Table of Contents

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, 2023.

OR

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

OR

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

Date of event requiring this shell company report

For the transition period from to

Commission file number: 001-39147

OneConnect Financial Technology Co., Ltd.

(Exact name of Registrant as specified in its charter)

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

Cayman Islands
(Jurisdiction of incorporation)

21/24F, Ping An Finance Center, No. 5033 Yitian Road
Futian District, Shenzhen, Guangdong, 518000, The People's Republic of China
(Address of principal executive offices)

Mr. Yongtao Luo, Chief Financial Officer
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21/24F, Ping An Finance Center, No. 5033 Yitian Road
Futian District. Shenzhen. Guangdong. The 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

Title of each class	Trading Symbol	Name of each exchange on which registered
American depositary shares, each ADS represents thirty ordinary shares, par value US$0.00001 per share	**OCFT**	**The New York Stock Exchange**
Ordinary shares, par value US$0.00001 per share	**6638**	**The Stock Exchange of Hong Kong Limited**

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 issued and outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report 1,169,980,653 Ordinary Shares

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

Table of Contents

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 (§ 232A05 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(6)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

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

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

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

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

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

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

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

Table of Contents

TABLE OF CONTENTS

	Page
PART I	1
ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS	1
ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE	1
ITEM 3. KEY INFORMATION	1
ITEM 4. INFORMATION ON THE COMPANY	72
ITEM 4A. UNRESOLVED STAFF COMMENTS	114
ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS	115
ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	141
ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	152
ITEM 8. FINANCIAL INFORMATION	154
ITEM 9. THE OFFER AND LISTING	155
ITEM 10. ADDITIONAL INFORMATION	155
ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	170
ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	171
PART II	174
ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	174
ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS	174
ITEM 15. CONTROLS AND PROCEDURES	175
ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT	175
ITEM 16B. CODE OF ETHICS	175
ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES	176
ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES	176
ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS	176
ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT	176
ITEM 16G. CORPORATE GOVERNANCE	177
ITEM 16H. MINE SAFETY DISCLOSURE	177
ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS	177
ITEM 16J. INSIDER TRADING POLICIES	177
ITEM 16K. CYBERSECURITY	178
PART III	179
ITEM 17. FINANCIAL STATEMENTS	179
ITEM 18. FINANCIAL STATEMENTS	179
ITEM 19. EXHIBITS	179

Table of Contents

CONVENTIONS THAT APPLY TO THIS ANNUAL REPORT ON FORM 20-F

Unless otherwise indicated or the context otherwise requires, and for purposes of this annual report on Form 20-F only:

- "ADRs" refer to the American depositary receipts that evidence our ADSs;
- "ADSs" refer to our American depositary shares, each of which represents thirty ordinary shares;
- "AI" refers to artificial intelligence;
- "basic customers" refer to our customers that contribute annual revenue of less than RMB100,000;
- "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;
- "Hong Kong" or "HK" refers to the Hong Kong Special Administrative Region of the People's Republic of China;
- "Hong Kong dollars" or "HK$" refers to the legal currency of Hong Kong;
- "Hong Kong Listing Rules" refers to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time;
- "Hong Kong Stock Exchange" refers to The Stock Exchange of Hong Kong Limited;
- "IaaS" refers to infrastructure-as-a-service;
- "IFRS" refers to International Financial Reporting Standards as issued by the International Accounting Standards Board;
- "IT" refers to information technology;
- "net expansion rate" is a numerical representation of the expansion of our customer relationships on a year-on-year basis, calculated as a fraction, the denominator of which is the revenue contribution from a particular group of customers in one year and the numerator of which is the contribution from the same group of customers in the following year, expressed as a percentage;
- "OCR" refers to optical character recognition;
- "OneConnect," "we," "us," "our company" and "our" refer to OneConnect Financial Technology Co., Ltd., a Cayman Islands exempted company, and its subsidiaries and, in the context of describing our operations and consolidated financial information, also include the VIEs and their subsidiaries;
- "PaaS" refers to platform-as-a-service;
- "Ping An Group" refers to Ping An Insurance (Group) Company of China, Ltd. and, unless the context requires otherwise, its subsidiaries;
- "Premium customers" refers to our customers that contribute annual revenue of at least RMB100,000, excluding Ping An Group and its subsidiaries, although this category includes certain customers that we have direct contracts with, and provide direct services to, where payments for these services have been made through contractual arrangements that we have with others, including Ping An Group;
- "Premium plus customers" refers to premium plus customers that contribute annual revenue of at least RMB1,000,000;

Table of Contents

- "RMB" or "Renminbi" refers to the legal currency of China;
- "SaaS" refers to software-as-a-service;
- "shares" or "ordinary shares" refer to our ordinary shares, par value US$0.00001 per share;
- "SKU" refers to stock keeping unit;
- "SLA" refers to service level availability;
- "SME" refers to small and medium enterprises;
- "Third-party customer" refers to each customer with revenue contribution of less than 5% of our total revenue in the relevant period; and
- "US$," "U.S. dollars," "$," and "dollars" refer to the legal currency of the United States.

All of our customer numbers in this annual report are exclusive of Ping An Group and its subsidiaries.

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

In December 2022, we effected an ADS ratio change to adjust our ordinary share to ADS ratio from one (1) ADS representing three (3) ordinary shares to one (1) ADS representing thirty (30) ordinary shares, or the Ratio Change. Except otherwise stated, the Ratio Change has been retrospectively applied for all periods presented in this annual report.

Table of Contents

FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains forward-looking statements that involve risks and uncertainties. All statements other than statements of current or historical facts are forward-looking statements. These forward-looking statements are made under the "safe harbor" provision under Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

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

- our vision and strategies;
- our future business development, financial condition and results of operations;
- expected changes in our revenues, costs or expenditures;
- expected growth of technology spending in the financial services industry in China;
- our expectations regarding demand for and market acceptance of our services;
- competition in our industry
- government policies and regulations relating to our industry;
- health epidemics, pandemics and similar outbreaks;
- the status of Sino-U.S relations and related regulatory and legislative developments; and
- general economic, business and socio-political conditions globally, including recent Israel-Hamas war and Russia-Ukraine war.

We would like to caution you not to place undue reliance on these forward-looking statements and you should read these statements in conjunction with the risk factors disclosed in "Item 3. Key Information—3D. Risk Factors." Other sections of this annual report include additional factors that could adversely affect our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

You should not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents

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

Implications of Being a Holding Company

Our investors hold securities of OneConnect Financial Technology Co., Ltd., which is not an operating company but a Cayman Islands holding company with operations primarily conducted by its subsidiaries and through contractual arrangements with its variable interest entities, or VIEs, and their respective subsidiaries based in China. As a holding company, we rely upon dividends paid to us by our subsidiaries in the PRC to pay dividends and to finance any debt we may incur. If our subsidiaries or any newly formed subsidiaries 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 subsidiaries are permitted to pay dividends to us only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC laws and regulations, each of our Chinese subsidiaries are required to set aside a portion of their net income each year to fund a statutory surplus reserve until such reserve reaches 50% of its registered capital. This reserve is not distributable as dividends. As a result, our Chinese subsidiaries are restricted in their ability to transfer a portion of its net assets to us in the form of dividends, loans or advances. As an offshore holding company, we will be permitted under PRC laws and regulations to provide funding from the proceeds of our offshore fund-raising activities to our subsidiaries in China only through loans or capital contributions, subject to the satisfaction of the applicable government registration and approval requirements. Before providing loans to our PRC subsidiaries, we will be required to make filings about details of the loans with the State Administration of Foreign Exchange of the PRC (the "SAFE") in accordance with relevant PRC laws and regulations. Our PRC subsidiaries that receive the loans are only allowed to use the loans for the purposes set forth in these laws and regulations. Under regulations of the SAFE, Renminbi is not convertible into foreign currencies for capital account items, such as loans, repatriation of investments and investments outside of China, unless the prior approval of the SAFE is obtained and prior registration with the SAFE is made. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in the PRC" for more details.

Risks Associated with Operations in China

The majority of our operations are in China. We are exposed to legal and operational risks associated with our operations in China. Rules and regulations in China have been constantly evolving. The PRC legal system is partly influenced by government policies and internal rules, some of which may be issued without advance notice. Furthermore, the PRC regulatory authority have initiated a series of regulatory actions and released guidelines to regulate business operations in China, including those related to data security or anti-monopoly concerns, which may have an impact on our ability to conduct certain business in China, accept foreign investments, or list on a U.S. or other exchange. If we are unable to address any data security or information protection concerns, any compromise of security that results unauthorized disclosure or transfer of personal information, or to comply with the then applicable laws and regulations, we may incur additional costs and liability and result in regulatory enforcement actions, litigation, fines and penalties or adverse publicity and could cause our users and clients to lose trust in us, which could have a material adverse effect on our business, results of operations, financial condition and prospects. And if certain of our activities in mainland China were deemed by relevant regulators as violation of the laws and regulations on anti-monopoly other matters, it may result in regulatory investigations, fines and/or other sanctions against us.

Table of Contents

The PRC regulatory authorities have significant oversight over our business and may influence our operations. The PRC regulatory authorities have published new regulations and guidance to exert more oversight and control over securities offerings and other capital markets activities that are conducted overseas and foreign investment in China-based companies like us. Any such actions by the PRC regulatory authority could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or in extreme cases, become worthless. While we do not believe that these regulatory changes would have any material impact on us, we cannot assure you that we will be able to comply with these new laws and regulations in all aspects, or the future regulatory changes will not restrict our business operations or access to capital.

Recent Regulatory Developments

Cyber Security Review and Data Privacy Regulations

The PRC regulatory authorities have promulgated, among others, the Personal Information Protection Law of the PRC and the Data Security Law of the PRC to ensure cybersecurity, data and personal information protection. These laws, as well as other proposed regulations, demonstrate that relevant laws and regulations governing these areas are developing along with the enforced and constantly tightening of relevant regulatory supervision. The State Council of the PRC promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure on July 30, 2021, which took effect on September 1, 2021. This regulation requires, among other things, that certain competent authorities identify and protect critical information infrastructures. In addition, in November 2021, the Cyberspace Administration of China, or the CAC, promulgated the Regulations on Network Data Security (draft for public comments), which set forth different scenarios where data processors should apply for cybersecurity review. The CAC and a number of other departments under the State Council promulgated the Cybersecurity Review Measures on December 28, 2021, which became effective on February 15, 2022. According to this regulation, critical information infrastructure operators, or CIIO, purchasing network products and services and network platform operators carrying out data processing activities, which affect or may affect national security, are required to conduct cybersecurity review.

On September 1, 2021, the Data Security Law of the PRC became effective, which imposes data security and privacy obligations on entities and individuals conducting data-related activities, and introduces a data classification and hierarchical protection system. In addition, the Standing Committee of the National People's Congress promulgated the Personal Information Protection Law of the PRC, or the PIPL, on August 20, 2021, and this law took effect on November 1, 2021. The PIPL further emphasizes processors' obligations and responsibilities for personal information protection and sets out the basic rules for processing personal information and the rules for cross-border provision of personal information. On March 22, 2024, the CAC promulgated the Provisions on Promoting and Regulating Cross-border Data Flows, effective on March 22, 2024, which specify certain scenarios in which no data cross-border compliance declaration is required. Under the Regulations on Network Data Security (draft for public comments), critical data processors or foreign-listed data processors are required to carry out annual data security evaluations and submit evaluation reports to the municipal cyberspace administration authority. We have implemented comprehensive cybersecurity and data protection policies, procedures and measures to safeguard personal information and ensure secured storage and transmission of data and prevent unauthorized access or use of data. However, we cannot guarantee that we will be able to comply with these new laws and regulations in all aspects or future laws and regulations will not restrict our business operations.

There are uncertainties as to the interpretation and application of these cybersecurity and data privacy laws, regulations and standards, and they may be interpreted and applied in a manner that is inconsistent with our current policies and practices or require changes to the features of our data systems. If the Chinese Securities Regulatory Commission, or the CSRC, the CAC or other regulatory agencies later deem us to be a CIIO and require that we obtain their approvals for our future offshore offerings, we may be unable to obtain such approvals in a timely manner, or at all, and such approvals may be rescinded even if obtained. Any such circumstance could significantly limit or completely hinder our ability to continue to offer securities to investors and cause the value of our securities to significantly decline or be worthless. In addition, implementation of industry-wide regulations affecting our business operations could limit our ability to attract new customers and/or users and cause the value of our securities to significantly decline.

Table of Contents

CSRC Approval on Overseas Listing

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly 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. 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. These opinions and any related implementation rules to be enacted may subject us to additional compliance requirement. On February 17, 2023, the CSRC released a set of regulations consisting of six documents, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines, collectively, the Overseas Listing Filing Rules, which came into effective on March 31, 2023. According to the Overseas Listing Filing Rules, companies that have already offered shares or been listed overseas prior to the implementation of such new regulations qualify as "Stock Enterprises", and Stock Enterprises are not required to apply for the filing immediately until a subsequent re-financing event occurs. However, the Overseas Listing Filing Rules, among others, require the issuer or its main operational entity in the PRC to file with the CSRC for its follow-on securities offerings in the same offshore market within three business days after the completion of such offerings, and file with the CSRC for its offerings or listing in offshore stock market other than the stock market of its initial public offering or listing within three business days after the submission of offering application outside mainland China.

We have been listed on the New York Stock Exchange and the Hong Kong Stock Exchange prior to the implementation of the Overseas Listing Filing Rules. Therefore, we are qualified as "Stock Enterprises" and are not required to apply for the filing immediately until a subsequent re-financing event occurs according to the Overseas Listing Filing Rules. However, we are required to file with the CSRC for its follow-on securities offerings in the same offshore market within three business days after the completion of such offerings, and file with the CSRC for our offerings or listing in offshore stock market other than the stock market of our initial public offering or listing within three business days after the submission of offering application outside mainland China. Failure to comply with the filing requirements for any offering, listing or any other capital raising activities, may result in administrative penalties, such as order to rectify, warnings, fines and other penalties, on the companies, the controlling shareholders, the actual controllers, the person directly in charge and other directly liable persons. Given the uncertainties surrounding the CSRC filing requirements at this stage, we cannot assure you that we will be able to complete the filings and fully comply with the relevant new rules on a timely basis, or at all, if we conduct listing in other offshore stock markets or follow-on offerings, issuance of convertible corporate bonds, exchangeable bonds, and other equivalent offering activities in the future.

We have been closely monitoring regulatory developments in China regarding any necessary approvals from the CSRC, the CAC, or other PRC regulatory authorities required for overseas listings. As of the date of this annual report, we have not received any inquiry, notice, warning, sanctions or regulatory objection from the CSRC or the CAC. Because these regulatory actions are relatively new and evolving, it is uncertain how soon legislative or regulatory bodies will respond and what existing or new laws or regulations or detailed implementations and interpretations will be modified or promulgated, if any, or the potential impact such modified or new laws and regulations will have on our daily business operation, our ability to accept foreign investments and listing on a U.S. or other foreign exchanges.

For more detailed information, see "Item 3. Key Information — Risk Factors — Risks Relating to Doing Business in the PRC."

Our VIE Structure

PRC laws and regulations restrict and impose conditions on foreign investment in internet-based businesses, including online information, internet data center services and other value-added telecommunication services. Furthermore, our electronic certification service business is subject to foreign investment restrictions in practice under the regulatory requirements. Accordingly, we operate these businesses in China through OneConnect Smart Technology Co., Ltd., (Shenzhen), or Shenzhen OneConnect, and Shenzhen Digital Certificate Authority Center Co., Ltd., or Shenzhen CA, which we refer to as the VIEs in this annual report, and their subsidiaries, and rely on contractual arrangements among our PRC subsidiary, the VIEs and their respective nominee shareholders to control the business operations of the VIEs and their subsidiaries. We exert effective control over, and are the primary beneficiary of these VIEs for accounting purposes because of these contractual arrangements. Accordingly, under IFRS, the financial statements of the VIEs are consolidated as part of our financial statements. Any references to control or benefits that accrue to us because of the

VIEs in this annual report are limited to, and subject to conditions for consolidation of, the VIEs under IFRS. Although these VIE agreements have been widely adopted by PRC companies seeking to list overseas, such agreements have not been tested in a court of law.

Table of Contents

Our corporate structure is subject to risks associated with our contractual arrangements with the VIEs. The company that investors will own may never have a direct equity ownership interest in the businesses that are conducted by the VIEs. As a result, control thorough our contractual arrangements may be less effective than director ownership, and we could incur substantial costs in enforcing our contractual arrangements. If the PRC regulatory authority deems that our contractual arrangements with the VIEs do not comply with PRC laws, or if these laws or the interpretation of existing laws change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations or otherwise significantly change our corporate structure. The majority of our assets, including the necessary licenses to conduct business in China, are held by the VIEs and a significant part of our revenues are generated by the VIEs. If any event happens that would result in the deconsolidation of the VIEs, our operations could be materially affected and the value of the securities could be diminished substantially or even become worthless. We and our investors face uncertainty about potential future actions by the PRC regulatory authority that could affect the legality and enforceability of the contractual arrangements with the VIEs and, consequently, significantly affect the financial performance of the VIEs and their subsidiaries and our company as a whole. If the PRC government deems that any of our business operations carried out through the VIEs do not comply with PRC regulatory restrictions, especially the restrictions on foreign investment in the relevant industries, or if the relevant regulations or their interpretation change in the future, the PRC regulatory authorities could disallow this structure, which could result in us being subject to penalties or being forced to relinquish its interests in the affected operations. If any of these happens, our ordinary shares or our ADSs may decline in value or become worthless, if we are unable to claim our contractual control rights over the assets of the VIEs that conduct some or all of our operations. For a detailed description of the risks associated with our corporate structure, please refer to risks disclosed under “Item 3.D. Key Information—Risk Factors—Risks Relating to Our Corporate Structure”.

Permissions Required from the PRC Authorities for Our Operations

We believe that our corporate structure and contractual arrangements with the VIEs are not in violation of the current applicable PRC laws and regulations. As of the date of this annual report, our PRC subsidiaries and the VIEs have obtained all material licenses and approvals required for conducting our operations in China, except as disclosed under “Item 3. Key Information—3.D. Risk Factors—Risks Relating to Our Business and Our Industry—Failure to comply with existing or future laws and regulations related to data security, data protection, cyber security or personal information protection could lead to liabilities, administrative penalties and other regulatory actions, which could negatively affect our operating results and business.” As of the date of this annual report, we believe that our PRC subsidiaries and VIEs are not required to obtain permission or approval from the CSRC, or the CAC, on our contractual arrangements with the VIEs and their respective shareholders. However, PRC laws and regulations governing the conditions and the requirements of such approval are uncertain and evolving. There can be no assurance that the PRC regulatory authorities such as the CSRC, the CAC, the Ministry of Commerce, or MOFCOM, the Ministry of Industry and Information Technology, or the MIIT, or other authorities that regulate our business and other participants in the telecommunications industry, would agree that our corporate structure or any of the above contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. It is also uncertain whether any new PRC laws, regulations or interpretations relating to contractual arrangements will be adopted, or if adopted, what they would provide. On February 17, 2023, the CSRC released the Overseas Listing Filing Rules, which came into effective on March 31, 2023. According to the Overseas Listing Filing Rules, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. In addition, an overseas listed company should also submit the filing with respect to its follow-on offerings, issuance of convertible corporate bonds, exchangeable bonds, and other equivalent offering activities, within a specific time frame requested by the Overseas Listing Filing Rules. Therefore, we will be required to file with the CSRC for our future overseas offering of equity, ADS and equity linked securities within the timeframe as required by Overseas Listing Filing Rules. On the same day, at the press conference held for the Overseas Listing Filing Rules, the officials from the CSRC clarified that, if a company with a VIE structure is in compliance with applicable PRC laws, regulations and regulatory requirements, the CSRC may permit its filing application of the overseas listings of such companies after soliciting opinions from relevant regulatory authorities. However, given that there is no further explanation on such compliance requirements, there remains substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing and there can be no assurance that we will be able to satisfy compliance requirements. As of the date of this annual report, we have not received any inquiry, notice, warning, or sanctions regarding our corporate structure and contractual arrangements from the CSRC, CAC or any other PRC regulatory agency. If we, our subsidiaries or VIEs inadvertently conclude that approvals are not required, or if these regulations change or are interpreted differently and we are required to obtain approval in the future, our ADSs may

significantly decline in value or become worthless if we are unable to assert our contractual control rights over the economic benefits and assets of the VIEs and their subsidiaries.

Table of Contents

Implications of the Holding Foreign Companies Accountable Act, or the HFCA Act

Our financial statements contained in this annual report have been audited by PricewaterhouseCoopers Zhong Tian LLP, an independent registered public accounting firm that is headquartered in Shanghai, China with offices in other cities in China. It is a firm registered with the U.S. Public Company Accounting Oversight Board, or PCAOB, and is required by the laws of the U.S. to undergo regular inspections by the PCAOB to assess its compliance with the laws of the U.S. and professional standards. According to Article 177 of the PRC Securities Law, which became effective in March 2020, the securities regulatory authority of the State Council may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, or the Regulatory Cooperation Mechanism; no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Accordingly, without a Regulatory Cooperation Mechanism or 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 overseas parties.

The United States adopted the Holding Foreign Companies Accountable Act on December 18, 2020 and it was amended by the Consolidated Appropriations Act, 2023 on December 17, 2022, the amended act, or the HFCA Act. The HFCA Act states if the SEC determines that a company has filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for two consecutive years, the SEC shall prohibit such securities from being traded on a national securities exchange or in the over the counter trading market in the U.S. The SEC has adopted rules to implement the HFCA Act and, pursuant to the HFCA Act, the PCAOB issued a report notifying the SEC of its determination that it is unable to inspect or investigation completely accounting firms headquartered in mainland China or Hong Kong. Our auditor PricewaterhouseCoopers Zhong Tian LLP was subject to the determinations announced by the PCAOB on December 16, 2021. We were also conclusively identified as a "Commission-Identified Issuer" under the HFCA Act on May 4, 2022 in respect of our Annual Report for 2021 on Form 20-F filed on March 31, 2022. Pursuant to amendment made to the HFCA Act in 2022, the PCAOB may determine that it is unable to inspect or investigate completely registered public accounting firms in any foreign jurisdictions because of positions taken by any foreign authority, rather than an authority in the location in which the firms are headquartered or in which they have a branch or office, as was the case under the original version of the Act.

