmless, and pay relevant amounts for other Parties ("Indemnified Party") under the following circumstances: (a) the Indemnifying Party breaches any representation or warranty it made in this Agreement, or its representations and warranties are untrue; and (b) the Indemnifying Party breaches or fails to fully perform the promises, agreements, warranties, or obligations hereunder except for those exempted by the other Parties in writing. The Indemnifying Party shall indemnify or compensate the Indemnified Party for any and all losses suffered, directly or indirectly, due to the circumstances above.

- 4.3. If any Party hereto violates the provisions hereof, in addition to other rights provided hereunder, the other Parties also have the right to request specific and comprehensive performance of obligations under this Agreement by the violating Party.
- 4.4. Notwithstanding anything to the contrary herein, the provisions of this article shall survive the termination of the rights and obligations by the Parties hereto or the termination of this Agreement.

V. Applicable law and dispute resolution

5.1 Applicable law

This Agreement is governed by the laws of China.

5.2 Dispute resolution

Any disputes arising from or in connection with this Agreement shall be submitted to Beijing Arbitration Commission for arbitration in Beijing in accordance with its then effective arbitration rules. The arbitration award shall be final, and binding on the Parties. During the dispute resolution, except for the matters in dispute, the Parties shall continue to perform other provisions hereof.

VI. Miscellaneous

- 6.1 Any modification to this Agreement shall be made as a written agreement signed by the duly authorized representatives of the Parties, and shall be an integral part of this Agreement.
- 6.2 If any one or more provisions hereof, or any one or more legal documents related to the capital increase are held to be invalid, illegal, or unenforceable under any relevant laws:
 - (1) The validity, legality, and enforceability of other provisions hereof shall not be affected or damaged but shall be fully valid, and except for the agreements that are held as invalid, illegal, or unenforceable, the validity, legality, and enforceability of other agreements related to the capital increase shall not be affected or damaged but shall be fully valid;
 - (2) The Parties shall immediately replace such invalid, illegal, or unenforceable provisions or agreements with valid, legal, and enforceable provisions or agreements with the intention closest to that of the invalid, illegal, or unenforceable provisions or agreements.

- 6.3 This Agreement is made in Chinese in [9] originals, with the Group Companies holding [8] originals and the Investor of this Round holding one original, each original having the same legal force.
- 6.4 This Agreement shall become effective and binding on the Parties from the date first written above after being signed by the Parties. Any amendment to this Agreement shall be made by the Parties in writing, and constitute an integral part of this Agreement.

--The remainder of this page contains no text, and is followed by the signature page—

Company:

Beijing Xiao Benniao Information Technology Co., Ltd. (Stamp)

Legal representative: _____

Xu Danxia

By: _____

Zheng Yu

By: _____

Signature page to the Investment Termination Agreement

Pintec Parties:

[Sky City (Beijing) Technology Co., Ltd.] (Stamp)

By: _____

Signature page to the Investment Termination Agreement

Equity Transfer Agreement

This Equity Transfer Agreement (this “**Agreement**”) is hereby entered into in [], China as of [] [], 2022 by and between:

Transferor:

Peng Jun: a PRC citizen, whose ID card number is 511324198912280047;

Tang Mei: a PRC citizen, whose ID card number is 500224198412027661.

(Collectively “**Party A**”)

Transferee: Sky City (Beijing) Technology Co., Ltd. (“**Party B**”)

Unified Social Credit Code: 91110108MA00AL746N

Domicile: 3009, 3/F, Bowangyuan Podium, Yangfangdian, Haidian District, Beijing

Haiweizhen (Beijing) Network Technology Co., Ltd. (the “**Company**”) was incorporated in Beijing on May 8, 2019, and the total amount of its subscribed registered capital is RMB 100,000,000. Given that Party A holds 100% of the equity in the Company (the “**Target Equity**”), and wishes to transfer the Target Equity to Party B, and that Party B wishes to receive the Target Equity, the parties hereby agree as follows with respect to the equity transfer upon consensus through negotiations in accordance with the provisions of the *Civil Code of the People’s Republic of China*:

I. Equity Transfer

1. Party A holds 100% of the equity in the Company, representing the registered capital of RMB 100,000,000, and hereby transfers to Party B the Target Equity held by it for nil consideration (the “**Equity Transfer**”).
2. Party A shall submit the Equity Transfer to the competent administration for industry and commerce, and complete the registration of change within [] days following the execution hereof.