On December 15, 2022, the PCAOB announced its determination that it has been able to inspect and investigate audit firms in mainland China and Hong Kong completely for purposes of the HFCA Act, and the PCAOB vacated its December 16, 2021 determinations. As a result, the SEC will not provisionally or conclusively identify an issuer as a Commission-Identified Issuer if it files an annual report with an audit report issued by a registered public accounting firm headquartered in mainland China or Hong Kong on or after December 15, 2022, until such time as the PCAOB issues a new determination. However, the PCAOB stated that should PRC authorities obstruct the PCAOB's ability to inspect or investigate completely in any way and at any point in the future, the PCAOB Board will act immediately to consider the need to issue new determinations consistent with the HFCA Act. While we currently do not expect the HFCA Act to prevent us from maintaining the trading of our ADSs in the U.S., uncertainties exist with respect to future determinations of the PCAOB in this respect and any further legislative or regulatory actions to be taken by the U.S. or Chinese regulators that could affect our listing status in the U.S.

The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in the PRC—If the PCAOB is unable to inspect our auditors as required under the HFCA Act, the SEC will prohibit the trading of our ADSs, which may materially and adversely affect the value of your investment."

Table of Contents

Cash Flows through Our Organization

Cash Transfer between our Company, Subsidiaries and VIEs

The following table presents the cash flows among the Company, its subsidiaries, its VIEs and the VIEs' subsidiaries for the periods indicated:

	For the Year Ended December 31,		
	2021	2022	2023
Cash flows through intercompany transfer	(RMB in thousands)		
Cash paid by VIE to subsidiaries for technical service fee	(26,649)	(214,400)	(136,849)
Cash paid by subsidiaries to the VIE for technical service fee	1,562	49,693	652
Advances from subsidiaries to the VIE	6,830,573	3,310,207	2,019,045
Repayment of advances to Group companies by the VIE	(4,864,186)	(2,611,918)	(2,273,761)

During 2021, 2022 and 2023, the VIEs earned inter-company revenues in the amounts of RMB697 thousand, RMB3,084 thousand and RMB11,685 thousand by providing application and platform implementation to Hong Kong subsidiaries.

Restrictions on Cash Transfers to Us

OneConnect Financial Technology Co., Ltd. is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiaries and the VIEs in China. We face various restrictions and limitations on foreign exchange; our ability to transfer cash between entities, across borders and to our investors; and our ability to distribute earnings from our subsidiaries and/or the VIEs, to us and holders of our securities as well as the ability to settle amounts owed under the contractual arrangements with the VIEs. If our subsidiaries or any newly formed subsidiaries 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 subsidiaries 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. Pursuant to laws applicable to entities incorporated in the PRC, our subsidiaries in the PRC must make appropriations from after-tax profit to non-distributable reserve funds. In particular, subject to certain cumulative limits, the statutory reserve fund requires an annual appropriation of 10% of after-tax profit (as determined under accounting principles generally accepted in the PRC at each year-end) until the accumulative amount of such reserve fund reaches 50% of a PRC subsidiary's registered capital. These reserve funds can only be used for such specific purposes as provided in PRC laws, and are not distributable as cash dividends. In addition, due to restrictions on the distribution of share capital from our PRC subsidiaries, the share capital of our PRC subsidiaries is considered restricted.

Due to various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we and the VIEs may not be able to obtain the necessary government approvals or complete the necessary government registrations or other procedures on a timely basis, or at all, with respect to future loans by us to our PRC subsidiaries or the VIEs or with respect to future capital contributions by us to our PRC subsidiaries. This may delay or prevent us from using our offshore funds to make loans or capital contribution to our PRC subsidiaries and the VIEs, and thus may restrict our ability to execute our business strategy, and materially and adversely affect our liquidity and our ability to fund and expand our business.

In addition, uncertainties regarding the interpretation and implementation of the contractual arrangements with the VIEs could limit our ability to enforce such agreements. If the PRC authorities determine that the contractual arrangements constituting part of the VIE structure do not comply with PRC regulations, or if current regulations change or are interpreted differently in the future, our ability to settle amount owed by the VIEs under the VIE agreements may be seriously hindered.

Furthermore, due to restrictions on foreign exchange placed on our PRC subsidiaries and the VIEs by the PRC regulatory authority under PRC laws and regulations, to the extent cash is located in the PRC or within a PRC-domiciled entity and may need to be used to fund our operations outside of the PRC, the funds may not be available due to such limitations unless and until related approvals and registrations are obtained. Under regulations of the SAFE, the Renminbi is not convertible into foreign currencies for capital account items, such as loans, repatriation of investments and

investments outside of China, unless the prior approvals and registrations of the SAFE and other competent PRC authorities are obtained.

Table of Contents

Taxation on Dividends or Distributions

The PRC Enterprise Income Tax Law and its implementing regulations provide that enterprises established outside of China whose "de facto management bodies" are located in China are considered resident enterprises. Currently, it is still unclear whether the PRC tax authorities would determine that we should be classified as a PRC resident enterprise. See "Item 10. Additional Information — E. Taxation — PRC Taxation."

The EIT Law imposes a withholding tax of 10% on dividends distributed by a foreign-invested enterprise to its immediate holding company outside of China, if such immediate holding company is considered 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 preferential withholding tax rate. A holding company which is a tax resident in Hong Kong, for example, would be subject to a 5% withholding tax on dividends under the Tax Arrangement between China and the Hong Kong Special Administrative Region if the holding company is the beneficial owner of the dividends, holds more than 25% of the share capital of the PRC company and has commercial substance.

The EIT Law provides that PRC resident enterprises are generally subject to a uniform 25% enterprise income tax rate on their worldwide income. Therefore, if we are treated as a PRC resident enterprise, we will be subject to PRC income tax on our worldwide income at the 25% uniform tax rate, which could have an impact on our effective tax rate and an adverse effect on our net income and results of operations, although we may be exempted from enterprise income tax on dividends distributed from our directly or indirectly controlled non-PRC subsidiaries sourced from outside China, since such income received by PRC resident enterprise may be tax exempted subject to certain requirements and limitations under the EIT Law.

For purposes of illustration, the following discussion reflects the hypothetical taxes that might be required to be paid within China, assuming that: (i) we have taxable earnings, and (ii) we determine to pay a dividend in the future:

	Taxation Scenario[1] Statutory Tax and Standard Rates
Hypothetical pre-tax earnings[2]	100.0 %
Tax on earnings at statutory rate of 25 %[3]	(25.0)%
Net earnings available for distribution	75.0 %
Withholding tax at standard rate of 10 %[4]	(7.5)%
Net distribution to OneConnect Financial Technology Co., Ltd /shareholders	67.5 %

Notes:

(1) For purposes of this example, the tax calculation has been simplified. The hypothetical book pre-tax earnings amount, not considering timing differences, is assumed to equal taxable income in China.

(2) Under the terms of VIE agreements, our PRC subsidiaries may charge the VIEs for services provided to VIEs. These fees shall be recognized as expenses of the VIEs, with a corresponding amount as service income by our PRC subsidiaries and eliminate in consolidation. For income tax purposes, our PRC subsidiaries and the VIEs file income tax returns on a separate company basis. The fees paid are recognized as a tax deduction by the VIEs and as income by our PRC subsidiaries and are tax neutral.

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

(4) The EIT Law imposes a withholding income tax of 10% on dividends distributed by a foreign invested enterprise, or FIE, to its immediate holding company outside of China. A lower withholding income tax rate of 5% is applied if the FIE's immediate holding company is registered in Hong Kong or other jurisdictions that have a tax treaty arrangement with China, subject to a qualification review at the time of the distribution. For purposes of this hypothetical example, the table above assumes a maximum tax scenario under which the full withholding tax would be applied.

Table of Contents

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

Currently, it is still unclear whether the PRC tax authorities would determine that OneConnect Financial Technology Co., Ltd should be classified as a PRC resident enterprise. If OneConnect Financial Technology Co., Ltd is deemed to be a PRC resident enterprise by the PRC tax authorities, dividends paid to our non-PRC individual shareholders, including our ADS holders, and any gain realized on the transfer of ADSs or ordinary shares by such holders may be subject to PRC individual income tax at a rate of 20% which in the case of dividends may be withheld at source. Any such tax may reduce the returns on your investment in the ADSs or ordinary shares. See “Item 3. Key Information—3D. Risk Factors—Risks Relating to Doing Business in the PRC—You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our ordinary shares and ADSs.”

Dividends or distributions to investors

We have not previously declared or paid any cash dividend, dividend in kind or distributions, and have no plan to declare or pay any dividends or distributions in the near future on our ordinary shares or the ADSs representing our ordinary shares. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. For more information, see “Item 8. Financial Information—8.A. Consolidated Statements and Other Financial Information—Dividend Policy.”

Financial Information Related to the VIEs

The following tables present the condensed consolidating schedules depicting the financial position, cash flows and results of operations for the Company, the consolidated VIEs, our consolidated subsidiaries and any eliminating adjustments as of December 31, 2022 and 2023 and for the years ended December 31, 2021, 2022 and 2023. This table follows the line item disclosures with respect to the variable interest entity in Note 1.2 to the consolidated financial statements included elsewhere in this annual report.

Table of Contents

(i) Selected Condensed Consolidated Statements of Operations Data

	For the year ended December 31, 2023					
	Parent RMB'000	Other Subsidiaries RMB'000	WFOE RMB'000	VIE and VIE's subsidiaries RMB'000	Eliminating Adjustments RMB'000	Consolidated Totals RMB'000
Condensed Consolidating Schedule of Results of Operations						
Third- party revenues	—	249,583	168,325	3,249,600	—	3,667,508
Inter- company revenues[3]	—	—	151,463	11,685	(163,148)	—
Third- party cost	—	(396,844)	(142,151)	(1,779,108)	—	(2,318,103)
Inter- company cost for technology service[3]	—	—	(151,463)	(11,685)	163,148	—
Total expenses	(33,055)	(71,751)	(105,950)	(1,524,766)	—	(1,735,522)
Third- party net finance cost	196	16,912	(3,739)	(4,321)	—	9,048
Inter- company net finance income/(cost)[4]	—	33,839	(7,054)	(26,785)	—	—
Share of loss of subsidiaries and VIEs[1]	(48,111)	(152,292)	(68,079)	—	268,482	—
Net impairment losses on amount due from subsidiaries	(281,288)	—	—	—	281,288	—
Others, net	(457)	(6,684)	(2,590)	25,086	—	15,355
Loss before income tax	**(362,715)**	**(327,237)**	**(161,238)**	**(60,294)**	**549,770**	**(361,714)**
Income tax (expense)/benefit	—	(2,097)	120	(7,785)	—	(9,762)
Loss for the year	**(362,715)**	**(329,334)**	**(161,118)**	**(68,079)**	**549,770**	**(371,476)**

	For the year ended December 31, 2022					
	Parent RMB'000	Other Subsidiaries RMB'000	WFOE RMB'000	VIE and VIE's subsidiaries RMB'000	Eliminating Adjustments RMB'000	Consolidated Totals RMB'000
Condensed Consolidating Schedule of Results of Operations						
Third- party revenues	—	192,372	206,923	4,064,707	—	4,464,002
Inter- company revenues[3]	—	—	212,507	3,084	(215,591)	—
Third- party cost	—	(609,822)	(161,719)	(2,057,445)	—	(2,828,986)
Inter- company cost for technology service[3]	—	—	(212,507)	(3,084)	215,591	—
Total expenses	(105,040)	(88,176)	(141,642)	(2,318,900)	—	(2,653,758)
Third- party net finance cost	(573)	4,535	(11,678)	(14,748)	—	(22,464)
Inter- company net finance income/(cost)[4]	—	16,860	(11,152)	(5,708)	—	—
Share of loss of subsidiaries and VIEs[1]	(303,759)	(228,878)	(195,819)	—	728,456	—
Net impairment losses on amount due from subsidiaries	(465,457)	—	—	—	465,457	—
Others, net	2,555	(52,617)	32,987	68,108	—	51,033
Loss before income tax	**(872,274)**	**(765,726)**	**(282,100)**	**(263,986)**	**1,193,913**	**(990,173)**
Income tax (expense)/benefit	—	(1,941)	(4,079)	68,167	—	62,147
Loss for the year	**(872,274)**	**(767,667)**	**(286,179)**	**(195,819)**	**1,193,913**	**(928,026)**

Table of Contents

	For the year ended December 31, 2021					
	Parent	Other Subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating Adjustments	Consolidated Totals
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Condensed Consolidating Schedule of Results of Operations						
Third- party revenues	—	134,064	275,684	3,722,609	—	4,132,357
Inter- company revenues[3]	—	—	134,072	697	(134,769)	—
Third- party cost	—	(333,873)	(214,633)	(2,147,200)	—	(2,695,706)
Inter- company cost for technology service[3]	—	—	(134,072)	(697)	134,769	—
Total expenses	(54,060)	(158,802)	(156,852)	(2,413,369)	—	(2,783,083)
Third- party net finance cost	(32)	14,250	(36,036)	(25,996)	—	(47,814)
Inter- company net finance income/(cost)[4]	—	22,502	4,636	(27,138)	—	—
Share of loss of subsidiaries and VIEs[1]	(1,225,545)	(808,093)	(708,699)	—	2,742,337	—
Others, net	(2,062)	(93,141)	(31,945)	78,786	—	(48,362)
Loss before income tax	**(1,281,699)**	**(1,223,093)**	**(867,845)**	**(812,308)**	**2,742,337**	**(1,442,608)**
Income tax (expense)/benefit	—	(1,731)	10,217	103,609	—	112,095
Loss for the year	**(1,281,699)**	**(1,224,824)**	**(857,628)**	**(708,699)**	**2,742,337**	**(1,330,513)**

Table of Contents

(ii) Selected Condensed Consolidated Balance Sheets Data

	As of December 31, 2023					
	Parent	Other Subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating Adjustments	Consolidated Totals
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Condensed Consolidating Schedule of Financial Position						
Assets						
Non-current assets						
Investment in subsidiaries[1,2]	2,181,554	358,617	—	—	(2,540,171)	—
Intangible assets	—	265,646	162,733	42,992	—	471,371
Deferred tax assets	—	—	266,832	501,444	—	768,276
Other non-current assets	—	1,409,195	1,070	59,478	—	1,469,743
Total non-current assets	**2,181,554**	**2,033,458**	**430,635**	**603,914**	**(2,540,171)**	**2,709,390**
Current assets						
Trade receivables[3]	—	66,819	138,918	716,910	(211,978)	710,669
Prepayments and other receivables[3]	435	225,779	12,712	894,340	(227,575)	905,691
Amount due from Group companies[2]	803,173	1,202,712	3,473,173	324,194	(5,803,252)	—
Financial assets at fair value through profit or loss	—	—	144,747	780,457	—	925,204
Restricted cash and time deposits over three months	—	423,991	4,896	18,677	—	447,564
Cash and cash equivalents	3,267	998,795	53,460	323,951	—	1,379,473
Other current assets	—	911,955	78,412	—	—	990,367
Total current assets	**806,875**	**3,830,051**	**3,906,318**	**3,058,529**	**(6,242,805)**	**5,358,968**
Total assets	**2,988,429**	**5,863,509**	**4,336,953**	**3,662,443**	**(8,782,976)**	**8,068,358**
Liabilities						
Non-current liabilities						
Amount due to Group companies[2]	—	—	—	—	—	—
Trade and other payables-Non Current	—	18,856	2,262	7,165	—	28,283
Other non-current liabilities	—	2,079	—	17,126	—	19,205
Total non-current liabilities	**—**	**20,935**	**2,262**	**24,291**	**—**	**47,488**
Current liabilities						
Trade and other payables	21,658	756,459	560,491	1,082,233	(439,553)	1,981,288
Amount due to Group companies[2]	—	998,935	320,177	4,953,413	(6,272,525)	—
Deficit in subsidiaries and VIEs[1]	—	—	3,038,489	—	(3,038,489)	—
Short-term borrowings	—	—	16,429	235,303	—	251,732
Payroll and welfare payables	—	44,912	44,307	296,689	—	385,908
Other current liabilities	—	2,326,110	19,037	109,003	—	2,454,150
Total current liabilities	**21,658**	**4,126,416**	**3,998,930**	**6,676,641**	**(9,750,567)**	**5,073,078**
Total liabilities	**21,658**	**4,147,351**	**4,001,192**	**6,700,932**	**(9,750,567)**	**5,120,566**
Total shareholders' equity[1]	**2,966,771**	**1,716,158**	**335,761**	**(3,038,489)**	**967,591**	**2,947,792**

Table of Contents

	As of December 31, 2022					
	Parent	Other Subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating Adjustments	Consolidated Totals
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Condensed Consolidating Schedule of Financial Position						
Assets						
Non-current assets						
Investment in subsidiaries[1,2]	1,764,074	—	—	—	(1,764,074)	—
Intangible assets	—	298,796	170,758	100,882	—	570,436
Deferred tax assets	—	—	266,708	499,251	—	765,959
Other non-current assets	—	864,309	1,080	306,322	—	1,171,711
Total non-current assets	**1,764,074**	**1,163,105**	**438,546**	**906,455**	**(1,764,074)**	**2,508,106**
Current assets						
Trade receivables[3]	—	57,777	228,413	869,710	(214,911)	940,989
Prepayments and other receivables[3]	448	367,694	32,840	1,076,317	(398,695)	1,078,604
Amount due from Group companies[2]	1,641,677	1,769,319	2,902,240	397,473	(6,710,709)	—
Financial assets at fair value through profit or loss	—	—	101,605	589,022	—	690,627
Restricted cash and time deposits over three months	—	328,217	3,640	11,957	—	343,814
Cash and cash equivalents	7,327	865,447	128,750	906,252	—	1,907,776
Other current assets	—	1,315,524	82,546	14,396	—	1,412,466
Total current assets	**1,649,452**	**4,703,978**	**3,480,034**	**3,865,127**	**(7,324,315)**	**6,374,276**
Total assets	**3,413,526**	**5,867,083**	**3,918,580**	**4,771,582**	**(9,088,389)**	**8,882,382**
Liabilities						
Non-current liabilities						
Amount due to Group companies[2]	—	—	—	—	—	—
Trade and other payables-Non Current	—	36,628	—	7,925	—	44,553
Other non-current liabilities	88,280	5,196	—	19,977	—	113,453
Total non-current liabilities	**88,280**	**41,824**	**—**	**27,902**	**—**	**158,006**
Current liabilities						
Trade and other payables	32,539	915,926	569,242	1,627,172	(613,606)	2,531,273
Amount due to Group companies[2]	—	1,752,042	441,634	5,256,223	(7,449,899)	—
Deficit in subsidiaries and VIEs[1]	—	59,949	2,902,304	—	(2,962,253)	—
Short-term borrowings	—	—	15,682	273,380	—	289,062
Payroll and welfare payables	—	38,811	53,613	338,834	—	431,258
Other current liabilities	—	2,029,835	14,518	150,375	—	2,194,728
Total current liabilities	**32,539**	**4,796,563**	**3,996,993**	**7,645,984**	**(11,025,758)**	**5,446,321**
Total liabilities	**120,819**	**4,838,387**	**3,996,993**	**7,673,886**	**(11,025,758)**	**5,604,327**
Total shareholders' equity[1]	**3,292,707**	**1,028,696**	**(78,413)**	**(2,902,304)**	**1,937,369**	**3,278,055**

Table of Contents

(iii) Selected Condensed Consolidated Cash Flows Data

	For the year ended December 31, 2023					
	Parent	Other Subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating Adjustments	Consolidated Totals
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Condensed Consolidating Schedules of Cash Flows						
Purchase of technology service from WFOE's subsidiaries by VIE[3]	—	—	136,849	(136,849)	—	—
Sales of technology service to subsidiaries from VIE[3]	—	(652)	—	652	—	—
Operating activities with external parties	(44,284)	(490,501)	(100,095)	(13,581)	—	(648,461)
Net cash (used in) / generated from operating activities	**(44,284)**	**(491,153)**	**36,754**	**(149,778)**	**—**	**(648,461)**
Payment for acquisition of subsidiary, net of cash acquired	—	—	—	—	—	—
Investments in subsidiaries, VIE and VIE's subsidiary[1]	(1,117,823)	(650,000)	—	—	1,767,823	—
Payments for advances to Group companies[2]	—	(1,348,120)	(570,933)	(23,600)	1,942,653	—
Receipts of repayments of the advances from Group companies[2]	1,157,947	2,268,441	—	98,479	(3,524,867)	—
Payments for intangible assets	—	(26,250)	(626)	(4,612)	—	(31,488)
Payments for financial assets at fair value through other comprehensive income	—	(1,867,657)	—	—	—	(1,867,657)
Payments for financial assets at fair value through profit or loss	—	—	(40,000)	(874,500)	—	(914,500)
(Payment for)/refund of restricted cash and time deposits over three months, net	—	221,191	(1,256)	(12,039)	—	207,896
Proceeds from sale of financial assets at fair value through profit or loss	—	—	—	686,626	—	686,626
Proceeds from sales of financial assets measured at fair value through other comprehensive income	—	1,991,143	—	—	—	1,991,143
Proceeds from disposal of investment in associate	—	—	—	199,200	—	199,200
Inter-company interest received[5]	—	42,551	62	6,613	(49,226)	—
Other investing activities	—	48,467	(484)	(569)	—	47,414
Net cash (used in) / generated from investing activities	**40,124**	**679,766**	**(613,237)**	**75,598**	**136,383**	**318,634**
Capital contribution from Group companies[1]	—	1,117,823	650,000	—	(1,767,823)	—
Receipts of advances repayment from Group companies[2]	—	—	28,700	1,913,953	(1,942,653)	—
Repayments for advances from Group companies[2]	—	(1,157,947)	(150,157)	(2,216,763)	3,524,867	—
Payments for shares repurchase	—	—	—	—	—	—
Proceeds from short-term borrowings	—	—	—	235,000	—	235,000
Repayments of short-term borrowings	—	(670)	747	(273,077)	—	(273,000)
Inter-company interest paid[6]	—	(8,712)	(7,116)	(33,398)	49,226	—
Payments for shares held for share incentive scheme	—	—	—	(88,280)	—	(88,280)
Transactions with non-controlling interests	—	—	(15,000)	—	—	(15,000)
Other financing activities	—	(5,789)	(20,980)	(45,556)	—	(72,325)
Net cash generated from/ (used in) financing activities	**—**	**(55,295)**	**486,194**	**(508,121)**	**(136,383)**	**(213,605)**
Net (decrease)/increase in cash and cash equivalents	(4,160)	133,318	(90,289)	(582,301)	—	(543,432)
Cash and cash equivalents at the beginning of the year	7,327	865,447	128,750	906,252	—	1,907,776

Effects of exchange rate changes on cash and cash equivalents	100	15,029	—	—	—	15,129
Cash and cash equivalents at the end of year	**3,267**	**1,013,794**	**38,461**	**323,951**	**—**	**1,379,473**

Table of Contents

	For the year ended December 31, 2022					
	Parent	Other Subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating Adjustments	Consolidated Totals
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Condensed Consolidating Schedules of Cash Flows						
Purchase of technology service from WFOE's subsidiaries by VIE[3]	—	—	214,400	(214,400)	—	—
Sales of technology service to subsidiaries from VIE[3]	—	(49,693)	—	49,693	—	—
Operating activities with external parties	(139,011)	29,086	(182,192)	(453,867)	—	(745,984)
Net cash (used in) / generated from operating activities	**(139,011)**	**(20,607)**	**32,208**	**(618,574)**	**—**	**(745,984)**
Payment for acquisition of subsidiary, net of cash acquired	—	—	—	—	—	—
Investments in subsidiaries, VIE and VIE's subsidiary[1]	(3,005,546)	(1,600,000)	—	—	4,605,546	—
Payments for advances to Group companies[2]	—	(1,081,797)	(1,699,250)	(251,224)	3,032,271	—
Receipts of repayments of the advances from Group companies[2]	3,218,655	2,131,974	145,100	17,500	(5,513,229)	—
Payments for intangible assets	—	(30,072)	(5,574)	(10,231)	—	(45,877)
Payments for financial assets at fair value through other comprehensive income	—	(614,772)	—	—	—	(614,772)
Payments for financial assets at fair value through profit or loss	—	(114,011)	—	(2,592,710)	—	(2,706,721)
(Payment for)/refund of restricted cash and time deposits over three months, net	—	923,321	(511)	8	—	922,818
Proceeds from sale of financial assets at fair value through profit or loss	—	329,608	—	3,762,799	—	4,092,407
Inter-company interest received[5]	—	15,409	—	9,817	(25,226)	—
Other investing activities	—	242,823	(48)	(17,461)	—	225,314
Net cash (used in) / generated from investing activities	**213,109**	**202,483**	**(1,560,283)**	**918,498**	**2,099,362**	**1,873,169**
Capital contribution from Group companies[1]	—	3,005,546	1,600,000	—	(4,605,546)	—
Receipts of advances repayment from Group companies[2]	—	—	245,500	3,282,890	(3,528,390)	—
Repayments for advances from Group companies[2]	—	(3,218,655)	(444,073)	(2,345,169)	6,007,897	—
Payments for shares repurchase	(74,992)	—	—	—	—	(74,992)
Proceeds from short-term borrowings	—	—	—	313,000	—	313,000
Repayments of short-term borrowings	—	(1,562)	(29,647)	(805,220)	—	(836,429)
Inter-company interest paid[6]	—	—	(11,152)	(15,525)	26,677	—
Other financing activities	1,161	(20,282)	(15,326)	(61,198)	—	(95,645)
Net cash generated from/ (used in) financing activities	**(73,831)**	**(234,953)**	**1,345,302**	**368,778**	**(2,099,362)**	**(694,066)**
Net (decrease)/increase in cash and cash equivalents	267	(53,077)	(182,773)	668,702	—	433,119
Cash and cash equivalents at the beginning of the year	6,454	843,843	311,523	237,550	—	1,399,370
Effects of exchange rate changes on cash and cash equivalents	606	74,681	—	—	—	75,287
Cash and cash equivalents at the end of year	**7,327**	**865,447**	**128,750**	**906,252**	**—**	**1,907,776**

Table of Contents

	For the year ended December 31, 2021					
	Parent	Other Subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating Adjustments	Consolidated Totals
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Condensed Consolidating Schedules of Cash Flows						
Purchase of technology service from WFOE's subsidiaries by VIE[3]	—	—	26,649	(26,649)	—	—
Sales of technology service to subsidiaries from VIE[3]	—	(1,562)	—	1,562	—	—
Operating activities with external parties	(51,132)	133,255	(72,370)	(414,087)	—	(404,334)
Net cash (used in) / generated from operating activities	**—**	**131,693**	**(45,721)**	**(439,174)**	**—**	**(404,334)**
Payment for acquisition of subsidiary, net of cash acquired	—	(11,060)	—	—	—	(11,060)
Investments in subsidiaries, VIE and VIE's subsidiary[1]	(1,783,065)	(1,606,708)	—	—	3,389,773	—
Payments for advances to Group companies[2]	—	(5,448,392)	(1,350,000)	(136,485)	6,934,877	—
Receipts of repayments of the advances from Group companies[2]	1,799,915	4,589,459	—	504,394	(6,893,768)	—
Payments for intangible assets	—	(42,131)	(7,336)	(32,996)	—	(82,463)
Payments for financial assets at fair value through other comprehensive income	—	(16,661)	—	—	—	(16,661)
Payments for financial assets at fair value through profit or loss	—	(918,101)	(616,500)	(6,043,140)	—	(7,577,741)
(Payment for)/refund of restricted cash and time deposits over three months, net	—	1,218,667	(3,129)	(8,931)	—	1,206,607
Proceeds from sale of financial assets at fair value through profit or loss	—	761,099	607,403	5,651,466	—	7,019,968
Inter-company interest received[5]	—	103,249	40,461	4,908	(148,618)	—
Other investing activities	—	(172,357)	(42,275)	64,417	—	(150,215)
Net cash (used in) / generated from investing activities	**16,850**	**(1,542,936)**	**(1,371,376)**	**3,633**	**3,282,264**	**388,435**
Capital contribution from Group companies[1]	—	1,783,065	1,606,708	—	(3,389,773)	—
Receipts of advances repayment from Group companies[2]	—	—	622,418	6,321,271	(6,943,689)	—
Repayments for advances from Group companies[2]	—	(1,799,915)	(504,394)	(4,598,271)	6,902,580	—
Payments for shares repurchase	—	—	—	—	—	—
Proceeds from short-term borrowings	—	—	45,500	867,400	—	912,900
Repayments of short-term borrowings	—	—	(38,590)	(2,338,355)	—	(2,376,945)
Inter-company interest paid[6]	—	—	(19,188)	(129,430)	148,618	—
Other financing activities	9,257	(117,405)	(25,537)	(14,051)	—	(147,736)
Net cash generated from/ (used in) financing activities	**9,257**	**(134,255)**	**1,686,917**	**108,564**	**(3,282,264)**	**(1,611,781)**
Net (decrease)/increase in cash and cash equivalents	(25,025)	(1,545,498)	269,820	(326,977)	—	(1,627,680)
Cash and cash equivalents at the beginning of the year	31,857	2,417,107	41,703	564,527	—	3,055,194
Effects of exchange rate changes on cash and cash equivalents	(378)	(27,766)	—	—	—	(28,144)
Cash and cash equivalents at the end of year	**6,454**	**843,843**	**311,523**	**237,550**	**—**	**1,399,370**

Notes:

(1) It represents the elimination of the investment in the VIEs and equity subsidiaries by parent company.

(2) It represents the elimination of intercompany balances among parent, the VIEs and equity subsidiaries, including balances of onshore loans guaranteed by offshore subsidiaries provided to VIEs RMB3,444,960 thousands, nil and nil as of December 31, 2021, 2022 and 2023, respectively.

(3) It represents the elimination of the intercompany technology service charge at the consolidation level.

Table of Contents

The VIEs provides software development services to the other subsidiaries to build capitalized system to generate probable future economic benefits. For the years ended December 31, 2021, 2022 and 2023, the intercompany technical service revenues recognised by VIEs were RMB697 thousand, RMB3,084 thousand and RMB11,685 thousand, respectively. The intercompany service charge is eliminated at the consolidation level.

For the years ended December 31, 2021, 2022 and 2023, cash paid by Offshore subsidiaries to the VIEs for technical service fees were RMB1,526 thousand, RMB49,693 thousand and RMB652 thousand, respectively.

The WFOE's subsidiaries provides software development services to VIEs to build capitalized application and platform to generate probable future economic benefits, and the incurred intercompany costs in the amounts of RMB134,072 thousand, RMB212,507 thousand and RMB151,463 thousand were eliminated for the years ended December 31, 2021, 2022 and 2023, respectively.

For the years ended December 31, 2021, 2022 and 2023, cash paid by VIEs to WFOE subsidiaries for technical service fee were RMB26,649 thousand, RMB214,400 thousand and RMB136,849 thousand, respectively.

(4) It represents the elimination of the finance costs of loans among parent, the VIEs and equity subsidiaries charge at the consolidation level.

(5) Interest received were eliminated at the consolidation level.

(6) Interest paid were eliminated at the consolidation level.

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Our business, financial condition and results of operations are subject to various changing business, competitive, economic, political and social conditions in China and worldwide. In addition to the factors discussed elsewhere in this annual report, the following are some of the important factors that could adversely affect our operating results, financial condition and business prospects, and cause our actual results to differ materially from those projected in any forward-looking statements.

Summary of Risk Factors

The following is a summary of significant risk factors and uncertainties that may affect our business, which are discussed in more details below.

Risks relating to our Business and Industry

- Ping An Group is one of our principal shareholders, our strategic partner, our most important customer and our largest supplier. If our relationship with Ping An Group deteriorates, or if Ping An Group significantly reduces purchasing from or cooperating with us, our results of operations, business and growth could be materially and adversely affected.

- We operate in a competitive and rapidly evolving industry; it may be difficult to evaluate our prospects, and we may not be able to effectively manage our growth.

Table of Contents

- We incurred net loss in the past, expect to incur net loss in the future, and we may not be able to achieve or sustain profitability.
- Our customers include commercial banks and other financial institutions that are highly regulated, and the tightening of laws, regulations or standards in the financial services industry could harm our business.
- We are subject to evolving regulatory requirements and if we do not comply with these regulations, or fail to adapt to regulatory changes, our business and prospects may be materially and adversely affected.
- Failure to maintain, enlarge and optimize our customer base or strengthen customer engagement may adversely affect our business and results of operations.
- Failure to comply with existing or future laws and regulations related to data security, data protection, cyber security or personal information protection could lead to liabilities, administrative penalties and other regulatory actions, which could negatively affect our operating results and business.
- Breach of our security measures or those of our third-party cloud computing platform provider, or other third-party service providers, may result in our data, IT systems, and services being perceived as not being secure.
- We rely on third parties for various aspects of our business and the solutions that we offer. Our business, results of operation, financial condition and reputation may be materially and adversely affected if these third parties do not continue to maintain or expand their relationship with us, or if they fail to perform in accordance with the terms of our contracts.
- Our inability to use software licensed from third parties, including open source software, could negatively affect our ability to sell our solutions and subject us to possible litigation.
- We experienced net operating cash outflow in the past, which may continue in the future. We may not be able to obtain additional capital when desired, on favorable terms or at all.
- Our quarterly results may fluctuate significantly and be unpredictable and may not fully reflect the underlying performance of our business.

Risks Relating to Our Corporate Structure

- We are a Cayman Islands holding company with no equity ownership in the VIEs and we conduct our operations in China through (i) our PRC subsidiaries and (ii) the VIEs with which we have maintained contractual arrangements.
- If the PRC regulatory authority finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these laws or regulations or their interpretations change, we could be subject to severe penalties or be forced to relinquish our interests in those operations.
- Our contractual arrangements with the VIEs and their respective shareholders may not be as effective in providing operational control or enabling us to derive economic benefits as a direct ownership of a controlling equity interest would be.
- We may lose the ability to use and enjoy assets held by the VIEs that are critical to the operation of our business if the VIEs declare bankruptcy or become subject to a dissolution or liquidation proceeding.
- Any failure by the VIEs, their respective subsidiaries or shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.
- The ultimate beneficial shareholders of the VIEs may have conflicts of interest with us, which may materially and adversely affect our business.

Table of Contents

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

- The interpretation and implementation of the Foreign Investment Law is evolving and may substantially affect the viability of our current corporate structure, corporate governance and business operations.

Risks Relating to Doing Business in the PRC

- Changes in China or Hong Kong's economic or social conditions or government policies could adversely affect our business and prospects.

- Geopolitical tensions have could negatively affect our business, financial condition, and results of operations.

- The interpretation and enforcement of PRC laws and regulations are evolving and subject to change, which could limit the legal protections available to you and us.

- We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related businesses and companies, such as those with respect to the approvals, licenses or permits applicable to our business.

- The approval of, filing with, or consent from, the CSRC, CAC or other PRC regulatory authorities may be required in connection with our offshore listing under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval.

- If the PCAOB is unable to inspect our auditors as required under the HFCA Act, the SEC will prohibit the trading of our ADSs, which may materially and adversely affect the value of your investment.

Risks Relating to Our ADSs and Ordinary Shares

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

- The trading price of our ADSs has been and may continue to be, and the trading price of our ordinary shares may be, volatile, which could result in substantial losses to investors .

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

- Our directors, officers and principal shareholders have substantial influence over our company and their interests may not be aligned with the interests of our other shareholders.

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

- Exchange between our ordinary shares and our ADSs may adversely affect the liquidity and/or trading price of each other.

- The characteristics of the U.S. capital markets and the Hong Kong capital markets are different.

Table of Contents

Risks Relating to Our Business and Industry

Ping An Group is one of our principal shareholders, our strategic partner, our most important customer and our largest supplier. If our relationship with Ping An Group deteriorates, or if Ping An Group significantly reduces purchasing from or cooperating with us for any reasons, our results of operations, business and growth could be materially and adversely affected.

Ping An Group is one of our principal shareholders, our strategic partner and our most important customer and supplier. We began as the financial technology solution arm of Ping An Group. We have partnered with Ping An Group to jointly develop new technologies and applications, and Ping An Group provides us support in technology and infrastructure, in particular cloud infrastructure. Ping An Group also provides us with a diverse, reliable source of real-life application scenarios to validate and prove our technology. Many of our customer insights and innovative solutions are first initiated and tested within the Ping An Group ecosystem. Our strategic partnership with Ping An Group has contributed to our growth significantly. If our relationship with Ping An Group deteriorates or if we are no longer able to access Ping An Group's technology infrastructure, technology or solutions, we will need to find alternative service providers and adjust our existing products and service offerings, which may negatively affect the scope, quality or delivery of our solutions, and will be costly and time-consuming, and we may not be able to find any suitable alternative service provider at all. If any of this were to happen, our business and results of operations would be materially and adversely affected.

We provide a number of services, including those for customer acquisition and management, risk management, operation, cloud services and product optimization, to Ping An Group. Our revenue from Ping An Group amounted to RMB2,316.7 million, RMB2,526.7 million and RMB2,091.0 million (US$294.5 million) in 2021, 2022 and 2023, respectively, accounting for 56.1%, 56.6% and 57.0% of our total revenue in these respective periods.

If, for any reasons, Ping An Group significantly reduces or ceases purchasing any type of business from or cooperating any type of business with us, our business, results of operations and prospects will be materially and adversely affected. For example, Ping An Group has been a major customers for many of our solutions, and if it significantly reduces its purchase or ceases to purchase from us, we will experience a decrease in revenue and reduced economies of scale for the affected products and solutions, among others, which will in turn, materially and adversely affect our business, results of operations and prospects.

Table of Contents

Ping An Group has also been our most important supplier of technical infrastructure, technology support and maintenance. Our purchases from Ping An Group amounted to RMB1,534.3 million, RMB1,706.4 million and RMB1,423.4 million (US$200.5 million) in 2021, 2022 and 2023, respectively, accounting for 28.0%, 31.1% and 35.1% of our total cost of revenue and operating expenses respectively. Our relationship with Ping An Group may be affected if Ping An Group reduces its beneficial ownership in us. For instance, in July 2019, we entered into a long-term agreement, or the Strategic Cooperation Agreement, with Ping An Group, which is effective for a term of ten years after completion of our initial public offering on December 17, 2019, subject to Ping An Group continuing to beneficially own at least 30% of our shares. The total percentage of the shares held by Ping An Group, through Bo Yu and Ping An Overseas, was 32.1% of our ordinary shares as of March 31, 2024, based on the number of shares as reported in their beneficial ownership filing on February 13, 2023. In addition, Bo Yu has the right to acquire additional ordinary shares within 60 days upon the exercise of Offshore Call Options as described in note (2) to the beneficial ownership table in "Item 6. Directors, Senior Management and Employees—E. Share Ownership" included in this annual report. Ping An Group is a public company listed on the Stock Exchange of Hong Kong and the Shanghai Stock Exchange. On November 24, 2021, the China Banking and Insurance Regulatory Commission (the "CBIRC"), the predecessor of the National Financial Regulatory Administration ("NFRA"), promulgated the Administrative Measures of Insurance Group Company, or the Measures of Group Company, to strengthen the supervision and management of insurance group companies. For example, Article 18 of the Measures of Group Company stipulates that an insurance group company cannot hold more than 25% shareholding in a non-financial enterprise or have a material influence in such non-financial enterprise, with certain exceptions. We and our PRC legal counsel are of the view that Ping An Group, as a non-controlling shareholder under the PRC laws and regulations, is not prohibited from continuing to indirectly hold 30% or more of the shares of us under the Measures of Group Company. Such view is on the following basis: (i) Article 18 of the Measures of Group Company does not explicitly prohibit an indirect investment of an insurance group company in a non-financial company exceeding 25%; (ii) the Measures of Group Company do not provide any threshold for "material influence". Since the application of the requirement of "material influence" is unclear, Ping An would not make adjustment pursuant to Article 18 of the Measures of Group Company unless the relevant authorities further interpret the "material influence" or impose specific regulatory requirements in the future; (iii) before the promulgation of the Measures of Group Company and in 2010, the China Insurance Regulatory Commission, the predecessor of the CBIRC, promulgated Administrative Measures on Insurance Group Company (for Trial Implementation), or the Trial Measures. Article 14 of the Trial Measures already provided that except for the non-financial enterprises related to insurance business, the investment amount in a non-financial enterprise by an insurance group company shall not exceed 25% of the paid-up capital of the enterprise, and the insurance group company shall not participate in the business operations of the enterprise. Article 18 of the Measures of Group Company replaced Article 14 of the Trial Measures and has not in substance changed the regulatory requirements under Article 14 of the Trial Measures. In practice, after the promulgation of the Trial Measures, some of other insurance group companies also have indirect investment in non-financial enterprises with more than 25% shareholding; (iv) other provisions of the Measures of Group Company explicitly distinguish "an insurance group company" and "an insurance group company and its subsidiaries". However, Article 18 of the Measures of Group Company only mentions "an insurance group company", instead of "an insurance group company and its subsidiaries"; (v) as of the date of this annual report, we had not received any notice or communication from Ping An Group regarding the adjustment of the equity shares directly or indirectly held by them or other adjustments in accordance with Article 18 of the Measures of Group Company; (vi) in practice, unless a new law or regulation provides or the relevant authorities accordingly raise specific requirements such as retroactive effect or grace periods, the relevant authorities usually will not take particular administrative actions as to the activities conducted before the promulgation of the new law and regulation. However, we cannot rule out the possibilities that the NFRA may interpret or implement the Administrative Measures of Insurance Group Company in a different way in the future. Ping An Group may adjust the percentage of our shares held by it and conduct other adjustments to reduce its influence on us if required by the NFRA during the lock-up period prescribed under the Hong Kong Listing Rules or thereafter, which may have a material adverse effect on our share price, business, financial condition and results of operations. When exercising its rights as our shareholders, Ping An Group may take into account not only the interests of our company and our other shareholders but also its own interests, the interests of its shareholders and the interests of its other affiliates. The interests of our company and our other shareholders may conflict with the interests of Ping An Group and its shareholders and other affiliates. These types of conflicts may result in our losing business opportunities, including opportunities to enter into lines of business that may directly or indirectly compete with those pursued by Ping An Group or the companies within its ecosystem.

We operate in a competitive and rapidly evolving industry; it may be difficult to evaluate our prospects, and we may not be able to effectively manage our growth.

We operate in the technology-as-a-service for financial services industry, which is competitive and rapidly evolving. We may have limited insight into trends that may develop and affect our business, and we may make errors in predicting and reacting to industry trends and evolving needs of our customers.

Table of Contents

Our historical results and growth may not be indicative of our future performance, and we may fail to continue our growth or maintain our historical growth rates. Our historical revenue growth was primarily driven by the expansion of our business to address financial institutions' growing needs for technology solutions. If we are no longer able to maintain or continue to expand our solution portfolio for any reasons, we may not be able to continue our growth or maintain our historical growth rates. Starting from 2021, in connection with our shift of customer development strategy from primarily expanding customer base to deepening customer engagement for higher quality and more sustainable growth, we upgraded our product structure to integrate single-module products to more integrated solutions, phased out certain low-value products and proactively responded to changing regulatory environment. Additionally, our industry and the industry of our customers are still recovering from sluggish demands from the COVID pandemic. These factors had an impact on our revenue, which decreased from 2022 to 2023.

In addition, we may not be able to manage our growth effectively. Our business expansion may increase the complexity of our operations and place a significant strain on our managerial, operational, financial and human resources. We also expect to continue to invest in research and development activities to improve and upgrade the technology and application we employ in providing our solutions. In line with the expansion of our business in the future, we will incur additional research and development costs related to our research and development activities. Our current and planned personnel, systems, procedures and controls may not be adequate to support our future operations. If we are not able to manage our growth effectively, our business and prospects may be materially and adversely affected.

We incurred net loss in the past, expect to incur net loss in the future, and we may not be able to achieve or sustain profitability.

We incurred net loss of RMB1,330.5 million, RMB928.0 million and RMB371.5 million (US$52.3 million) in 2021, 2022 and 2023, respectively. As of December 31, 2023, we had an accumulated loss of RMB7,873.6 million (US$1,109.0 million). We have incurred and will continue to incur substantial expenses to develop and commercialize our solutions, as well as to promote our business.

We will need to generate increased revenue and control our expenses to become profitable. Rapid growth in our customer base, however, may increase our cost of revenue as a percentage of revenue in the short term because we incur a large portion of the costs upfront while recognizing revenue primarily from our customers' use of our solutions through our transaction-based revenue model over time. In addition, our efforts to grow our business may be more costly than we expect, and we may not be able to increase our revenue enough to offset our operating expenses. Furthermore, as a public company, we have incurred and expect to continue to incur additional legal, accounting and other expenses that we did not incur as a private company. Once we are listed on the Hong Kong Stock Exchange, we will incur additional costs as a public company listed in both Hong Kong and the United States. We may incur significant losses for a number of reasons, including the other risks described in this annual report and unforeseen expenses, difficulties, complications and delays and other unknown events. If we are unable to achieve or sustain profitability, the market price of our shares and ADSs may decrease significantly.

Our customers include commercial banks and other financial institutions that are highly regulated, and the tightening of laws, regulations or standards in the financial services industry could harm our business.

Our customers include commercial banks and other financial institutions that are highly regulated and must comply with complex and evolving regulations and industry standards, which are subject to significant changes from time to time. Regulatory developments, including those in respect of consumer protection, credit availability, risk management and data privacy, could adversely affect our customers, including Ping An Group, or otherwise result in them reducing the volume and frequency of their business transactions.