II. Representations, Warranties and Covenants of the Transferor

For the purpose of consummating the transaction hereunder, the Transferor hereby makes the following representations and warranties to the Transferee as of the execution date hereof:

1. The Transferor is a limited liability company duly incorporated and validly existing under the laws of the PRC.
2. The Company is a limited liability company duly incorporated and validly existing under the laws of the PRC. There is no pledge or other security interest or third party interest over the entire equity of or any capital contribution to the Company. The ownership structure of the Company is clear and stable, and no dispute or controversy over equity has ever occurred.
3. The Transferor is the legal owner of the Target Equity, and the title to the Target Equity is not subject to any encumbrance, including but not limited to any pledge or other security interest, third party interest, agreement or arrangement (other than this Agreement). At the time of execution hereof, the Transferor shall transfer the Target Equity to the Transferee, and warrants that the Target Equity received by the Transferee is not subject to any encumbrance.
4. The execution and performance of this Agreement by the Transferor will not: (i) constitute a violation of any constitutional document to which it is a party or by which it is bound, any agreement executed or approval obtained; or (ii) result in a violation of or require the issuance of any judgment, ruling, order or consent by the court, government authority or regulator.
5. On the execution date of this Agreement, all representations and warranties made and information disclosed by the Transferor to the Transferee for the purpose of formulating and/or performing this Agreement are authentic, accurate and complete, and do not contain any false statement, material omission or otherwise that would mislead the Transferee into making any false judgment.

6. As of the execution date hereof, the Company has not been involved in any ongoing or threatened lawsuit, debt, contingent liability, tax payable, administrative penalty, liability for breach of contract, tort liability or other liability.

7. The Transferor is willing to and has full right and authority to execute and perform this Agreement and consummate the transactions described herein, and it has taken all such actions as may be necessary to obtain legal and valid authorization with respect to this Agreement and all transactions described herein. This Agreement, when executed by the Transferor, will constitute its legal, valid and binding obligation.

III. Liabilities for Breach of Contract:

The parties must, immediately upon the effectiveness of this Agreement, perform this Agreement conscientiously. Failure by either party to fully perform its obligations hereunder shall be held liable in accordance with the provisions of applicable laws and this Agreement.

IV. Alteration or Rescission:

This Agreement may be altered or rescinded upon consensus through negotiations by the parties. The parties shall enter into a separate agreement with respect to any alteration or rescission hereof through negotiations.

V. Burden of Costs:

All costs incurred in connection with the Equity Transfer (e.g. notarization, evaluation or audit, AIC registration of change or otherwise) shall be for the account of the Transferor.

VI. Dispute Resolution:

Any dispute arising from or in connection with this Agreement shall be resolved by the parties through amicable negotiations; should such negotiations fail, either party may refer the dispute to [Beijing Arbitration Commission] for arbitration in [Beijing] in accordance with its then effective arbitration rules.

VII. Effectiveness:

This Agreement shall become effective as of the date on which the parties affix hereunto their signatures and seals. The parties shall, upon effectiveness of this Agreement, go through procedures for registration of change with the competent administration for industry and commerce in accordance with applicable laws.

VIII. This Agreement may be executed in several copies, with each party holding one (1) copy, the Company holding one (1) copy, and the remaining copies being submitted to relevant authorities.

(Followed by signature pages)

Transferors:

Peng Jun

By:

Tang Mei

By:

Transferee:

Sky City (Beijing) Technology Co., Ltd. (Seal)

Legal Representative: _____

**Principal Subsidiaries, Consolidated Affiliated Entities and Subsidiaries of
Consolidated Affiliated Entities of the Registrant**

Subsidiaries:

Sky City Holdings Limited, a British Virgin Islands company

Sky City Hong Kong Limited, a Hong Kong company

Sky City (Beijing) Technology Co., Ltd., a PRC company

Anxunying (Tianjin) Commercial Factoring Co., Ltd., a PRC company

Pintec (Ganzhou) Technology Co., Ltd., a PRC company

Huatai (Ningxia) Enterprise Consulting Service Partnership, a PRC limited partnership

Pintec (Beijing) Technology Co., Ltd., a PRC company

Pintec (Yinchuan) Technology Co., Ltd., a PRC company

Next Hop Holdings Limited, a British Virgin Islands company

Next Hop Hong Kong Limited, a Hong Kong company

Pintec Huiju (Yinchuan) Technology Co., Ltd., a PRC company

Hunan Aixin Development Technologic Co., Ltd., a PRC company

Pintec Australia Pty Ltd, an Australian company

WagePay Pty Ltd, an Australian company

Suppy Pty Ltd, an Australian company

Janko Loans Pty Ltd, an Australian company

Ziitech Pty Ltd, an Australian company

Consolidated Affiliated Entities:

Anquying (Tianjin) Technology Co., Ltd., a PRC company

Pintec Jinke (Beijing) Technology Information Co., Ltd., a PRC company

Beijing Hongdian Fund Distributor Co., Ltd., a PRC company

Beijing Xinshun Dingye Technology Co., Ltd., a PRC company

Subsidiaries of Consolidated Affiliated Entities:

Shanghai Anquying Technology Co., Ltd., a PRC company

Ganzhou Aixin Network Micro Finance Co., Ltd., a PRC company

Sichuan Aixin Jinfu Technology Co., Ltd., a PRC company

Shenzhen Qianhai Minheng Commercial Factoring Co., Ltd., a PRC company

Ganzhou Dumiao Intelligence Technology Co., Ltd., a PRC company

Pintec Yunke (Ganzhou) Information Technology Co., Ltd., a PRC company

Myfin Insurance Broker Co., Ltd., a PRC company

Pintec Digital Technology (Beijing) Co., Ltd., a PRC company

Xuanji Intelligence (Beijing) Technology Co., Ltd., a PRC company

Qilehui Credit Information Co., Ltd, a PRC company

Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Victor Huike Li, certify that:

1. I have reviewed this annual report on Form 20-F of Pintec Technology Holdings Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Pintec Technology Holdings Limited

Date: April 28, 2022

By: /s/ Victor Huike Li
Name: Victor Huike Li
Title: Chief Executive Officer

Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Victor Huike Li, certify that:

1. I have reviewed this annual report on Form 20-F of Pintec Technology Holdings Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Pintec Technology Holdings Limited

Date: April 28, 2022

By: /s/ Victor Huike Li
Name: Victor Huike Li
Title: Acting Chief Financial Officer

Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Pintec Technology Holdings Limited (the “Company”) on Form 20-F for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Victor Huike Li, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

April 28, 2022

By: /s/ Victor Huike Li

Name: Victor Huike Li

Title: Chief Executive Officer

Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Pintec Technology Holdings Limited (the “Company”) on Form 20-F for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Victor Huike Li, Acting Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

April 28, 2022

By: /s/ Victor Huike Li
Name: Victor Huike Li
Title: Acting Chief Financial Officer



April 28, 2022

To: Pintec Technology Holdings Limited (the “Company”)

9/F Heng An Building
No. 17 East 3rd Ring Road
Chaoyang District, Beijing
People’s Republic of China

Ladies and Gentlemen:

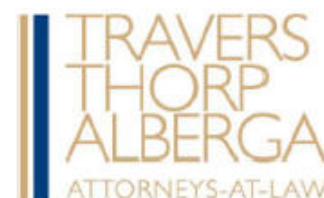
We hereby consent to the reference of our name under the headings “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure” and “Item 4. Information on the Company—C. Organizational Structure” in the Company’s annual report on Form 20-F for the year ended December 31, 2021 (the “Annual Report”), which will be filed with the Securities and Exchange Commission (the “SEC”) in the month of April 2022. We also consent to the filing of this consent letter with the SEC as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/ Shihui Partners

SHIHUI PARTNERS



To: **Pintec Technology Holdings Limited**
P.O. Box 472, Harbour Place, 2nd Floor, 103 South Church Street, George Town,
Grand Cayman KY1-1106, Cayman Islands

27 April 2022

Pintec Technology Holdings Limited (the "Company")

We consent to the reference to our firm under the heading "Memorandum and Articles of Association" in the Company's Annual Report on Form 20-F for the year ended December 31, 2021, which will be filed with the Securities and Exchange Commission in the month of April 2021.

Yours faithfully

/s/ Travers Thorp Alberga

TRIVERS THORP ALBERGA

Tel +1 345 949 0699
Fax +1 345 949 8171

www.traversthorpalberga.com

Harbour Place, P.O. Box 472
103 South Church Street
Grand Cayman KY1-1106
Cayman Islands

**Beijing Office**

Kerry Center South Tower 1 Guang hua Rd., #2419-
2422, Chaoyang
Dist., Beijing 100020
T 8610.8518.7992

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in this Registration Statement of Pintec Technology Holdings Limited on Form S-8 (FILE NO. 333-229745) of our report dated April 28, 2022, with respect to our audits of the consolidated financial statements of Pintec Technology Holdings Limited as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, which report is included in this Annual Report on Form 20-F of Pintec Technology Holdings Limited for the year ended December 31, 2021.

/s/ Marcum Bernstein & Pinchuk LLP

Marcum Bernstein & Pinchuk LLP
Beijing, China
April 28, 2022

www.marcumbp.com