Table of Contents

Our financial institution customers must include restrictive provisions in their contracts with service providers such as us, with respect to security and privacy, ongoing monitoring, risk management and other limitations. These provisions may increase our costs, limit the scope of the solutions we offer or otherwise restrict customer access. In addition, our customers may have less capacity or incentive to purchase solutions from us, may pass on their increased costs to us, or may cease to use certain of our solutions. As we primarily use a transaction-based revenue model, any reduction of transactions by our customers may materially and adversely affect our business and results of operations. For example, on December 1, 2017, the PRC regulatory authority issued the Notice on the Regulation and Rectification of the "Cash Loan" Business, or Circular 141, which prohibits banking financial institutions, including banks, trust companies and consumer finance companies, that cooperate with third-parties in carrying out loan businesses from outsourcing their credit examination, risk control, or other core businesses and accept credit enhancement services provided by any third party without a guarantee license. Circular 141 and the Notice on Specific Rectification Implementation Plans for Risk of Online Microfinance Businesses of Microfinance Companies, or the Circular 56, prohibit third parties that cooperate with banking financial institutions and internet microfinance companies from directly charging interest or fees to borrowers. In addition, the Interim Measures for the Administration of Online Loans by Commercial Banks, or the Interim Measures, which came into effect on July 12, 2020, the Notice on Further Regulating Online Loan Business of Commercial Banks, which was issued on February 19, 2021, and the Notice on Strengthening Management of Internet Lending Business of Commercial Banks and Improving the Quality and Efficiency of Financial Services, which was issued on July 12, 2022, re-emphasized the requirement of commercial banks' independent risk management and tightened the requirements on their online loan business in terms of funding ratio, concentration and cross-region service provision. Furthermore, as our customers are subject to higher regulatory standards, if any of the services we provide fails to meet these regulatory standards, our customers may reduce or cease cooperating with us, which will in turn significantly affect our business and results of operations.

As a result of those laws and regulations, certain of our customers have had to adjust their business practices in ways that have reduced or ceased their use of our solutions, which adversely affect our access to customers. These types of changes in response to regulatory development may adversely affect our business, result of operations and financial conditions.

We are subject to evolving regulatory requirements and if we do not comply with these regulations, or fail to adapt to regulatory changes, our business and prospects may be materially and adversely affected.

Many aspects of our business, including the provision of internet information, technology services to banks, insurance companies and government agencies, insurance loss adjustment services, insurance agency and insurance brokerage services, online publication services relating to financial product information, providing banks and online small loan companies technology services to facilitate their management and distribution of consumer lending products and various asset management products and electronic certification services are subject to supervision and regulation by regulatory authorities in various jurisdictions where we operate. In addition, as we continue to expand the solution offerings, we may be subject to new and more complex regulatory requirements.

We are also required to comply with applicable laws and regulations in relevant jurisdictions to protect the privacy and security of our customers' information. Legal and regulatory restrictions may delay, or possibly prevent, some of our solutions or services from being offered, which may have a material adverse effect on our business, financial condition and results of operations. Violation of laws and regulations may also result in severe penalties, confiscation of illegal income, revocation of licenses and, under certain circumstances, criminal prosecution.

Table of Contents

In addition, the PRC regulatory framework governing financial technology services is constantly evolving. New laws or regulations may be promulgated, which could impose new requirements or prohibitions that render our operations or our technologies non-compliant. For example, on December 31, 2021, the People's Bank of China, or the PBOC, issued the Measures for Administration of Internet Marketing of Financial Products (Draft for comments), which regulate financial institutions or internet platform operators entrusted by such financial institutions carrying out internet marketing activities of financial products. Pursuant to this draft, financial institutions shall not entrust other entities or individuals to carry out internet marketing of financial products unless otherwise provided or authorized by laws and regulations. The draft also prohibits third-party online platform operators from being involved in the sale of financial products or participating in the income sharing of financial business in a disguised way. In addition, due to uncertainties and complexities of the regulatory environment, we cannot assure you that we will always be in full compliance with applicable laws and regulations. To remedy any violations, we may be required to modify our business models, solutions and technologies in ways that render our solutions less appealing and may be required to obtain new qualifications or licenses. We may also become subject to fines or other penalties, or, if we determine that the requirements to operate in compliance are overly burdensome, we may elect to terminate potentially non-compliant operations. In each such case, our business, financial condition and results of operations may be materially and adversely affected.

Failure to maintain, enlarge and optimize our customer base or strengthen customer engagement may adversely affect our business and results of operations.

Our revenue growth depends on our ability to maintain, enlarge and optimize our customers base and strengthen customer engagement so that more of our customers will use our solutions more often and contribute more to our revenue growth. Our customers may not continue to use our solutions once their existing contract expires or they may not purchase additional solutions from us. This risk is especially apparent in circumstances where it is inexpensive for them to switch service providers. Our ability to maintain, enlarge and optimize our customer base and strengthen our customer engagement will depend on many factors, some of which are out of our control, including:

- our ability to continually innovate our technologies to keep pace with rapid technological changes;
- our ability to continually innovate our solutions in response to evolving customer demands and expectations and intense market competition;
- our ability to customize solutions for our customers;
- customer satisfaction with our solutions, including any new solutions that we may develop, and the competitiveness of our pricing and payment terms;
- the effectiveness of our solutions in helping our customers improve efficiency, enhance service quality, reduce costs and mitigate risks;
- customers' acceptance of our transaction-based revenue model; and
- the success and growth of our customers, which could be affected by general-economic and market conditions, regulatory developments, etc.

In addition, the industry we operate is characterized by fast changing technologies and customer demands, and rapid development and continued enhancement of solutions. To remain competitive, we must continue to stay abreast of the continuously evolving industry trends and rapid technological developments. Nevertheless, we may not be able to leverage new technologies effectively or adapt our products to meet customers' needs or emerging industry standards. If we are unable to adapt in a cost-effective and timely manner in response to changing market conditions, whether for technical, legal, financial or other reasons, our business may be materially and adversely affected. In addition, if our customers, especially premium customers or premium-plus customers, choose to leverage their in-house research and development capabilities to develop their own solutions, or for any other reason they reduce or cease their use of our technology solutions, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Table of Contents

As we primarily use a transaction-based revenue model, any loss of existing customer or a reduction of transactions by our customers would adversely affect our business and results of operations. For details, see "—We face risks related to natural disasters, health epidemics, civil and social disruption and other outbreaks, which could significantly disrupt our operations."

We have relied on a limited number of key customers. In 2021, 2022 and 2023, two customers – Ping An Group and Lufax Group – contributed to 5% or more of our total revenues for these respective periods. Ping An Group is one of our principal shareholders, our strategic partner, our largest supplier and our related party. Lufax Group is an associate company of Ping An Group. Our total sales to Ping An Group accounted for 56.1%, 56.6% and 57.0% of our total revenue, and our total sales to Lufax Group accounted for 10.4%, 10.3% and 7.3% of our total revenue in 2021, 2022 and 2023, respectively. We anticipate that our dependence on a limited number of customers will continue for the foreseeable future. Consequently, failure to maintain and strengthen our relationships with these key customers may cause material fluctuations or declines in our revenues and have a material adverse effect on our business and results of operations.

We operate in a competitive industry. If we are unable to compete effectively, we may lose market share.

China's financial technology services industry is highly competitive and rapidly evolving. New competitors, including affiliates of financial institutions, traditional IT companies and internet companies, are entering this market. Our competitors include companies affiliated with financial institutions that provide technology-as-a-service solutions, traditional IT and software companies that provide traditional standard and customized IT products and services, as well as internet companies that offer technology services. Our competitors may have greater brand recognition, larger customer bases or greater financial, technological or marketing resources than we do. As a result, our competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, standards or customer requirements, and they may be able to better adapt to significant changes in regulatory and industry environments. Competition may also result in continued pricing pressures, which may lead to price reductions for our solutions, and may adversely affect our profitability and market share. In addition, we may face competition from our customers, who may develop their own solutions internally after they have gained experience and expertise through their use of our solutions. If we are unable to successfully compete in the financial technology services industry, our business, financial condition and results of operations may be materially and adversely affected.

The technologies we use may contain undetected errors, which could result in customer dissatisfaction, damage to our reputation and loss of customers.

The solutions we offer are built on huge stacks of data, so we adopt sophisticated and innovative technologies to address our operating needs, predict operating patterns and help make decisions in terms of business strategies and implementation plans. We aim to make our operations and our solutions more streamlined, automated and cost-effective by using advanced technologies including AI, cloud and security and the application of these technologies in our solutions is still under development. We may encounter technical obstacles, and we may discover problems that prevent our technologies from operating properly, which could adversely affect our information infrastructure and other aspects of our business where our technologies are applied. If our solutions do not function reliably or fail to achieve our customers' or their end-customers' expectations in terms of performance, we may lose existing customers or fail to attract new ones, which may damage our reputation and adversely affect our business.

Material performance problems, defects or errors in our existing or new software, applications and solutions may arise and may result from the interface between our solutions and systems and data that we did not develop, the function of which is beyond our control, or defects and errors that were undetected in our testing. These types of defects and errors, and any failure by us to identify and address them, could result in a loss of revenue or market share, diversion of development resources, harm to our reputation and increased service and maintenance costs. Defects or errors may discourage existing or potential customers from utilizing our solutions. Correcting these types of defects or errors could prove to be impossible or impracticable. The costs incurred in correcting any defects or errors may be substantial and could have a material adverse effect on our business, financial condition and results of operations.

Table of Contents

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

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

In recent years, the PRC regulatory authority has tightened the regulation of the data collection, storage, sharing, use, disclosure and protection, including personal information and user data, particularly personal information obtained through individuals' use of websites and online services. Relevant PRC laws and regulations require internet service providers and other network operators, among other things, to clearly state the authorized purpose, methods and scope of the collection and usage of data and obtain the consent of users for the processing of this data, as well as to establish user information protection systems with remedial measures. For example, Regulation for the Administration of Credit Investigation Industry, which was enacted by the State Council and became effective in March 2013, provides the definition of credit investigation business and imposes licensing requirements for conducting credit investigation business. The Administrative Measures of Credit Investigation issued by the PBOC took effective on January 1, 2022, which stipulate a broad definition of credit information to include all types of information in connection with the provision of services in financial or other activities to assess credit of individuals or enterprises. According to this measure, such information may include individual's or enterprise's identity, address, transportation, communication, indebtedness, property, payment, consumption, production and operation, fulfillment of legal obligations and other information, as well as the analysis and evaluation based on such information. Although the interpretation and application of such measures are evolving and subject to change, since our business involves collecting, saving or processing such information, we may be deemed to be collecting and processing credit information of individuals and enterprises, and may be required to obtain credit data collection licenses and complete filing formalities. Given that (i) the measures stipulate that enterprises may complete compliance rectification within 18 months from the implementation of the measures on January 1, 2022; (ii) we have taken relevant measures, including only storing basic information and desensitization information in relevant business, cooperating with a credit reporting agency to gradually transfer relevant businesses to it, or gradually ceasing relevant business during the rectification period; and (iii) the revenue contribution of such business to our Group is insignificant, as advised by our PRC legal counsel, the risk that we are ordered to suspend relevant business, confiscated the illegal income and imposed a fine is remote.

To further regulate data processing activities, safeguarding data and cyber security, promoting data development and utilization, protecting the lawful rights and interests of individuals and organizations, and maintaining national sovereignty, security, and development interests, on June 10, 2021, the Standing Committee of the PRC National People's Congress published the Data Security Law of the People's Republic of China, which took effect on September 1, 2021. The Data Security Law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed, and prohibits any individual or entity in China from providing data stored in China to foreign judicial or law enforcement departments without the approval of competent authorities in China. Moreover, on August 20, 2021, the Standing Committee of the National People's Congress issued the Personal Information Protection Law of the PRC, which took effect on November 1, 2021, which further details the general rules and principles on personal information processing and further increases the potential liability of personal information processor. Given that the PIPL is relatively new and evolving, it is uncertain how they will be interpreted or enforced.

Table of Contents

On November 14, 2021, the CAC, published the Regulations on Cyber Data Security Management (Draft for Comments), or the Draft Regulations on Cyber Data Security Management, which specifies that data processor who seeks to list in Hong Kong, which affects or may affect the national security, should apply for cybersecurity review. As of the date of this annual report, the draft measures have not yet promulgated into law. On December 28, 2021, the CAC and other twelve government authorities, published the Measures for Cybersecurity Review, or the Cybersecurity Review Measures, which further stipulates that an online platform operator who possesses personal information of more than one million users and is seeking for listing in a foreign country will be subject to the cybersecurity review as well. Moreover, critical information infrastructure operators, or the CIIOs, that purchase internet products and services, or online platform operators that carry out data processing activities that affect or may affect national security, must be subject to the cybersecurity review. The Cybersecurity Review Measures further elaborate the factors to be considered when assessing the national security risks, including, among others, (i) the risk of core data, important data, or a large amount of personal information being stolen, leaked, destroyed, and illegally used or illegally transferred abroad, and (ii) the risk of critical information infrastructure, core data, important data, or a large amount of personal information being affected, controlled, or maliciously used by foreign governments and the risk of cyber information security due to the listing. As advised by our PRC legal counsel, although several PRC laws and regulations have provided the definition of "critical information infrastructure," the exact scope of "critical information infrastructure operators" under the current regulatory regime remains unclear, and the identification of any specific critical information infrastructure is subject to industry-specific identification rules promulgated by relevant regulators and the notice from the relevant regulators. In addition, neither the Draft Regulations on Cyber Data Security Management nor the Cybersecurity Review Measures provides further explanation or interpretation for "listing in a foreign country" or the scope of activities of data processing that "affects or may affect national security." If our business activities are deemed to "affect or may affect national security," we may be required to apply for cybersecurity review, but there can be no assurance that we will be able to obtain approval from the regulatory authorities in a timely manner, or at all. The PRC regulatory authorities have discretion in the interpretation and enforcement of these laws. As of the date of this annual report, we have not received any inquiry, notice, warning, or sanction from the CAC or any other PRC regulatory authority that identifies us as the CIIO or requires us to apply for the cybersecurity review or commences the cybersecurity review on us. Based on the above and subject to the interpretation and discretion of the relevant regulatory authorities, after consulting with our PRC legal counsel, we are of the view that (i) considering the factors of assessment of the national security risks, the possibilities that our business operations are regarded as activities that may affect the national security and therefore we are required to proactively apply for the cybersecurity review in accordance with the Draft Regulations on Cyber Data Security Management (assuming implementation in its current form) and the Cybersecurity Review Measures are low; (ii) we are not aware of any material impediment for us to take measures for compliance with the Draft Regulations on Cyber Data Security Management and the Cybersecurity Review Measures; and (iii) the Draft Regulations on Cyber Data Security Management, if adopted in its current form, and the Cybersecurity Review Measures will not have a material adverse effect on our business operations and our listing in Hong Kong or the United States.

Furthermore, on December 8, 2022, the MIIT released the Administrative Measures for Data Security in Industry and Information Technology Sectors (Trial), or the Data Security Measures in Industry and Information Technology Sectors. The measures apply to data management in certain industries, including telecommunication sectors, where certain data we process is generated from. The Data Security Measures set out three categories of data: ordinary data, important data and core data. The processing of important data and core data is subject to certain filing and reporting obligations. In addition, sharing important data and core data with an overseas party is subject to a special review and approval process. We have sorted and cataloged data we process and take certain measures as required. And we believe that the data we process as a data processor do not involve important data and core data in accordance with the Data Security Measures and other currently applicable PRC laws and regulations.

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

Table of Contents

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

On March 22, 2024, the CAC promulgated the Provisions on Promoting and Regulating Cross-border Data Flows, effective on March 22, 2024, which specify certain scenarios in which no data cross-border compliance declaration is required.

We have seen a similar trend of tightened regulation on data security in other jurisdictions. For example, in May 2018, a new data protection regime, the European Union's General Data Protection Regulation, or the GDPR, became applicable; the GDPR can apply to the processing of personal data by companies outside of the European Union, including where the processing of personal data relates to the offering of goods and services to, or monitoring the behavior of, individuals in the European Union. The GDPR and data protection laws in other jurisdictions may apply to our processing of personal data in the future. The application of these laws to our business would impose on us more stringent compliance requirements with more significant penalties for non-compliance than PRC data protection laws and regulations, and our compliance with such requirements could require significant resources and result in substantial costs, which may materially and adversely affect our business, financial condition, results of operations and prospects.

We collect, process and store significant amounts of personal information concerning our customers and their end-customers, as well as personal information pertaining to our business partners and employees. Compliance with applicable personal information and data security laws and regulations is a rigorous and time-intensive process. As of the date of this annual report, (i) we have not been subject to any material fines or administrative penalties, mandatory rectifications, or other sanctions by any PRC regulatory authorities in relation to the violation of laws and regulations on cybersecurity, data security and personal information protection; (ii) there is no material leakage of data or personal information or violation of cybersecurity and data protection and privacy laws and regulations by us which will have a material adverse impact on our business operations; (iii) there has been no material cybersecurity and data protection incidents or infringement upon the rights of any third parties, or other legal proceedings, administrative or regulatory proceedings, pending against us; and (iv) we have implemented comprehensive cybersecurity and data protection policies, procedures and measures to safeguard personal information rights and ensure secured storage and transmission of data and prevent unauthorized access or use of data. Based on the above and as advised by our PRC legal counsel, we are of the view that we are in compliance with currently applicable PRC laws and regulations on cybersecurity, data security and personal information protection in all material aspects. As there might be further issued explanations or implementation rules on the applicable laws and regulations, we will actively monitor future regulatory and policy changes to ensure strict compliance with all then applicable laws and regulations. However, we cannot assure you that the regulatory authorities will form the similar opinions as ours. As global data protection laws and regulations increase in number and complexity, we cannot assure you that our data protection systems will be considered sufficient under all applicable laws and regulations due to factors including the uncertainty of the interpretation and implementation of these laws and regulations. Furthermore, we cannot assure you that the end-customer information that we process for our customers and the information we receive from our third-party data partners are obtained and transmitted to us in full compliance with relevant laws and regulations by our customer and third-party data partners. Moreover, there could be new laws, regulations or industry standards that require us to change our business practices and privacy policies, and we may also be required to put in place additional mechanisms ensuring compliance with new data protection laws, all of which may increase our costs and materially harm our business, prospects, financial condition and results of operations. Any failure or perceived failure by us to comply with applicable laws and regulations could result in reputational damage or proceedings or actions against us by regulatory authorities, individuals or others. These proceedings or actions could also result in the delayed or halted processing of personal information that we need to undertake to carry on our business.

Table of Contents

Breach of our security measures or those of our third-party cloud computing platform provider, or other third-party service providers, may result in our data, IT systems, and services being perceived as not being secure.

Our solutions involve the storage and transmission of our customers and their end-customers' proprietary and other personal sensitive information including financial information and other personally identifiable information. Our security measures may be breached as a result of efforts by individuals or groups of hackers and sophisticated organizations. Our security measures could also be compromised by employee error or malfeasance, which could result in someone obtaining unauthorized access to, or denying authorized access to, our IT systems, our customers' data or our data, including our intellectual property and other confidential business information.

Because the techniques used to breach, obtain unauthorized access to, and sabotage IT systems change frequently, grow more complex over time, and are generally not recognized until launched against a target, we may be unable to anticipate or implement adequate measures to prevent such techniques. In addition, our internal IT systems continue to evolve, and we are often early adopters of new technologies and new ways of sharing data and communicating internally and with partners and customers, which increases the complexity of our IT systems. In addition, our customers may authorize third-party technology providers to access their customer data, and some of our customers may not have adequate security measures to protect their data that is stored on our servers. Because we do not control our customers or third-party technology providers, or the processing of such data by third-party technology providers, we cannot ensure the integrity or security of such transmissions or processing. Malicious third parties may also conduct attacks designed to temporarily deny customers access to our services.

A security breach could expose us to a risk of loss or inappropriate use of proprietary and personal sensitive information, or the denial of access to this data. A security breach could also result in a loss of confidence in the security of our services, damage our reputation, negatively impact our future sales, disrupt our business and lead to legal liability. Finally, the detection, prevention and remediation of known or potential security vulnerabilities, including those arising from third-party hardware or software, may result in additional direct and indirect costs, for example, we may be required to purchase additional infrastructure or our remediation efforts may degrade the performance of our solutions.

In the event of a system outage and physical data loss, the performance of our platform, services and solutions would be materially and adversely affected. The satisfactory performance, reliability and availability of our platform, services and solutions and the technology infrastructure that underlies them are critical to our operations and reputation and our ability to retain and attract customers. Our offering platform is integrated with a cloud platform. Our operation depends on its ability to protect our system against damage or interruption from natural disasters, power or telecommunications failures, air quality issues, environmental conditions, computer viruses or other attempts to harm their systems, including criminal acts and similar events. If there is a lapse in service or damage to the cloud platform, we could experience interruptions and delays in our service and may incur additional expenses in arranging new facilities.

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

We regard our patents, copyrights, trademarks, trade secrets, and other intellectual property as critical to our business. Unauthorized use of our intellectual property by third parties may adversely affect our business and reputation. We rely on a combination of intellectual property laws and contractual arrangements to protect our proprietary rights. Sometimes laws and regulations are subject to interpretation and enforcement. In addition, our contractual agreements may be breached by our 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 various jurisdictions in which we operate. Detecting and preventing any unauthorized use of our intellectual property is difficult and costly, and the steps we have taken may be inadequate to prevent infringement or misappropriation of our intellectual property. If we resort to litigation to enforce or protect our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in such litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors, and we would have no right to prevent others' use of them.

Table of Contents

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 would not infringe upon or otherwise violate patents, copyrights, trademarks or other intellectual property rights held by third parties. We in the future may be subject to penalties, legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be other third-party intellectual property that is infringed by our solutions, services or other aspects of our business. There could also be intellectual properties that we are not aware of that our solutions or services may inadvertently infringe. As of December 31, 2023, we owned 827 registered patents in China and other countries or regions. There can be no assurance that our patent or other intellectual property applications will be approved, that any issued patents or other intellectual property rights would adequately protect our intellectual property, or that such patents or other intellectual properties would not be challenged by third parties or found by competent authority to be invalid or unenforceable.

There can be no assurance that holders of patents purportedly relating to some aspect of our technology platform or business, if any such holders exist, would not seek to enforce these patents against us in China or any other jurisdictions. Furthermore, the application and interpretation of PRC patent laws and the procedures and standards for granting patents in the PRC are still evolving and may subject to change, and there can be no assurance that PRC courts or regulatory authorities would agree with our analysis. If we are 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. In addition, we may incur significant expenses, and may be forced to divert management's time and other resources from our business and operations to defend against these third-party infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, which may materially and adversely affect our business, financial condition and results of operations.

Registering, managing and enforcing intellectual property rights is often difficult. We have filed registration applications for certain trademarks and other intellectual properties that we use in our operations, including the logo for our website and mobile apps. However, third parties may file applications to register the same or similar trademarks that we are applying for. In addition, third parties may object our registration applications, and the relevant trademark authority may not rule in our favor in such disputes. If our applications are rejected by the relevant trademark authority, we may be prohibited from using those trademarks, including the logo for our website and mobile apps in our business operations and we may need to change the logo of our website and mobile apps, which may have an adverse effect on our business and operations. Moreover, we have pledged and may further pledge some of our intellectual properties to third parties, which may limit our use or dispose of such intellectual properties.

We rely on third parties for various aspects of our business and the solutions that we offer. Our business, results of operation, financial condition and reputation may be materially and adversely affected if these third parties do not continue to maintain or expand their relationship with us, or if they fail to perform in accordance with the terms of our contracts.

We rely on third parties for various aspects of our business and the solutions we offer. For example, we rely on computer hardware, software, and cloud services, internet and telecommunication services, and third-party-supplied data.

We expect to continue to rely on these third parties to supplement our capabilities for a significant period of time. Therefore, in order to conduct our business, we need all of these parties to function in an accurate and timely manner. However, we cannot assure you that these third parties will provide their support properly or in a cost-effective manner or the third party-supplied data we rely on will be complete, accurate or reliable. In the event of problems with any of these third party providers, transitioning to a new provider may disrupt our business and increase our cost. In addition, we cannot assure you that we would be able to find suitable replacement suppliers on commercially reasonable terms or timely basis.

If any of our third party service providers fail to perform properly, we cannot assure you that we will be able to find a suitable alternative in a timely and cost-effective manner or at all. Our third party service providers may carry out their business in an inappropriate manner or in violation of regulations or laws. Any of such occurrences could diminish

our ability to operate or damage our business reputation, or cause us regulatory or financial harm, any of which could negatively affect our business, financial condition and results of operations.

Table of Contents

Our implementation cycles can be lengthy and variable, and could use up significant resources prior to generating revenue.

The implementation and testing of our solutions by our customers typically lasts from one to four months or longer, and unexpected implementation delays and difficulties can occur. Implementing our solutions typically requires us to integrate our solutions with our customers' and third-parties' systems. This can be complex, time consuming and expensive for our customers and can result in delays in implementing and deploying our solutions. Failures to meet our customers' expectations for implementing our solutions could damage our relationships with customers or even result in a loss of customers. The consequences of these types of failures could include us having to grant monetary credits for current or future service engagements, reduced fees for additional product sales, or a customer's refusal to pay their contractually-obligated license, maintenance or service fees. In addition, time-consuming implementations may also increase the quantity of staff we must allocate to each customer, thereby increasing our costs and adversely affecting our business, results of operations and financial condition.

Our inability to use software licensed from third parties, including open source software, could negatively affect our ability to sell our solutions and subject us to possible litigation.

Our technology platform incorporates software licensed from third parties, including open-source software, which we use without charge. The terms of many open-source licenses that we are subject to have not been interpreted by courts, and there is a risk that these licenses could be construed to impose unanticipated conditions or restrictions on our ability to provide our solutions. In addition, the terms of open-source software licenses may require us to provide software that we develop to others on unfavorable license terms. For example, certain open-source licenses may require us to offer the components of our platform that incorporate open source software for free, to make source code for modifications or derivative works available to others, and to license such modifications or derivative works under the terms of the particular open-source license.

In addition, we could be required to seek licenses from third parties in order to continue offering our solutions, and these types of licenses may not be available on terms that are acceptable to us, or at all. Alternatively, we may need to re-engineer our solutions or discontinue using certain functionalities of our solutions. Our inability to use third-party software could result in disruptions to our business, or delays in developing future offerings or enhancements of our existing solutions, which could materially and adversely affect our business and results of operations.

If we are unable to protect or promote our brand and reputation, our business may be materially and adversely affected.

Our brand names and reputation are subject to a variety of factors that are beyond our control. For example, customer complaints about our service and negative publicity about our industry could diminish consumer confidence in our solutions. Failure to protect our customers' privacy or effectively adopt security measures could have the same effect. However, measures we may take from time to time to combat risks of fraud and breaches of privacy and security can damage relations with our customers. These measures heighten the need for prompt and accurate customer service to resolve irregularities. If we cannot handle customer complaints effectively or balance different customers' needs appropriately, our reputation may suffer, and we may lose our customers' confidence. Furthermore, we may be subject to claims seeking to hold us liable for inaccurate or false information. Any claims, regardless of merit, may force us to participate in costly time-consuming litigation or investigations, divert significant management and staff attention, and damage our reputation and brand. In addition, our reputation may be undermined if our customers, who are primarily financial institutions, violate laws and regulations such as financial supervision regulations and anti-money laundering laws, when using our solutions. Any significant damage to our reputation, or to the perceived quality or awareness of our brand or solutions, or any significant failure by us to promote and protect our brand and reputation, could make it more difficult for us to maintain a good relationship with our customers, promote our services or retain qualified personnel, any of which may have a material adverse effect on our business.

Our efforts to build our brand have caused us to incur expenses, and our future marketing efforts will require us to incur additional expenses. These efforts may not result in increased revenues in the immediate future or 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 brand 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.

Table of Contents

In addition, the use of the "Ping An" brand by members of Ping An Group may expose us to reputational risks if these entities take actions that damage the "Ping An" brand, and, given our partnership with Ping An Group, any negative development in Ping An Group's market position, reputation or brand recognition may materially and adversely affect our brand image, reputation and market value.

We experienced net operating cash outflow in the past, which may continue in the future. We may not be able to obtain additional capital when desired, on favorable terms or at all.

In 2021, 2022 and 2023, we had net cash used in operating activities of RMB404.3 million, RMB746.0 million and RMB648.5 million (US$91.3 million), respectively. We may require additional cash resources due to operating loss or the growth and development of our business, including any investments or acquisitions we may decide to pursue. If our cash resources are insufficient to satisfy our requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. Our ability to obtain external financing is subject to uncertainties, including our future financial condition, results of operations, cash flows, share price performance, liquidity in the international capital and lending markets, and PRC regulatory regulations over foreign investment and our industry. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financing covenants that would restrict our operations. There can be no assurance that any financing we need would be available in a timely manner or in amounts or on terms favorable to us, or at all. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity and have a material adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing shareholders. These newly issued securities may have rights, preferences or privileges senior to those of our existing shareholders.

We are subject to credit risks in collecting trade receivables and recoverability of contract assets.

We typically grant credit terms to our customers of 10 to 30 days following the invoice date. However, there is no guarantee that our all our customers pay us on time. In 2021, 2022 and 2023, we had trade receivables of RMB891.2 million, RMB941.0 million and RMB710.7 million (US$100.1 million), respectively. In addition, in the same period, we had contract assets of RMB227.9 million, and RMB122.6 million and RMB95.8 million (US$13.5 million), respectively. There is no assurance that all such amounts due to us will be settled on time or at all. Accordingly, we face credit risk in collecting trade receivables and contract assets. In 2021, 2022 and 2023, our net impairment losses on financial and contract assets was RMB72.2 million, RMB33.6 million and RMB54.0 million (US$7.6 million), respectively. Our performance, liquidity and profitability will be adversely affected if significant amounts due to us are not settled on time. The bankruptcy or deterioration in the credit condition of any of our major customers could also materially and adversely affect our business.

Failure to fulfil our obligations in respect of contract liabilities could materially and adversely affect our results of operation, liquidity and financial position.

Our contract liabilities represent our obligations to provide the contracted products and services to customers. Our contract liabilities mainly arise from the advance payment made by customers while the underlying products and services are not yet to be provided. As of December 31, 2021, 2022 and 2023, we had contract liabilities of approximately RMB173.3 million, RMB186.6 million and RMB155.7 million (US$21.9 million), respectively. There is no assurance that we will be able to fulfil our obligations in respect of contract liabilities. If we are not able to fulfil our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue, and we may have to return the advance payment made by our customers. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

Table of Contents

Our results of operations, financial conditions and prospects may be adversely affected by fair value changes of financial assets at fair value through profit or loss and financial assets through other comprehensive income, the valuation of which is uncertain due to the use of unobservable inputs that require judgment and assumptions that are inherently uncertain.

In 2021, 2022 and 2023, we had unlisted equity securities and listed debt securities, which were designated as financial assets at fair value through other comprehensive income. During the same period, we also had contingent returnable consideration and wealth management products, which were designated as financial assets at fair value through profit or loss. The fair value of these assets is determined based on the valuation performed by an independent valuer, using valuation techniques. The assessment of fair value of the abovementioned equity securities, debt securities, and contingent returnable consideration requires the use of unobservable inputs including discount rate, discount of lack of marketability and expected volatility. We use our judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the respective valuation dates. These valuation methodologies that we use involve a significant degree of management judgment and are inherently uncertain. Changes in these unobservable inputs and other estimates and judgments could materially affect the fair value of the equity securities, debt securities and contingent returnable considerations, which in turn may adversely affect our results of operations.

In 2021, 2022 and 2023, we recognized net gain on financial assets at fair value through profit or loss of RMB45.6 million, RMB30.7 million and RMB20.0 million (US$2.8 million), respectively. We recognized net gain on financial assets at fair value through other comprehensive income of RMB7 thousand, RMB315 thousand and nil, in the same respective periods. We cannot assure you that we will not incur any losses from the fair value changes in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

Additionally, as of December 31, 2021, 2022 and 2023, we held RMB2,071.0 million, RMB690.6 million and RMB532.1 million (US$74.9 million) wealth management products issued by Ping An Group, respectively, representing 100%, 100% and 57.5% of the total balance of our wealth management products as of the same dates. If the underlying investments of these products default or if Ping An Group defaults on the redemption of these wealth management products, we will incur fair value losses, which will significantly affect our financial position and our liquidity.

Disruptions in the financial markets and economic conditions could adversely affect our financial institution customers.

Changes in the condition of China's economy generally affect the demand and supply of financial products, which in turn will affect demand for the solutions we provide. For example, a credit crisis, or prolonged downturn in the credit markets could severely affect our operating environment by, for example, causing a tightening in credit guidelines, limited liquidity, deterioration in credit performance or increased foreclosures. Since we predominantly generate our revenues from transaction-based fees, a decrease in transaction volumes could cause a material decline in our revenues for the duration of such crisis.

Global economies could suffer dramatic downturns as the result of a deterioration in the credit markets and related financial crisis as well as a variety of other factors including, extreme volatility in security prices, diminished liquidity and credit availability, ratings downgrades of certain investments and declining valuations of others. In past economic downturns, governments have taken unprecedented actions to address and rectify these extreme market and economic conditions, including by providing liquidity and stability to the financial markets. If these actions are not successful, the return of adverse economic conditions may significantly affect the businesses of our customers, which could in turn negatively affect our revenues.

In addition, there is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by China. On the other hand, after a sustained period of low interest rates, interest rates have risen significantly in the U.S. and Europe since 2022. There are expectations that interest rates will continue to rise in 2023 as the U.S. Federal Reserve seeks to combat inflation. The combination of rising interest rates and inflation has resulted in significant market volatility and economic uncertainty. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa and over the conflicts involving Israel and Palestine, Ukraine and Russia, and North Korea. There have also been concerns on the relationship among China and other Asian countries, which may result in or intensify potential conflicts in relation to territorial disputes, and escalations in the tensions between the United States and China starting from 2018, which could have a material adverse impact on the Chinese economy. In addition, the United Kingdom held a referendum on June 23, 2016 on its membership in the European Union, in which a majority of voters in

the United Kingdom voted to exit the European Union (commonly referred to as "Brexit"). On January 31, 2020, the United Kingdom ceased to be a member of the European Union. Brexit could adversely affect European and worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets.

Table of Contents

Furthermore, a slump in commodity prices, uncertainty over interest rates in the United States and the outbreak of novel coronavirus have also resulted in instability and volatility in the capital markets. The stock markets around the world have experienced extreme volatility in reaction to the COVID-19 outbreak and governments' responses thereto, including the recent rate reductions by the Federal Reserve. Furthermore, eruptions of regional tensions, such as the ongoing military conflict involving Ukraine and Russia, and the related sanctions against Russia have resulted in economic disruptions worldwide and substantial volatility and uncertainty across global financial markets. In addition, the related energy crisis in Europe have weighed on global economic prospects. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term. The impacts that these conflicts and incidents will have on our business, operations and financial results depend on numerous evolving factors that we may not be able to accurately predict, including: the duration and scope of the conflicts or incidents; regulatory and business actions that have been and continue to be taken in response to the conflicts or incidents and the impact of the conflicts on economic activity.

We may incur impairment charges for our goodwill and intangible assets.

We recorded goodwill, which related to our acquisitions, of RMB289.2 million, RMB289.2 million and RMB289.2 million (US$40.7 million) as of December 31, 2021, 2022 and 2023, respectively. We also recorded intangible assets, which primarily included applications and platforms, purchased software, development cost in progress and others, of RMB687.2 million, RMB570.4 million and RMB471.4 million (US$66.4 million) as of December 31, 2021, 2022 and 2023, respectively. Our impairment assessment of goodwill and other intangible assets is based on a number of assumptions made by our management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to make a provision for our goodwill and other intangible assets and record an impairment loss, which could in turn adversely affect our results of operations. Any significant impairment charges of goodwill or intangible assets could have a material adverse effect on our business, financial condition and results of operations.

The non-recurring nature of government grants and tax rebates we received could materially and adversely affect our business, financial condition and results of operations.

In 2021, 2022 and 2023, we received government grants, including technology development incentives, epidemic subsides and operation subsidies, and tax rebates from the PRC regulatory authority. In 2021, 2022 and 2023, we recognized government grants of approximately RMB28.9 million, RMB27.4 million and RMB23.9 million (US$3.4 million), respectively; we received tax rebates of approximately RMB22.2 million, RMB30.6 million and RMB17.5 million (US$2.5 million), respectively, for the same periods. For further details, see Note 9 to our audited consolidated financial statements included elsewhere in this annual report. We cannot assure you that we will continue to receive certain portion of the government grants and tax rebates in the future or at all. As government grant contributed to certain portion of our income in 2021, 2022 and 2023, the non-recurring nature of government grants and tax rebates to us may affect our profitability. Hence, our business, financial condition and results of operations could be affected as a result of the non-recurring nature of government grants and tax rebates.

Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our derivatives.

Our derivative financial instruments are initially recognized at fair value on the date of which the related derivative contracts are entered into and are subsequently measured at fair value. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. We had two types of derivative financial instruments during the years ended December 31, 2021, 2022 and 2023, which were foreign exchange swaps and currency forwards. Our derivative financial instruments were designated as derivative financial liabilities and derivative financial assets during the years ended December 31, 2021 and 2022, and were designated as derivative financial assets during the year ended December 31, 2023. The fair value of our derivative financial instruments is subject to various factors that beyond our control, which include, but are not limited to, general economic condition, changes in market interest rates and stability of the capital markets. In 2021, we recorded net loss on derivatives of RMB169.5 million, and in 2022 and 2023, we recorded net gain on derivatives of RMB262.8 million and RMB30.6 million (US$4.3 million), respectively. We cannot assure you that we will not incur any losses from the fair value changes in our derivatives in the future. If we continue to incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected. For further details, see Notes 9 and 32 to our audited consolidated financial statements included elsewhere in this annual report.

Table of Contents

Our performance depends on key management and personnel, and any failure to attract, motivate and retain our staff could severely hinder our ability to maintain and grow our business.

Our future success is significantly dependent upon the continued service of our management and key personnel, especially our technology talent. If we lose the services of any member of management or other key personnel, we may not be able to locate suitable or qualified replacements, and we may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth, therefore materially and adversely affecting our business, financial condition, results of operations and prospects. Furthermore, disputes with management and key personnel may affect our reputation and divert management's attention and disrupt our business. In addition, there is no assurance that any member of our management team and technology personnel will not join our competitors or form a competing business. If any dispute arises between our current or former personnel and us, we may have to incur substantial costs and expenses in order to enforce such agreements, and we may not be able to enforce them at all. There have been changes in our senior manager and directors 2021, 2022 and 2023 due to organizational changes and/or personal reasons. The departure of, and changes in, our senior managers and directors in these years were not a result of any dispute or disagreement with us or any matter relating to our operations, policies or practices. The ramifications of these recent changes, including public perception that our future direction, strategy or leadership is uncertain, and the costs and expenses and diversion of our management's attention from our business related thereto could affect our business, prospects, financial condition and results of operations.

The wide range and diversity of the solutions we provide may require us to hire and retain a wide range of experienced personnel who can adapt to a dynamic, competitive and challenging business environment. We will need to continue to attract and retain experienced and capable personnel at all levels, as we expand our business and operations. Competition for talent in China's financial technology industry is intense, and the availability of suitable and qualified candidates is limited. Competition for these individuals could cause us to offer higher compensation and other benefits to attract and retain them. The decrease in the value of our compensation, including value in our share incentives, may cause our offer less competitive in the market and lead to the loss of key personnel. In addition, even if we were to offer higher compensation and other benefits, there can be no assurance that these individuals would choose to join, or continue working for, us.

We may not be able to identify or pursue suitable acquisition or expansion opportunities or achieve optimal results in future acquisitions or expansions, and we may encounter difficulties in successfully integrating and developing acquired assets or businesses.

To further grow our businesses and increase our competitiveness and profitability, we intend to continue expanding our financial technology services in new application scenarios both inside and outside of China. We have been actively looking for acquisition or expansion opportunities that may be beneficial to us. Over the past few years, we have entered into negotiations relating to certain companies in which we were interested in acquiring a stake. We will continue to seek opportunities for acquisition and expansion. Acquisitions or expansions may not be successfully completed and we may not be able to find or consummate suitable acquisition or expansion alternatives. If we successfully complete any acquisition or expansion, we may raise financing, either in the capital markets or in the form of bank financing, to cover all or part of the purchase price, which will lead to changes to our capital structure and may restrict us in other ways. In addition, to the extent we fund these business initiatives through the issuance of equity or convertible debt securities, the ownership interest of our shareholders could be diluted.

We have acquired and may in the future acquire other businesses or companies with advanced financial technologies, leading financial technology products, valuable intellectual products or other businesses or assets with capabilities and strategies that we believe are complementary to and are likely to enhance our businesses. However, there can be no assurance that we will be able to identify attractive acquisition targets, negotiate favorable terms, obtain necessary government approvals or permits, complete necessary registrations or filings, or obtain necessary funding to complete these acquisitions on commercially acceptable terms or at all.

Table of Contents

Acquisitions and expansions involve numerous risks, including potential difficulties in retaining and assimilating personnel, risks and difficulties associated with integrating the operations and culture of acquired businesses, diversions of management attention and other resources, lack of experience and industry and market knowledge of the new businesses, risks and difficulties associated with complying with laws and regulations related to the acquisitions and acquired businesses, and failure to properly identify problems with acquisition targets through the due diligence process. In addition, acquisitions and expansions may significantly stretch our capital, personnel and management resources and, as a result, we may fail to manage our growth effectively. Any new acquisition or expansion plans may also result in our inheritance of debts and other liabilities, assumption of potential legal liabilities in respect of the new businesses, and incurrence of impairment charges related to goodwill and other intangible assets, any of which could harm our businesses, financial condition and results of operations. In particular, if any new businesses we acquire fail to perform as we expected, we may be required to recognize a significant impairment charge, which could materially and adversely affect our business, financial condition and results of operations. There may also be established players in these sectors and markets that enjoy significant market share, and it may be difficult for us to win market share from them. Furthermore, some of the overseas markets that we target may have high barriers of entry for foreign players. There can be no assurance that our acquisition or expansion plans will be successful.

As a result, there can be no assurance that we will be able to realize the strategy behind an acquisition or expansion plan, reach the desired level of operational integration or achieve our investment return targets.

Our international expansion and cross-border provision of our solutions is subject to various risk.

We primarily operate in China, but have been pursuing and will continue to pursue international strategies, primarily in Hong Kong, Southeast Asia, Abu Dhabi and South Africa. International expansion or cross-border provision of our solutions may expose us to additional risks, including:

- Changing global environment, including changes in U.S. and international diplomatic relationships and trade policies;
- Challenges associated with relying on local partners in markets that are not as familiar to us, including joint venture partners to help us establish our business;
- Difficulties managing operations in new regions, including complying with the various regulatory and legal requirements;
- Different approval or licensing requirements;
- Recruiting sufficient suitable personnel in new markets;
- Challenges in providing services and solutions as well as support in these new markets;
- Challenges in attracting business partners and customers;
- Potential adverse tax consequences;
- Foreign exchange losses;
- Limited protection for intellectual property rights;
- Inability to effectively enforce contractual or legal rights;
- Compliance by us and our business partners with anti-corruption laws, import and export control laws, including the Catalogue of Technologies Prohibited or Restricted by China from Export, tariffs, trade barriers, economic sanctions and other regulatory limitations or perceptions on our ability to provide our solutions in certain international markets;
- Speed of post-pandemic recovery in many countries, including in Southeast Asia, where some of our international operations are conducted; and

Table of Contents

- Local political, regulatory and economic instability or wars, civil unrest and terrorist incidents.

If we are unable to effectively avoid or mitigate these risks, our ability to expand our business internationally will be affected, which could have a material adverse effect on our business, financial condition, results of operations and prospects. As we further expand into international market, we are increasingly subject to additional legal and regulatory compliance requirements, including local licensing and periodic reporting obligations. We may inadvertently fail to comply with local laws and regulations; and any such violation could subject us to regulatory penalties, such as revocation of licenses, which would in turn harm our brand, reputation, business operation and financial results. There can be no assurance that our employees, contractors, or agents will stay compliant with these policies and procedures.

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

We have experienced some revenue fluctuation on a quarterly basis in the past, and expect to experience similar trends going forward. In general, our third and fourth quarters are the stronger quarters in any given year. This is primarily due to our business model, as we primarily charge our financial institution customers based on the transaction volume generated on our platform or their other usage of it. Our financial institution customers tend to have higher spending with us in the second half of the year as a result of their annual budget cycles. In addition, customer transactions at financial institutions tend to peak in the fourth quarter, which in turn has positive impact on our revenue. On the other hand, our first quarter results tend to be relatively weaker, in light of the Chinese New Year holidays when many of our customers' businesses are closed. Furthermore, our quarterly results of operations, including the levels of our revenues, expenses, net loss or income and other key metrics, may vary significantly 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, while our rapid growth may obscure these types of fluctuations, our results for any one quarter are not necessarily an indication of future performance. Fluctuations in quarterly results may adversely affect the price of our ordinary shares and ADSs.

If we fail to maintain an effective system of internal controls, we may be unable to accurately report our results of operations, meet our reporting obligations or prevent fraud.

The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, adopted rules requiring most public companies to include a management report on such company's internal control over financial reporting in its annual report with SEC, which contains the management's assessment of the effectiveness of the company's internal control over financial reporting. In addition, when a company meets the SEC's criteria, an independent registered public accounting firm must report on the effectiveness of the company's internal control over financial reporting.

We are a public company in the United States subject to the Sarbanes-Oxley Act of 2002. Our management and independent registered public accounting firm have concluded that our internal control over financial reporting as of December 31, 2023 was effective. However, we cannot assure you that in the future our management or our independent registered public accounting firm will not identify material weaknesses during the Section 404 of the Sarbanes-Oxley Act audit process. In addition, because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. 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 ordinary shares and 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. Furthermore, we have incurred and expect to continue to incur considerable costs and to use significant management time and the other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act, which can significantly divert our management's attention from operating our business.

Table of Contents

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 ordinary shares and 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 NYSE, regulatory investigations and civil or criminal sanctions.

We, our directors, management and employees may be subject to litigation and regulatory investigations and proceedings, and any of their misconduct may have a material adverse effect on our business, results of operations, financial condition and prospects and harm our reputation.

We may be subject to claims and lawsuits in the ordinary course of our business. In addition, we may be subject to inquiries, inspections, investigations and proceedings by relevant regulatory and other regulatory agencies. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us that could harm our business, financial condition, results of operations and reputation. Any action against us, even those without merit and even if we are successful in defending ourselves against them, may cause us to incur significant costs, and could place a strain on our financial resources, divert the attention of management from our core business and harm our reputation. A significant judgment or regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against our directors, officers or employees would have a material adverse effect on our liquidity, business, financial condition, results of operations, reputation and prospects.

In addition, past and future acquisitions, strategic investment or alliance could be difficult to integrate and any disputes or litigation involving any acquired company, including claims from clients, minority or former shareholders or other third parties, could divert our management's attention and harm our business.

As a publicly listed company, we may face additional exposure to claims and lawsuits. These claims could divert management’s time and attention away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims. In some instances, we may elect or be forced to pay substantial damages if we are unsuccessful in our efforts to defend against these claims, which could harm our reputation, business, financial condition and results of operations.

We have adopted a Code of Business Conduct and Ethics designed to deter wrongdoing, to promote honest and ethical conduct and to ensure the accuracy of financials and other public communications made by us, and the compliance with applicable regulatory laws, rules and regulations. We conduct regular internal compliance training and have provided channel to report and investigate any suspected violations. However, we cannot assure you that all our employees will strictly abide by our rules and policies, or that we can effectively and timely deter, detect and remedy all misconduct. Any gross misconduct by our directors, officers and employees, including, but not limited to those in relation to commercial, labor, employment, financial, operational, accounting, auditing or securities matters may have a material adverse impact on our business, financial condition and results of operations, and harm our reputation. Our operation results may also be adversely affected if there is any material labor dispute.

Unexpected network interruptions, security breaches or computer virus attacks and failures in our information technology systems could have a material adverse effect on our business, financial condition and results of operations.

Our information technology systems support all phases of our operations and are an essential part of our technology infrastructure, and the robust reliability of our platform is one of our competitive strengths that we rely on to attract and retain customers. If our systems fail to perform, we could experience disruptions in operations, slower response times or decreased customer satisfaction. We must process, record and monitor a large number of transactions, and our operations are highly dependent on the integrity of our technology systems and our ability to make timely enhancements and additions to our systems. System interruptions, errors or downtime can result from a variety of causes, including unexpected interruptions to the internet infrastructure, technological failures, changes to our systems, changes in customer usage patterns, linkages with third-party systems and power failures. Our systems are also vulnerable to disruptions from human error, execution errors, errors in models such as those used for risk management and compliance, employee misconduct, unauthorized trading, external fraud, computer viruses, denial of service attacks, computer viruses or cyber-attacks, terrorist attacks, natural disaster, power outage, capacity constraints, software flaws, events impacting our key business partners and vendors, and other similar events.

Table of Contents

While we have in the past experienced network interruptions, which did not have a material adverse impact on us, our internet-based business depends on the performance and reliability of the internet infrastructure. We cannot assure you that the internet infrastructure we depend on will remain sufficiently reliable for our needs. Any failure to maintain the performance, reliability, security or availability of our network infrastructure may cause significant damage to our ability to attract and retain customers. Major risks involving our network infrastructure include:

- breakdowns or system failures resulting in a prolonged shutdown of our servers;
- disruption or failure in the national backbone networks in China and the other markets where we operate, which would make it impossible for customers to access our solutions;
- damage from natural disasters or other catastrophic events such as typhoons, volcanic eruptions, earthquakes, floods;
- telecommunications failures, or other similar events; and
- any infection by or spread of computer viruses or other system failures.

Any network interruption or inadequacy that causes interruptions in the availability of our platform or deterioration in the quality of access to our solutions could reduce customer satisfaction and result in a reduction in the activity level of our customers. Furthermore, increases in the volume of traffic on our platform could strain the capacity of our existing computer systems and bandwidth, which could lead to slower response times or system failures. This could cause a disruption or suspension in our service delivery, which could hurt our brand and reputation. We may need to incur additional costs to upgrade our technology infrastructure and computer systems in order to accommodate increased demand if we anticipate that our systems cannot handle higher volumes of traffic and transaction in the future. In addition, it could take an extended period of time to restore full functionality to our technology or other operating systems in the event of an unforeseen occurrence, which could affect our ability to deliver our solutions. There can be no assurance that we will not suffer unexpected losses, reputational damage or regulatory actions due to technology or other operational failures or errors, including those of our vendors or other third parties.

Increases in labor costs in China may adversely affect our business and results of operations.

The economy in China has experienced increases in labor costs in recent years. As a result, average wages in China are expected to continue to increase. In addition, we are required by PRC laws and regulations to pay various statutory employee benefits, including pension, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. In 2021, 2022 and 2023, our labor costs, including our employee benefit expenses and outsourcing labor costs, were RMB2,066.5 million, RMB2,130.6 million and RMB1,729.0 million (US$243.5 million), respectively. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to control our labor costs or pass on these increased labor costs to our users by increasing the fees of our services, our financial condition and results of operations may be adversely affected.

We have granted, and may continue to grant, share incentives, which may result in increased share-based compensation expenses and negatively impact our results of operations.

We adopted a Stock Incentive Plan in November 2017, which was amended and restated from time to time to provide additional incentives to eligible participants. As of March 31, 2024, the aggregate number of underlying ordinary shares pursuant to the outstanding options granted and pursuant to the outstanding performance share units granted under the Stock Incentive Plan was 37,062,027 ordinary shares. In 2021, 2022 and 2023, we incurred equity-settled share-based payment expenses of RMB25.4 million, RMB13.4 million and RMB14.5 million (US$2.0 million), respectively. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel, and we will continue to grant share-based compensation to our employees. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

Table of Contents

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

We maintain insurance to cover our potential exposure for a number of claims and losses. However, our insurance coverage may be inadequate or unavailable to protect us fully, and we may not be able to acquire any coverage for certain types of risks such as business liability or service disruptions, and our coverage may not be adequate to compensate us for all losses that may occur, particularly with respect to loss of business or operations. For example, we do not maintain business interruption insurance or general third-party liability insurance, nor do we maintain product liability insurance or key-man insurance. Any business disruption, litigation, regulatory action, outbreak of epidemic disease or natural disaster could also expose us to substantial costs and diversion of resources. There can be no assurance that our insurance coverage will be sufficient to prevent us from any loss or that we will be able to successfully claim our losses on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the amount of compensation we receive is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

We are subject to risk of recoverability of deferred tax assets.

As of December 31, 2021, 2022 and 2023, our deferred tax assets amounted to RMB683.2 million, and RMB766.0 million and RMB768.3 million (US$108.2 million), respectively. Deferred tax assets are recognized for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Any changes in management's judgment as well as our future taxable profits and tax planning strategies would affect the carrying amounts of deferred tax assets to be recognized and the recoverability of deferred tax assets recognized in our consolidated financial statements. In the case that the value of deferred tax assets has changed, we may have to write-down the deferred tax assets, which may adversely affect our financial condition for that respective year, and therefore could materially and adversely affect our financial condition and results of operations in future years.

We face risks related to natural disasters, health epidemics, civil and social disruption and other outbreaks, which could significantly disrupt our operations.

We are vulnerable to natural disasters and other calamities. Fire, floods, typhoons, earthquakes, power losses, telecommunications failures, break-ins, wars, riots, terrorist attacks, strikes, civil or social disruption or similar events may give rise to server or service 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 provide our solutions. Our business could also be adversely affected by the effects of Ebola virus disease, Zika virus disease, various forms of influenza, Severe Acute Respiratory Syndrome, or SARS, COVID-19, or other epidemics.

Our business, results of operations, financial conditions and prospects could also be adversely affected to the extent that any natural disasters, health epidemics, civil and social disruption and other outbreaks harm the Chinese economy in general.

For example, our revenue, especially our transaction-based revenue such as revenue from business origination services, and our operating cash flow had been adversely affected due to delays in project implementation, software deployment and customized development services conducted on our customers' premises, business development, client interaction, receivables collection and general uncertainties resulted from COVID-19. Our overseas operations and businesses development, especially in Southeast Asia, had also been affected due to continued travel restrictions and lock-downs in many countries in that region. Though the COVID-19 has been contained, the unprecedented nature of the COVID-19 pandemic means there are no comparable recent events that provide guidance as to the effect the COVID-19 outbreak. Additionally, our industry and the industry of our customers are still recovering from sluggish demands from the COVID pandemic. As a result, our revenue decreased by 17.8% from RMB4,464.0 million in 2022 to RMB3,667.5 million (US$516.6 million) in 2023. Our revenue from third-party customers decreased by 11.5% from RMB1,477.9 million in 2022 to RMB1,307.4 million (US$184.1 million) in 2023. The ultimate impact of the pandemic or any similar health epidemic on our business could be substantial.

Table of Contents

Risks Relating to Our Corporate Structure

We are a Cayman Islands holding company with no equity ownership in the VIEs and we conduct our operations in China through (i) our PRC subsidiaries and (ii) the VIEs with which we have maintained contractual arrangements.

We are a Cayman Islands holding company with no equity ownership in the VIEs and we conduct our operations in China through (i) our PRC subsidiaries and (ii) the VIEs and their subsidiaries with which we have maintained contractual arrangements. Investors in our ordinary shares or the ADSs thus are not purchasing equity interest in the VIEs and their subsidiaries in China but instead are purchasing equity interest in a Cayman Islands holding company. If the PRC regulatory authority deems that our contractual arrangements with the VIEs 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. Our holding company in the Cayman Islands, the VIEs, and investors of our company face uncertainty about potential future actions by the PRC regulatory authority that could affect the validity and enforceability of the contractual arrangements with the VIEs and, consequently, significantly affect the financial performance of the VIEs and our company as a group.

If the PRC regulatory authority finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these laws or regulations or their interpretations change, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Foreign ownership of internet-based businesses, such as distribution of online information, internet data center services and other value-added telecommunication services, are subject to restrictions under current PRC laws and regulations. For example, with respect to the accessibility of telecommunications services subject to China's commitment to the entry into WTO, foreign investors are generally not allowed to own more than 50% of the equity interest in a value-added telecommunication service provider (subject to certain exceptions relating to certain businesses, including e-commerce businesses domestic multi-party communication service businesses, and data collection and transmission service businesses), in accordance with the Special Administrative Measures for Entrance of Foreign Investment (Negative List) (2021 Version) ,which became effective on January 1, 2022, or the 2021 Negative List, the Administrative Rules on Foreign-Invested Telecommunication Enterprises newly amended in 2022, and other applicable laws and regulations. In addition, China's commitment to the entry into WTO does not include internet data center business pursuant to the Protocol on the Accession of the PRC, effective on December 10, 2001.

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands, and OneConnect Technology Services Co., Ltd. (Shenzhen), or Shenzhen OneConnect Technology, and Zhang Tong Shun, our PRC subsidiaries, are considered foreign-invested enterprises. Therefore, neither we nor our foreign-invested enterprises are currently eligible to apply for the required licenses for providing such value-added telecommunication services or conducting other businesses that foreign-owned companies are prohibited or restricted from conducting in China. To comply with PRC laws and regulations and regulatory requirements, we conduct substantially all of our business in the PRC through Shenzhen OneConnect and Shenzhen CA, the VIEs, and their respective subsidiaries, based on contractual arrangements entered into among Shenzhen OneConnect Technology or Zhang Tong Shun, the VIEs, their respective shareholders and subsidiaries. We conduct our operations in China through our PRC subsidiaries and the VIEs and their subsidiaries, with which we maintained these contractual arrangements. Investors in our ordinary shares or the ADSs are not purchasing equity interest in the VIEs in China but instead are purchasing equity interest in a Cayman Islands holding company with no equity ownership of the VIEs.

Table of Contents

We believe that our corporate structure and contractual arrangements enable us to: (i) be the exclusive provider of business support, technical and consulting services in exchange for a fee; (ii) receive the relevant economic benefits and bear the relevant risks in relation to the business operation of the VIEs; (iii) have an irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from the relevant registered shareholders all or any part of their equity interest in the VIEs at any time and from time to time in our absolute discretion to the extent permitted by PRC laws; (iv) have an irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from the VIEs, all or any part of their assets at any time and from time to time in our absolute discretion to the extent permitted by PRC laws and the contractual arrangements; (v) appoint us, any directors authorized by us (except the shareholders of the VIEs) or his/her successors, or a liquidator replacing the director as our exclusive agent and attorney to act on our behalf on all matters concerning the VIEs and to exercise all of the rights as a registered shareholder of the VIEs in accordance with PRC laws and the articles of the VIEs; and (vi) pledge as first charge the relevant equity interest in the VIEs to us as collateral security for any and all of the guaranteed debt under the contractual arrangements and to secure performance of the obligations under the contractual arrangements. The contractual arrangements allow the results of operations and assets and liabilities of the VIEs and their subsidiaries to be consolidated into our results of operations and assets and liabilities under IFRS as if they were subsidiaries of our Group.

Our PRC legal counsel, Haiwen & Partners, is of the opinion that (i) the ownership structure of Shenzhen OneConnect Technology or Zhang Tong Shun and the VIEs does not violate applicable PRC laws and regulations currently in effect, and (ii) except for (a) certain clauses regarding the remedies or reliefs that may be awarded by an arbitration tribunal and the power of courts to grant interim remedies in support of the arbitration and liquidation arrangements of the VIEs, their respective subsidiaries and/or shareholders, and (b) the circumstance where, in respect of the contractual arrangements binding Shenzhen CA, the minority shareholders of Shenzhen CA which are not parties to the contractual arrangements may not have the requisite power and authority to execute, deliver or perform the written confirmation in relation to the contractual arrangements binding Shenzhen CA or may not obey such confirmation, the contractual arrangements are valid, binding and enforceable for Shenzhen OneConnect Technology, Zhang Tong Shun, Shenzhen OneConnect and its direct shareholders, Shenzhen CA and its direct shareholders where applicable in accordance with the applicable PRC laws or regulations currently in effect. However, there can be no assurance that the PRC regulatory authorities will take a view that is not contrary to or otherwise different from the opinion of our PRC legal counsel stated above. There is also possibility that the PRC regulatory authorities may adopt new laws, regulations and interpretations that may invalidate the contractual arrangements. On February 17, 2023, the CSRC released the Overseas Listing Filing Rules, which came into effect on March 31, 2023. Pursuant to the Overseas Listing Filing Rules, an overseas listed PRC domestic company should complete the filing procedures with respect to its follow-on offerings, issuance of convertible corporate bonds, exchangeable bonds, and other equivalent offering activities, within a specific requested time frame. On the same day, at the press conference held for the Overseas Listing Filing Rules, the officials from the CSRC clarified that if a company with a VIE structure is in compliance with applicable PRC laws, regulations and regulatory requirements, the CSRC may permit its filing application of the overseas listings of such companies after soliciting opinions from relevant regulatory authorities. However, given that the Overseas Listing Filing Rules were recently promulgated and there is no further explanation on such compliance requirements, there remain substantial uncertainties as to the interpretation, application, and enforcement of the Overseas Listing Filing Rules and how the rules will affect our operations and our future financing. There can be no assurance that we will be able to satisfy the compliance requirements. Failure to complete such filing could have a material adverse effect on us, our contractual arrangements and our future financing activities. If the PRC regulatory authority determines that we are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including MOFCOM, the MIIT, and the State Cryptography Administration, or the SCA, would have discretion in dealing with such violations or failures, including, but not limited to:

- revoking our business and operating licenses;
- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or Shenzhen OneConnect Technology or Zhang Tong Shun and the VIEs, may not be able to comply;

- requiring us or Shenzhen OneConnect Technology or Zhang Tong Shun and the VIEs to restructure the relevant ownership structure or operations;

Table of Contents

- restricting or prohibiting our use of the proceeds from our public offerings or other of our financing activities to finance the business and operations of the VIEs and their subsidiaries; or

- 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 may materially and adversely affect our business, financial condition and results of operations. In addition, if the PRC regulatory authorities find our legal structure and contractual arrangements to be in violation of PRC laws and regulations, it is unclear what impact these actions would have on us and on our ability to consolidate the financial results of the VIEs and their subsidiaries in our historical financial information. If any of these penalties results in our inability to direct the activities of the VIEs and their subsidiaries and such a penalty significantly impacts their economic performance and/or our failure to receive economic benefits from the VIEs and their subsidiaries, we may not be able to consolidate the VIEs and their subsidiaries into our historical financial information in accordance with IFRS. In addition, our ordinary shares and ADSs may decline in value or become worthless if we are unable to assert our contractual control rights over the assets of our PRC subsidiaries that conduct a significant part of our operations.

Our contractual arrangements with the VIEs and their respective shareholders may not be as effective in providing operational control or enabling us to derive economic benefits as a direct ownership of a controlling equity interest would be.

We have relied and expect to continue to rely on contractual arrangements with the VIEs, their shareholders and subsidiaries to operate our business activities. These contractual arrangements may not be as effective as direct ownership in providing us with control over the VIEs and their subsidiaries. For example, the VIEs, their respective subsidiaries or shareholders may fail to fulfil their contractual obligations with us or take other actions that are detrimental to our interests.

If we had direct ownership of the VIEs, 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 the VIEs, their respective subsidiaries and shareholders of their obligations under the contractual arrangements to exercise control over the VIEs and their subsidiaries. The shareholders of the VIEs may not act in the best interests of our company or may not perform their obligations under these contracts. These risks exist throughout the period in which we intend to operate our business through the contractual arrangements with the VIEs, their respective subsidiaries and shareholders. 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. The shareholders of VIEs are entities and if they declare bankruptcy or become subject to a dissolution or liquidation proceeding, we may be unable to enforce the contractual arrangements. If we are unable to enforce the contractual arrangements or we experience significant delays or other obstacles in the process of enforcing the contractual arrangements, we may not be able to exert effective control over the VIEs and may lose control over their assets. Therefore, our contractual arrangements with the VIEs, their respective subsidiaries and shareholders may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership would be.

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

The VIEs hold certain assets that are critical to the operation of our business. Under the contractual arrangements entered into by Shenzhen OneConnect Technology or Zhang Tong Shun, the VIEs, their respective subsidiaries and shareholders, the VIEs may not and their respective shareholders may not cause it to, sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in the VIEs. They also may not allow any encumbrance of security interest over such equity interest, except for the equity pledge agreement in the contractual arrangements, without Shenzhen OneConnect Technology's or Zhang Tong Shun's written consent. However, if the shareholders of the VIEs or their subsidiaries breach the contractual arrangements and voluntarily liquidate the VIEs or their subsidiaries, or if the VIEs or their subsidiaries declare bankruptcy and all or part of their assets become subject to liens or rights of third-party creditors or are otherwise disposed of without our consent, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. In addition, if the VIEs or their subsidiaries undergo an involuntary liquidation proceeding, third-party creditors may claim

rights to some or all of their assets, thereby hindering our ability to operate our business, which could materially or adversely affect our business, financial condition and results of operations.

Table of Contents

Any failure by the VIEs, their respective subsidiaries or shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.

Under the contractual arrangements entered into by Shenzhen OneConnect Technology or Zhang Tong Shun, the VIEs, their respective subsidiaries and shareholders, these shareholders covenanted that they will not request the VIEs to distribute profit or dividends, raise shareholders' resolution to make such a distribution or vote in favor of any such relevant shareholders' resolution without Shenzhen OneConnect Technology's or Zhang Tong Shun's prior written consent. If these shareholders receive any income, profit distribution or dividend, except as otherwise determined by us, they must promptly transfer or pay such income, profit distribution or dividend to us or any other person designated by us as service fees to the extent permitted under applicable PRC laws. If the shareholders of the VIEs breach the relevant covenants, we may need to resort to legal proceedings to enforce the terms of the contractual arrangements. Any such legal proceedings may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such legal proceedings is uncertain.

The ultimate beneficial shareholders of the VIEs may have conflicts of interest with us, which may materially and adversely affect our business.

The equity interest in the VIEs is ultimately beneficially held by certain of our directors, indirect shareholders, employees of these indirect shareholders and other individuals. However, these ultimate beneficial shareholders may have potential conflicts of interest with us. They may breach, or cause the VIEs to breach, the contractual arrangements. We cannot assure you that when conflicts arise, the ultimate beneficial shareholders of the VIEs will act in the best interests of our company or that conflicts will be resolved in our favor. If we cannot resolve any conflicts of interest or disputes 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.

Currently, we do not have arrangements to address potential conflicts of interest between shareholders of the VIEs may encounter, on the one hand, and beneficial owners of our company, on the other hand. We, however, could, at all times, exercise our option under the exclusive equity purchase option agreements to cause them to transfer all of their equity ownership in the VIEs to a PRC entity or individual designated by us as permitted by the then applicable PRC laws. In addition, if such conflicts of interest arise, we could also, in the capacity of attorney-in-fact of the then existing shareholders of the VIEs as provided under the power of attorney agreements, directly appoint new directors of the VIEs. We rely on the shareholders of the VIEs to comply with PRC laws and regulations, which protect contracts and provide that directors and executive officers owe a duty of loyalty to our company and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains, and the laws of the Cayman Islands, which provide that directors have a duty of care and a duty of loyalty to act honestly in good faith with a view to our best interests. However, the legal frameworks of China and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of the VIEs, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

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

All the agreements that constitute our contractual arrangements with the VIEs, their respective subsidiaries and shareholders are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws, and disputes would be resolved in accordance with PRC legal procedures. There remain uncertainties under PRC laws and regulations with respect to the enforceability of our contractual arrangements. If we are unable to enforce the contractual arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over the VIEs and their subsidiaries, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected.

Table of Contents

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

Furthermore, the contractual arrangements provide that (i) in the event of a mandatory liquidation required by PRC laws, the VIEs will sell all of their assets to the extent permitted by PRC law to Shenzhen OneConnect Technology or Zhang Tong Shun, respectively, or the entity designated by them, at the lowest price permitted under applicable PRC laws; and (ii) the VIEs or their respective shareholders will pay to Shenzhen OneConnect Technology or Zhang Tong Shun, or the entity designated by them any payments they receive from such transaction, and any profits arising from such a transaction shall be paid to Shenzhen OneConnect Technology or Zhang Tong Shun, or the entity designated by them in satisfaction of the service fees under the exclusive business cooperation agreements. These provisions may not be enforceable under PRC laws in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation.

Therefore, in the event of a breach of any agreements constituting the contractual arrangements by the VIEs, their respective subsidiaries and/or shareholders, we may not be able to exert effective control over the VIEs due to the inability to enforce the contractual arrangements, which could materially and adversely affect our ability to conduct our business.

In addition, Shenzhen E-Commerce Certification Co., Ltd. and Shenzhen Electronic Certification Center Co., Ltd., or the Shenzhen CA Minority Shareholders, which collectively hold approximately 1.1% equity interest in Shenzhen CA, are not parties to the contractual arrangements with Zhang Tong Shun. Although the Shenzhen CA Minority Shareholders have issued a written confirmation in which, among others, they acknowledged and consented to the execution of the contractual arrangements of Shenzhen CA and undertook to provide necessary cooperation, there can be no assurance that the Shenzhen CA Minority Shareholders, as the state controlled companies, have all requisite power and authority to make such confirmation or consent or they will be able to perform their obligations under such confirmation. If the relevant authority deems the confirmation or consent invalid or challenges the enforceability of such confirmation or consent, or if the Shenzhen CA Minority Shareholders fail to obtain all requisite power and authority or fail to perform their obligations, we may not be able to enforce the contractual arrangements, which could adversely affect our ability to conduct our business.

If we exercise the option to acquire equity interest and assets of the VIEs, this equity interest or asset transfer may subject us to certain limitations and substantial costs.

Pursuant to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, or the FITE Regulations, promulgated by the State Council in December 2001, as amended in February 2016, foreign investors are not allowed to hold more than 50% of the equity interest of any company providing value-added telecommunications services. In addition, the main foreign investor who invests in a value-added telecommunications business in the PRC must have prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas, or the Qualification Requirements. On April 7, 2022, the State Council issued the Decision to Amend and Abolish Certain Administrative Regulations, which made amendments to the FITE Regulations. Pursuant to the amended FITE Regulations which took effect on May 1, 2022, the Qualification Requirements were removed. However, as of the date of this annual report, further implementation regulations or administrative guidelines in relation to the amended FITE Regulations have not yet been promulgated by the relevant PRC regulatory authorities. If PRC laws change to allow foreign investors to invest in value-added telecommunications enterprises in the PRC, we may be unable to unwind our contractual arrangements with Shenzhen OneConnect and other VIEs, its subsidiaries and shareholders or if we unwind the contractual arrangements before we are able to comply with the relevant regulatory requirements, we may be ineligible to operate our value-added telecommunication enterprises and may be forced to suspend operations, which could materially and adversely affect our business, financial condition and results of operations.

Table of Contents

Pursuant to the contractual arrangements, Shenzhen OneConnect Technology, Zhang Tong Shun, or their designated person(s) has the irrevocable and exclusive right to purchase all or any part of the relevant equity interest in the VIEs from the VIEs' shareholders at any time and from time to time in their absolute discretion to the extent permitted by PRC laws. The consideration Shenzhen OneConnect Technology or Zhang Tong Shun pays for such purchases will be the higher of a nominal price and the lowest price as permitted under applicable PRC laws.

This equity transfer may be subject to approvals from, filings with, or reporting to competent PRC authorities, such as MOFCOM, the MIIT, the SCA, the State Administration for Market Regulation, or the SAMR, and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authorities. The equity transfer price to be received by the VIEs under the contractual arrangements may also be subject to enterprise income tax, and these amounts could be substantial.

The interpretation and implementation of the Foreign Investment Law is evolving and may substantially affect the viability of our current corporate structure, corporate governance and business operations.

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

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors investing through any other methods under laws, administrative regulations or provisions prescribed by the State Council." Future laws, administrative regulations or provisions prescribed by the State Council may possibly regard contractual arrangements as a form of foreign investment. If this happens, it is uncertain whether our contractual arrangements with the VIEs, their respective subsidiaries and shareholders would be recognized as foreign investment, or whether our contractual arrangements would be deemed to be in violation of the foreign investment access requirements. There is still uncertainty on how our contractual arrangements will be handled given the interpretation and the implementation of the Foreign Investment Law is still evolving and may be subject to change. Therefore, there is no guarantee that our contractual arrangements, the business of the VIEs and our financial conditions will not be materially and adversely affected.

Our holding company in the Cayman Islands, the VIEs, and investors of our company face uncertainty about potential future actions by the PRC regulatory authority that could affect the enforceability of the contractual arrangements with the VIEs and, consequently, the business, financial condition, and results of operations of the VIEs and our company as a group. Depending on future developments under the new Foreign Investment Law, we could be required to unwind the contractual arrangements and/or dispose of the VIEs, which would have a material and adverse effect on our business, financial conditions and result of operations. If our company no longer has a sustainable business after an unwinding or disposal or when such requirements are not complied with, the U.S. Securities and Exchange Commission, or the SEC, and/or NYSE may take enforcement actions against us, which may have a material adverse effect on the trading of our ADSs or even result in delisting our company.

There may be a potential impact to our company if our contractual arrangements with the VIEs, their respective subsidiaries and shareholders are not treated as domestic investment.

If the operation of our businesses conducted through the VIEs is subject to any restrictions pursuant to the 2021 Negative List or any successor regulations, and the contractual arrangements are not treated as domestic investment, the contractual arrangements may be regarded as invalid and illegal. If this were to occur, we would not be able to operate the relevant businesses through the contractual arrangements and would lose our rights to receive the economic benefits of the VIEs. As a result, we would no longer consolidate the financial results of the VIEs into our financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. If we do not receive any compensation, we would recognize an investment loss as a result of such derecognition.

Table of Contents

Our contractual arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

Under 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, or the EIT 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 could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our PRC subsidiaries and the VIEs do not represent an arm's-length price and adjust the VIEs' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by the VIEs, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to our PRC controlled structured entities for under-paid taxes. Our results of operations may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

Risks Relating to Doing Business in the PRC

Changes in China or Hong Kong's economic or social conditions or government policies could adversely affect our business and prospects.

The majority of our operations are in China, one of the world's largest emerging markets. In light of our operations in an emerging market, we are subject to risks and uncertainties and our business, prospects, financial condition and results of operations may be significantly influenced by economic and social conditions in China and Hong Kong generally and by continued economic growth in China and Hong Kong.

The Chinese regulators impose industrial, fiscal or monetary policies from time to time and may adopt measures and take actions to regulate China's economy as they deem appropriate, and have oversight over our business and may influence our operations at any time. Although the PRC 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, state-owned enterprises are still playing a key role in China' economy. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies, as well as in driving China's economic growth. Furthermore, the PRC regulatory authority has also published new regulations and guidance to exert more oversight and control over securities offerings and other capital markets activities that are conducted overseas and foreign investment in China-based companies like us. Any such action, once taken by the Chinese regulators, could limit or hinder our ability to offer or continue to offer ADSs and ordinary shares to our investors, and could cause the value of our ADSs and ordinary shares to significantly decline or become worthless.

Our financial condition and results of operations may also be adversely affected by the uncertainties of the regulations with respect to capital investments, tax and interest rate. An economic downturn, whether actual or perceived, a further decrease in economic growth rates or an otherwise uncertain economic outlook in China and Hong Kong could have a material adverse effect on business and consumer spending and, as a result, adversely affect our business, financial condition and results of operations.

Geopolitical tensions could negatively affect our business, financial condition, and results of operations.

Our operations may be negatively affected by any deterioration in the political and economic relations among countries and sanctions and export controls administered by the government authorities in the countries in which we operate, and other geopolitical challenges, including, but not limited to, economic and labor conditions, increased duties, taxes and other costs and political instability. Margins on sales of our products and services in certain countries and on sales of products that include components obtained from certain foreign suppliers could be materially and adversely affected by international trade regulations, including duties, tariffs and antidumping penalties. For example, the U.S. government imposed economic and trade sanctions directly or indirectly affecting China-based technology companies. Such laws and regulations are likely subject to frequent changes, and their interpretation and enforcement involves substantial uncertainties, which may be heightened by national security concerns or driven by political and/or other factors that are out of our control. Therefore such restrictions, and similar or more expansive restrictions that may be imposed by the U.S. or other jurisdictions in the future, may be difficult or costly to comply with and may materially and

adversely affect our and our technology partners' abilities to acquire technologies, systems, devices or components that may be critical to our technology infrastructure, service offerings and business operations.

Table of Contents

Any increase in the use of export control restrictions and sanctions to certain countries and entities or any expansion of the extraterritorial jurisdiction of export control laws could impact our ability to supply customers of affected countries, geographies and entities. The U.S. and various other governments have also imposed controls, licensing requirements and restrictions on the import or export of technologies and products that fall within U.S. jurisdiction. In particular, in recent years the U.S. has placed certain entities, including a number of entities in China, on the U.S. Department of Commerce Bureau of Industry Standard's Entity List, or the Entity List, which imposes licensing requirement for exports or transfers of items on lists of controlled items maintained by the U.S. government, and the List of Chinese Military-Industrial Complex Companies. U.S. government has also expanded the definition of military end use, which has resulted in increased export license requirements for U.S. companies looking to sell specific items to Chinese companies engaged in activities that could support military purposes. Though our core technology is developed in China, and even if our operations are not directly targeted by any such complete or partial ban, we may face higher costs and expenses in our supply chain if any of our suppliers or customers are adversely affected by any sanctions. We may thus be adversely affected by export control measures and our business, financial condition and results of operation may suffer as a result.

Furthermore, legislative or administrative actions in respect of Sino-U.S. relations could cause investor uncertainty for affected issuers, including us, and the market price of our ordinary shares and ADSs could be adversely affected. For example, the SEC has issued statements primarily focused on companies with significant China-based operations, such as us.

The trade and other tensions between the United States and China could place pressure on the economic growth in China as well as the rest of the world. The U.S. government has recently advocated for and taken steps toward restricting trade in certain goods, particularly from China. While the two nations reached a phase one trade agreement in January 2020, the progress of future trade talks between China and the United States are subject to uncertainties, and there can be no assurance as to whether the United States will maintain or reduce tariffs or impose additional tariffs on Chinese products in the near future. Trade tension between China and the United States may intensify and the United States may adopt even more drastic measures in the future.

The rising political tensions could reduce levels of trades, investments, technological exchanges, and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. As we are expanding our business internationally, any unfavorable government policies on international trade, such as capital controls or tariffs, may affect the demand for our products and services, impact our competitive position, or prevent us from being able to conduct business in certain countries. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated such changes could have an adverse effect on our business, financial condition, results of operations.

The interpretation and enforcement of PRC laws and regulations are evolving and subject to change, which could limit the legal protections available to you and us.

Most of our operations are conducted in the PRC through our PRC subsidiaries and VIEs, and are governed by PRC laws, rules and regulations. The PRC legal system is based on written statutes, in which prior court decisions may be cited for reference but have limited precedential value. Our PRC subsidiaries and the VIEs are subject to various PRC laws and regulations generally applicable to companies in China. However, these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve.

In particular, PRC laws and regulations concerning the internet-related industries and financial services industry are developing and evolving. The PRC governmental authorities may promulgate new laws and regulations regulating internet-related and financial services industries. We cannot assure you that our business operations would not be deemed to violate any such new PRC laws or regulations. Moreover, developments in the internet-related industries and financial services industry may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies, which in turn may limit or restrict us, and could materially and adversely affect our business and operations.

Besides, the PRC is geographically large and divided into various provinces and municipalities and, as such, different laws, rules, regulations and policies may have different and varying applications and interpretations in different parts of the PRC.

Table of Contents

From time to time, we may have to rely on administrative and court proceedings to enforce our legal rights. The scope and effect of our contractual, property (including intellectual property) and procedural rights protection and enforcement are subject to the interpretation and implementation of statutory and contractual terms by the PRC administrative and court authorities, which may be changed from time to time. Any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations, and may further affect the legal remedies and protections available to investors, which may, in turn, adversely affect the value of your investment.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related businesses and companies, such as those with respect to the approvals, licenses or permits applicable to our business.

The PRC laws and regulations, as well as their corresponding interpretations and enforcements, that govern the internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the industry are continually evolving.

We only have contractual control over the entities that own the domain name of our website and mobile apps. We do not directly own the website and mobile apps due to the restriction of foreign investment in businesses providing value-added telecommunication services in China, including internet information provision services and internet data center services. This indirect control significantly disrupts our business, subject us to sanctions, compromise enforceability of related contractual arrangements, or have other harmful effects on us.

The evolving PRC regulatory system for the internet industry may lead to the establishment of new regulatory agencies. For example, in May 2011, the State Council announced the establishment of a new department, the State Internet Information Office (with the involvement of the State Council Information Office, the MIIT, and the Ministry of Public Security). This new agency's primary role is to facilitate policy-making and legislative developments in this field, to direct and coordinate with the relevant departments in connection with online content administration and to deal with cross-ministry regulatory matters in relation to the internet industry.

In addition, on February 7, 2021, the Anti-monopoly Committee of the State Council published the Guideline on Anti-monopoly of Platform Economy Sector, or the Guideline, which became effective on the same day, aiming at enhancing anti-monopoly administration on businesses that operate under the platform model and the overall platform economy. The Guideline intends to regulate abuse of a dominant position and other anti-competitive practices by online platform operators and the related merchants and service providers on online platforms, i.e. unfairly locking in exclusive agreements with merchants and targeting specific customers with unreasonable big-data driven tailored pricing through their online behavior to eliminate or limit market competition. As of the date of this annual report, we have not been subject to any regulatory actions or investigations in connection with anti-monopoly. However, as there remains uncertainties as to how the Guideline will be implemented, and we cannot assure you that the regulatory authorities will not take an opposite opinion. Any failure or perceived failure by us to comply with the Guideline and other anti-monopoly laws and regulations may result in regulatory investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies, including those relating to the internet industry, have created uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of our company. We cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or that we will be able to maintain or update our existing licenses or obtain new ones. If the PRC regulatory authority considers that we were operating without the proper approvals, licenses or permits or promulgates new laws and regulations that require additional approvals or licenses or imposes additional restrictions on the operation of any part of our business, it may levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions may have a material adverse effect on our business and results of operations.

Table of Contents

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

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory authorities 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. There remains uncertainties with respect to the interpretation and application of the regulations, and our future offshore offerings may ultimately require approval of the CSRC or other PRC regulatory authorities. 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 future offshore offerings, or a rescission of such approval if obtained by us, would subject us to sanctions imposed by the CSRC or other PRC regulatory authorities, which could include fines, rectification, suspension of operations, revocation of qualification or business license and other penalties, 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 regulatory 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 offshore 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 offshore-listed companies. As these opinions are recently issued, official guidance and related implementation rules have not been issued yet and the interpretation of these opinions remains unclear at this stage. On February 17, 2023, the CSRC released the Overseas Listing Filing Rules, effective March 31, 2023. The Overseas Listing Filing Rules establish a new filing-based regime to regulate overseas offerings and listings by domestic companies. According to the Overseas Listing Filing Rules, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. According to the Overseas Listing Filing Rules, companies that have already offered shares or been listed overseas prior to the implementation of such new regulations qualify as "Stock Enterprises", and Stock Enterprises are not required to apply for the filing immediately until a subsequent re-financing event occurs. However, the Overseas Listing Filing Rules, among others, require the issuer or its main operational entity in the PRC to file with the CSRC for its follow-on securities offerings in the same offshore market within three business days after the completion of such offerings, and file with the CSRC for its offerings or listing in offshore stock market other than the stock market of its initial public offering or listing within three business days after the submission of offering application outside mainland China. Furthermore, a listed company should report material events to the CSRC within three business days after the occurrence and announcement of certain events, including, among others, the change of control, investigation or penalties imposed by relevant authorities, the change of listing status or the transfer of listing board. Failure to comply with the filing or reporting requirements for any of our subsequent offering, listing or any other capital raising activities may result in administrative penalties, such as order to rectify, warnings, fines and other penalties on us, our direct or indirect shareholders and our management. Given the uncertainties surrounding the latest CSRC filing requirements at this stage, we cannot assure you that we will be able to complete the filings and fully comply with the relevant new rules on a timely basis, or at all. Nor can we assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us.

On November 14, 2021, the CAC published the Draft Administration Regulations on Cyber Data Security, which reiterates that a cybersecurity review will be imposed on the data processor who process personal information of one million or more users and apply for foreign listing. As advised by our PRC legal counsel, the Draft Administration Regulations on Cyber Data Security were released for public comment only, and their provisions and anticipated adoption or effective date may be subject to change and thus their interpretation and implementation remain substantially uncertain. On December 28, 2021, the CAC, jointly with other 12 regulatory authorities, promulgated the revised Measures for Cybersecurity Review, which among others, stipulate that an online platform operator with personal information of over one million users that intends to apply for foreign listing must be subject to the cybersecurity review. There remains uncertainties on whether the relevant requirements will be applicable to companies that have been listed in the United States and on the Hong Kong Stock Exchange. We cannot predict the impact of the Measures for Cybersecurity Review and the Draft Administration Regulations on Cyber Data Security, if any, at this stage, and we will closely monitor and assess any development in the rule-making process.

Table of Contents

In addition, if we become subject to cybersecurity inspection and/or review by the CAC or other PRC authorities or are required by them to take any specific actions, it could cause suspension or termination of the future offering of our securities, disruptions to our operations, result in negative publicity regarding our company, and divert our managerial and financial resources. We may also be subject to significant fines or other penalties, which could materially and adversely affect our business, financial condition and results of operations. Any actions by the PRC regulatory authority to exert more oversight and control over offerings that are conducted offshore and/or foreign investment in companies having operations in China, such as us, could significantly limit or completely hinder our ability to offer or continue to offer securities to investors, and cause the value of our securities to significantly decline or become worthless.

If it is determined in the future that approval from the CSRC, CAC or other regulatory authorities or other procedures 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 procedures and any such approval or completion could be rescinded. Any failure to obtain or delay in obtaining such approval or completing such procedures for our offshore offerings, or a rescission of any such approval if obtained by us, would subject us to sanctions by the CSRC, CAC or other PRC regulatory authorities for failure to seek approval 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 ordinary shares and ADSs. The CSRC, CAC 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 hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if the CSRC, CAC 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 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 the ordinary shares and ADSs. As of the date of this annual report, we have not received any inquiry, notice, warning, or sanctions regarding offshore offering from the CSRC or any other PRC regulatory authorities.

We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.

Under the PRC Enterprise Income Tax Law and its implementation rules (collectively "EIT Law"), an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a resident enterprise and will be subject to enterprise income tax on its global income at the rate of 25%. The related implementation rules define the term "de facto management body" as the body that exercises full and substantial control over, and overall management of, the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation, or the SAT, issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in Circular 82 may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore-incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China. It will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

Table of Contents

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." As substantially all of our management members are based in China, it remains uncertainties how the tax residency rule would apply in our case. If the PRC tax authorities determine that we or any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then we 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 are also 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 paid by us and gains realized on the sale or other disposition of our ordinary shares or ADSs 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 and gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our company, including the holders of our ADSs, 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 our ordinary shares and ADSs.

We may rely on dividends and other distributions from our subsidiaries in China to fund our cash and financing requirements, and any limitation on the ability of our subsidiaries to make payments to us could materially and adversely affect 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, the instruments governing that 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 their taxable income under the current contractual arrangements they have in place with the VIEs, their respective subsidiaries and shareholders in a manner that would materially and adversely affect its ability to pay dividends and other distributions to us.

Under PRC laws and regulations, our PRC subsidiaries, Shenzhen OneConnect Technology and Zhang Tong Shun, as wholly foreign-owned enterprises, or WFOEs, in China, may pay dividends only out of their accumulated after-tax profits as determined in accordance with PRC accounting standards and regulations. In addition, a WFOE 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. These reserve funds are not distributable as cash dividends.

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

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, or the PBOC, 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 regulatory authority may continue to strengthen its capital controls and our PRC subsidiary's dividends and other distributions may be subjected to tighter scrutiny. Any limitation on the ability of our PRC subsidiary 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.

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

Table of Contents

The M&A Rules and certain other 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 M&A Rules and some other regulations and rules concerning mergers and acquisitions, have established complex procedures and requirements that restrict merger and acquisition activities by foreign investors. For example, an overseas company established or controlled by PRC enterprises or residents needs to obtain approval from MOFCOM before it acquires an affiliated domestic company. Moreover, the Anti- Monopoly Law requires that the anti-monopoly enforcement authority 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 on Platform Economy, which specifically requests operators to report to the anti-monopoly enforcement authority prior to undertaking any concentration in the field of platform economics. In April 2021, the SAMR, together with certain other PRC regulatory authorities convened an administrative guidance meeting, focusing on unfair competition acts in community group buying, self-inspection and rectification by major internet companies of possible violations of anti-monopoly, anti-unfair competition, tax and other related laws and regulations, and requesting such companies to strictly comply with relevant laws and regulations and be subject to public supervision. In addition, many internet companies are required to conduct a comprehensive self-inspection and make necessary rectification accordingly. The SAMR has stated it will organize and conduct inspections on the companies' rectification results. If any of these companies are found to conduct illegal activities, more severe penalties are expected to be imposed on them in accordance with the laws. As the Anti-Monopoly Guidelines for Internet Platforms was newly promulgated, we are unable 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. On August 17, 2021, the SAMR published the Provisions on Banning Unfair Competition Acts on the Internet (Revised Draft for Comments), which emphasizes that operators should not use data, algorithms or other technical information or means to influence users' choices, hijack traffic or disrupt the operations of website products and services provided by other operators. As this regulation has not yet taken effect, we are currently unable to estimate its specific impact on our business, results of operations and prospects. Any failure or perceived failure by us to comply such regulations and authorities' requirements may result in regulatory investigations or enforcement actions, lawsuits or claims against us and could have an adverse effect on our business, financial condition and results of operations.

The Provisions on Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors issued by MOFCOM in August 2011, which became effective in September 2011, specify that certain mergers and acquisitions by foreign investors, for example those that raise "national defense and security" concerns or through which foreign investors may acquire de facto control over domestic enterprises and therefore raise "national security" concerns, are subject to its review. Furthermore, the Measures for the Security Review of Foreign Investment, or the Measures, which was jointly released by the NDRC and the MOFCOM and became effective on January 18, 2021, clarify the authority and procedures for the national security review. According the Measures, foreign investors or their related parties in China, who engage in any foreign investment with national security concerns, shall make applications to the relevant office in advance for national security review. Those rules prohibit any activities attempting to bypass security review, for example by structuring a transaction through a proxy or contractual control arrangements. We may grow our business by acquiring other financial technology service providers. Complying with the requirements of the regulations described above and other relevant rules to complete these transactions could be time-consuming, and any required approval or filing processes, including obtaining approval from or filing with MOFCOM or its local counterparts and obtaining approval from or reporting to the anti-monopoly enforcement authority, may delay or inhibit our ability to complete these transactions, which could affect our ability to expand our business or maintain our market share. Furthermore, according to the M&A Rules, if a PRC entity or individual plans to merger or acquire its related PRC entity through an overseas company legitimately incorporated or controlled by such entity or individual, such a merger and acquisition will be subject to examination and approval by MOFCOM. The application and interpretations of M&A Rules are still uncertain, and there is possibility that the relevant PRC regulators may promulgate new rules or explanations requiring that we obtain approval of MOFCOM for our completed or ongoing mergers and acquisitions. There is no assurance that we can obtain MOFCOM approval for our mergers and acquisitions, and if we fail to obtain those approvals, we may be required to suspend our acquisition and be subject to penalties. Any uncertainties regarding such MOFCOM approval requirements could have a material adverse effect on our business, results of operations and corporate structure.

Table of Contents

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

The conversion of RMB into foreign currencies, including Hong Kong dollars and U.S. dollars, is based on rates set by the People's Bank of China. The value of the Renminbi against the U.S. dollar, Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in China and by relevant foreign exchange policies. It is difficult to predict how market forces or regulatory policies may impact the exchange rate between the RMB and the Hong Kong dollars, the U.S. dollar or other currencies in the future. We cannot assure you that RMB will not appreciate or depreciate significantly in value against the Hong Kong dollars and the U.S. dollar in the future. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC regulatory authority may announce further changes to the exchange rate system and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar or Hong Kong dollar in the future. It is also difficult to predict how market forces or PRC or U.S. regulatory policies may affect the exchange rate between the Renminbi and the U.S. dollar in the future.

Substantially all of our revenue and costs are denominated in Renminbi. We are a holding company and we rely on dividends paid by our operating subsidiaries in China for our cash needs. Any significant revaluation of the Renminbi may have a material and adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars or Hong Kong dollars we receive from our public offerings or other capital markets transactions or borrowings outside China into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars or Hong Kong 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 or Hong Kong dollars against the Renminbi would have a negative effect on the U.S. dollar or Hong Kong dollars amount available to us.

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 adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

The PRC regulatory authority's oversight over foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our ordinary shares and ADSs.

The PRC regulatory authority has oversight over 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 revenues in Renminbi. Under our current corporate structure, our company in the Cayman Islands relies on dividend payments indirectly 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. However, approval from or registration with appropriate regulatory 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.

In light of strong capital outflows from China in 2016, the PRC regulatory authority has imposed more restrictive foreign exchange policies and stepped up its scrutiny of major outbound capital movements. More restrictions and substantial vetting processes have been put in place by SAFE to regulate cross-border capital account transactions. The PRC regulatory authority may 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 ordinary shares and ADSs.

Table of Contents

Furthermore, as these foreign exchange regulations are still relatively new and their interpretation and implementation has been constantly evolving, it is unclear how these regulations, and any future regulations concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

Inflation in the PRC could negatively affect our profitability and growth.

The economy of China has experienced significant growth, which has from time to time led to significant inflation. China's overall economy is expected to continue to grow. Future increases in China's inflation may materially and adversely affect our profitability and results of operations.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of our public offerings to make loans or additional capital contributions to our subsidiaries and the VIEs, 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 or VIEs, either as a loan or as an increase in registered capital, are subject to approval by or registration with the relevant regulatory authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the approval of MOFCOM or its local branch, or reporting to the SAMR or its local competent branch, and registration with other regulatory authorities in China. In addition, (i) any foreign loan procured by our PRC subsidiaries or VIEs is required to be registered with SAFE, or its local branches, and (ii) each of our PRC subsidiaries may not procure loans that exceed the difference between its registered capital and its total investment amount or twice of the amount of its respective net assets. Any medium or long-term loan to be provided by us to the VIEs must be recorded and registered by the National Development and Reform Committee, or the NDRC, and SAFE or its local branches. We may not be able to complete these recordings or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete these recordings, filings or registrations, our ability to use the proceeds of our public offerings and to capitalize our PRC subsidiaries may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19, which took effect as of June 1, 2015. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capital of foreign-invested enterprises. It allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using the Renminbi funds converted from their foreign exchange capital for expenditure beyond their business scopes. On June 9, 2016, SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange, which was amended on December 4, 2023, or SAFE Circular 16. SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using the Renminbi funds converted from their foreign exchange capital for expenditure beyond their business scope, as well as investments in securities or any investments other than wealth management products and structured deposits with risk rating results of not higher than Grade II. These circulars also continue to prohibit foreign-invested enterprises from providing loans to non-affiliated enterprises or purchasing real estate that is not for self-use, except for real estate enterprises. SAFE Circular 19 and SAFE Circular 16 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 issued the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment, which was amended on December 4, 2023, or the SAFE Circular 28. The SAFE Circular 28 provides that non-investment foreign-invested entities may use foreign exchange capital or Renminbi funds converted from the foreign exchange capital to make equity investments, provided that such investments should be in compliance with the 2021 Negative List and other relevant PRC laws and regulations. However, there are substantial uncertainties of the further implementation of SAFE Circular 28.

Table of Contents

The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or Circular 698, issued by the SAT, which became effective retroactively as of January 1, 2008, if a non-resident enterprise investor transfers equity interest in a PRC resident enterprise indirectly by way of disposing of equity interest in an overseas holding company, the non-resident enterprise investor, being the transferor, may be subject to PRC enterprise income tax, if the indirect transfer is considered to be an abusive use of company structure without reasonable commercial purposes. As a result, gains derived from such indirect transfers may be subject to PRC withholding tax at a rate of up to 10%. In addition, the relevant PRC resident enterprise may be required to provide necessary assistance to support the enforcement of Circular 698.

On February 3, 2015, the State Administration of Tax issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or Public Notice 7. Public Notice 7 introduces a new tax regime that is significantly different from Circular 698. Public Notice 7 extends tax jurisdiction to not only indirect transfers set forth under Circular 698 but also to transactions involving the transfer of other taxable assets made through the offshore transfer of a foreign intermediate holding company. In addition, Public Notice 7 provides clearer criteria than Circular 698 on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. Public Notice 7 has new requirements for both foreign transferors and the transferees (or other person who is obligated to pay for the transfer) of the taxable assets. If a non-resident enterprise conducts an "indirect transfer" by transferring the taxable assets indirectly by disposing of the equity interest of an overseas holding company, then the non-resident enterprise, as the transferor, or the transferee or the PRC entity, which directly owned the taxable assets, must report to the relevant tax authority such indirect transfer. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of up to 10% for the transfer of equity interest in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties with respect to the reporting and consequences of private equity financing transactions, share exchanges or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises, or in respect of the sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. Under Circular 698 and Public Notice 7, our company and our other non-resident enterprises may be subject to filing or tax obligations if they are transferors in such transactions, and may be subject to withholding obligations if they are transferees in such transactions. For the 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 698 and Public Notice 7. The PRC tax authorities have the discretion under Circular 698 and Public Notice 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Circular 698 and Public Notice 7, our income tax costs associated with such transactions will be increased, which may have an adverse effect on our financial condition and results of operations. We have made acquisitions in the past and may conduct acquisitions in the future. We cannot assure you that the PRC tax authorities will not adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance to them for the investigation of any transactions we were involved in. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

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

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

20% and gains from PRC sources realized by these investors on the transfer of shares are generally subject to 20% PRC income tax. Any such PRC tax liability may be reduced by the provisions of an applicable tax treaty.

Table of Contents

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

In addition, pursuant to the Double Tax Avoidance Arrangement between Hong Kong and China, or the Double Tax Avoidance Treaty issued on August 21, 2006 by the SAT, and the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, or the Notice on Tax Treaties, issued on February 20, 2009 by the SAT, if a Hong Kong resident enterprise owns more than 25% of the equity interest of a PRC company at all times during the twelve-month period immediately prior to obtaining a dividend from such company, the 10% withholding tax on such dividend is reduced to 5%, provided that certain other conditions and requirements under the Double Tax Avoidance Treaty, its protocols and other applicable PRC laws are satisfied at the discretion of the relevant PRC tax authority. However, based on the Notice on Tax Treaties, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, the PRC tax authorities may adjust the preferential tax treatment. Based on the Notice on Issues concerning Beneficial Owner in Tax Treaties, or Circular 9, issued on February 3, 2018 by the SAT and effective on April 1, 2018, when determining the applicant's status as a "beneficial owner" for purpose of tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. If our Hong Kong subsidiaries are determined by PRC regulatory authorities as receiving benefits from reduced income tax rates due to a structure or arrangement that is primarily tax-driven, the dividends paid by our PRC subsidiaries to our Hong Kong subsidiaries will be taxed at a higher rate, which will have a material adverse effect on our financial and operational conditions.

We may be subject to penalties, including restrictions on our ability to inject capital into our PRC subsidiaries and on our PRC subsidiaries' ability to distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.

SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local branches of SAFE in connection with their direct or indirect offshore investment activities. The Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, was promulgated by SAFE in July 2014. SAFE Circular 37 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. These regulations apply to our shareholders who are PRC residents and may also apply to any offshore acquisitions or investments that we make in the future.

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

Table of Contents

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

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

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

On December 26, 2017, the NDRC promulgated the Administrative Measures on Overseas Investments by Enterprises, or NDRC Order No. 11, which took effect as of March 1, 2018. According to NDRC Order No. 11, non-sensitive overseas investment projects are subject to record-filing requirements with the local branch of the NDRC. On September 6, 2014, MOFCOM promulgated the Administrative Measures on Overseas Investments, which took effect as of October 6, 2014. According to this regulation, overseas investments of PRC enterprises that involve non-sensitive countries and regions and non-sensitive industries are subject to record-filing requirements with a local MOFCOM branch. According to the Circular of the State Administration of Foreign Exchange on Issuing the Regulations on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions, which was promulgated by SAFE on July 13, 2009 and took effect on August 1, 2009, PRC enterprises must register for overseas direct investment with a local SAFE branch.

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

Table of Contents

Any failure to comply with PRC regulations regarding our employee share incentive plans or share option plans may subject plan participants, who are PRC residents, or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or SAFE Circular 7, replacing the previous rules issued by SAFE in March 2007. SAFE Circular 7 and other relevant rules and regulations require PRC residents who participate in a stock incentive plan in an overseas publicly tradable company to register with SAFE or its local branches and complete certain other procedures. Participants in a stock incentive plan who are PRC residents must retain a qualified PRC agent to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. In addition, the PRC agent must amend the SAFE registration with respect to the plan within three months if there is any material change to the stock incentive plan, the PRC agent, or the overseas entrusted institution, or if there are any other material changes in the plan. In addition, SAFE Circular 37 stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly tradable special purpose company must register with SAFE or its local branches before they exercise the share options. We and our PRC employees who have been granted share options and restricted shares are subject to these regulations. Failure of our PRC share option holders or restricted shareholders to complete their SAFE registrations may subject them to fines and legal sanctions, and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute dividends to us, or otherwise materially adversely affect our business.

The SAT has also issued rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options and/or grant of the restricted shares. Our PRC subsidiaries have obligations to file documents with respect to the granted share options and/or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options and/or grant of the restricted shares. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent regulatory authorities.

Our leased property interests may be defective and our right to lease the properties affected by defects may be challenged, which could cause significant disruption to our business.

PRC state-owned lands may only be used in accordance with the approved usage registered on the ownership certificate for these lands. If such lands are being used in ways that are inconsistent with these approved usages, PRC land administration authorities may order the lessor to return the land use right and may impose penalties on the lessor. Additionally, under applicable PRC laws, construction companies must act in accordance with the applicable land use rights. The actual usage of some of our PRC leased properties may not be consistent with the approved usage for the corresponding land. Under PRC law, landlords must complete registration procedures and obtain approval from competent PRC land administration authorities and pay land transfer fees before they lease certain kinds of stated-owned lands. If we were challenged by competent authorities or third parties on these types of issues, we may have to vacate the relevant properties, which will interrupt our business operations.

In addition, under PRC laws, all lease agreements must be registered with the local housing authorities. As of the date of this annual report, all landlords of the premises we lease had completed their registration of ownership rights or the registration of our leases. Pursuant to relevant PRC laws and regulations, failure to complete these registrations may expose us to potential monetary fines ranging from RMB1,000 to RMB10,000 per lease, and therefore the total maximum potential penalty may be RMB240,000.

Failure to pay the social insurance and housing provident funds for any on behalf of our employees in accordance with the Labor Contract Law or comply with other PRC regulations may have an adverse impact on our financial conditions and results of operation.

PRC companies are required to pay for their employees' social insurance (in most cases including pension insurance, unemployment insurance, medical insurance, work-related injury insurance and maternity insurance) and housing funds in amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business. According to the applicable PRC laws and regulations, we need to register with the relevant authorities to make full contributions for social insurance and housing funds for our employees, and this obligation cannot be delegated to any third party.

Table of Contents

Our contributions for some of our employees to the social insurance and housing funds may not have been in compliance with relevant PRC laws and regulations. For example, we have not registered with the relevant regulatory authority to make social insurance and housing funds contributions, and we have engaged third-party human resources agencies to pay on our behalf for some of our employees.

If a relevant employee lodges a complaint before the relevant labor authorities or the relevant authorities conduct investigation on us, we may be required to complete relevant registrations, pay the amount in arrears in full and pay late payment fees, and if we fail to do so in a timely manner, we may face penalties. Furthermore, relevant regulatory authority may not recognize the social insurance and housing funds contributions that were paid by third parties on our behalf. If this happens, we may be required to make addition payments or repay these contributions.

On July 20, 2018, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council of the PRC issued the Reform Plan of the State Tax and Local Tax Collection Administration System, or the Tax Reform Plan. Under the Tax Reform Plan, commencing from January 1, 2019, tax authorities are responsible for the collection of social insurance contributions in the PRC. The effect of the Tax Reform Plan is still uncertain. We cannot assure that we will not be required to pay any deemed shortfalls or be subject to penalties or fines regarding social security insurance and housing provident funds contributions, any of which may have a material and adverse effect on our business and results of operations.

As the interpretation and implementation of labor laws and regulations are still evolving, we cannot assure you that our employment practice policy would at all times be deemed as in full compliance with labor-related laws and regulations in the PRC, which might subject us to labor disputes or regulatory investigations, which might adversely affect our financial condition and operation.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management named in the annual report based on foreign laws, and the ability of U.S. or other foreign authorities to bring actions or conduct investigations or collect evidence in China may also be limited.

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands, and we conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, most of our senior executive officers reside in China for a significant portion of the time and many of them are PRC nationals. As a result, it may be difficult for you to effect service of process upon us or those persons inside China. It may also be difficult for you to enforce in the United States or elsewhere outside China or judgments obtained in the United States or other courts outside China based on the civil liability provisions of the United States federal securities laws against us and our officers and directors who reside and whose assets are located outside the United States and other foreign laws. There is also uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of the United States courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state.

Table of Contents

A judgment of a court of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our directors and officers if: (i) the foreign court does not have jurisdiction over the case; (ii) the respondent has not been legitimately summoned, or if legitimately summoned, has not been provided a reasonable opportunity to make representation and debate, or the litigant without litigation capacity has not been assigned an appropriate agent; (iii) the foreign judgment is obtained by fraud; (iv) the PRC court has already made a judgment or ruling on the same dispute, or has recognized the judgment or ruling made by the foreign court for the same dispute; or (v) they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States or other courts outside China. In addition, the SEC, the U.S. Department of Justice and other U.S. or foreign authorities may also have difficulties in bringing and enforcing actions, conducting investigations or collecting evidence against us or our directors or executive officers in China. For example, under the newly amended Securities Law of the PRC, which became effective on March 1, 2020, overseas securities regulatory authorities are prohibited from conducting direct investigations or evidence collection activities within the territories of the PRC, and Chinese entities and individuals are prohibited from providing documents and information in connection with any securities business activities to any organizations and/or persons aboard without the prior consent of the securities regulatory authority of the State Council and the competent departments of the State Council. Uncertainty remains with respect to how this regulation will be interpreted, implemented or applied by the CSRC or other relevant government authorities. On February 24, 2023, the CSRC, jointly with other relevant regulatory authorities, promulgated the revised Provisions on Strengthening Confidentiality and Archives Management of Overseas Securities Issuance and Listing by Domestic Enterprises, or the Confidentiality and Archives Management Provisions, effective on March 31, 2023. According to the Confidentiality and Archives Management Provisions, domestic companies, whether offering and listing securities overseas directly or indirectly, must strictly abide the applicable laws and regulations when providing or publicly disclosing, either directly or through their overseas listed entities, documents and materials to securities services providers such as securities companies and accounting firms or overseas regulators in the process of their overseas offering and listing. If such documents or materials contain any state secrets or government authorities work secrets, domestic companies must obtain the approval from competent regulatory authorities according to the applicable laws, and file with the secrecy administrative department at the same level with the approving regulatory authority. Furthermore, the Confidentiality and Archives Management Provisions also provides that securities companies and securities service providers shall also fulfill the applicable legal procedures when providing overseas regulatory institutions and other relevant institutions and individuals with documents or materials containing any state secrets or government authorities work secrets or other documents or materials that, if divulged, will jeopardize national security or public interest. Since the Confidentiality and Archives Management Provisions was promulgated recently, substantial uncertainties still exist with respect to the interpretation and implementation of such provisions and how they will affect us. Furthermore, class action lawsuits, which are available in the United States for investors to seek remedies, are generally uncommon in China.

Recent litigation and negative publicity surrounding China-based companies listed in the United States, including us, may result in increased regulatory scrutiny of us and negatively impact the trading price of the ordinary shares and ADSs and could have a material adverse effect upon our business, including our results of operations, financial condition, cash flows and prospects.

We believe that litigation and negative publicity surrounding companies with operations in China that are listed in the United States have negatively impacted stock prices for these companies. Various equity-focus research organizations have published reports on China-based companies after examining their corporate governance practices, related party transactions, sales practices and financial statements, and these reports have led to special investigations and listing suspensions on U.S. national exchanges. We have been and may continue to become the target of various allegations or complaints. As disclosed in the press release issued by us on August 31, 2021, we were target of an anonymous whistleblower complaint containing multiple allegations against us, which among others, include an allegation that our audited financial statements contain material misstatements. Our audit committee immediately took action by initiating an internal investigation of the allegations. Though our audit committee has concluded that the findings from the internal investigation do not substantiate the allegations as disclosed in the press release issued by us on November 15, 2021, the complaint diverted our management's time and resources. Any similar scrutiny of us, regardless of its lack of merit, could result in a diversion of management resources and energy, potential costs to defend ourselves against rumors, decreases and volatility in the ordinary shares and ADS trading price, and increased directors and officers

insurance premiums and could have a material adverse effect upon our business, including our results of operations, financial condition, cash flows and prospects.

Table of Contents

If the custodians or authorized users of controlling non-tangible assets of our company, including our corporate chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations could be materially and adversely affected.

Under PRC laws, legal documents for corporate transactions are executed using the chops or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant branch of the SAMR.

Although we usually utilize chops to enter into contracts, the designated legal representatives of each of our PRC subsidiaries, the VIEs, and their subsidiaries have the apparent authority to enter into contracts on behalf of such entities without chops and bind such entities. In order to maintain the physical security of our chops and chops of our PRC entities, we generally store these items in secured locations accessible only by the authorized personnel in the legal or finance department of each of our subsidiaries, the VIEs, and their subsidiaries. There is no assurance such procedures will prevent all instances of abuse or negligence. Accordingly, if any of our authorized personnel misuse or misappropriate our corporate chops or seals, we could encounter difficulties in maintaining control over the relevant entities and experience significant disruption to our operations. If a designated legal representative obtains control of the chops in an effort to obtain control over any of our PRC subsidiaries, the VIEs, or their subsidiaries, we or our PRC subsidiaries, the VIEs, and their subsidiaries would need to pass a new shareholders or board resolution to designate a new legal representative and we would need to take legal action to seek the return of the chops, apply for new chops with the relevant authorities, or otherwise seek legal redress for the violation of the representative's fiduciary duties to us, which could involve significant time and resources and divert management attention away from our regular business. In addition, the affected entity may not be able to recover corporate assets that are sold or transferred out of our control in the event of such a misappropriation if a transferee relies on the apparent authority of the representative and acts in good faith.

If the PCAOB is unable to inspect our auditors as required under the HFCA Act, the SEC will prohibit the trading of our ADSs, which may materially and adversely affect the value of your investment.

The HFCA Act was enacted into law on December 18, 2020. Under the HFCA Act, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years (beginning with those we filed in 2022), the SEC will prohibit our securities, including our ADSs, from being traded on a U.S. national securities exchange, including the NYSE, or in the over-the-counter trading market in the U.S. Each chamber of the U.S. Pursuant to amendment made to the HFCA Act in 2022, the PCAOB may determine that it is unable to inspect or investigate completely registered public accounting firms in any foreign jurisdictions because of positions taken by any foreign authority, rather than an authority in the location in which the firms are headquartered or in which they have a branch or office, as was the case under the original version of the Act. The process for implementing trading prohibitions pursuant to the HFCA Act will be based on a list of registered public accounting firms that the PCAOB has been unable to inspect and investigate completely as a result of a position taken by a non-U.S. government. The first such list was announced by the PCAOB on December 16, 2021, and our auditor was included on that list.

The SEC reviews annual reports filed with it to determine if the auditor used for such reports was so identified by the PCAOB, and such issuers are designated as "Commission Identified Issuers" on a list to be published by the SEC. If an issuer is a Commission Identified Issuer for two consecutive years (which will be determined after the second such consecutive annual report), the SEC will issue an order that will implement the trading prohibitions described above. We were conclusively identified as a "Commission-Identified Issuer" under the HFCA Act on May 4, 2022 in respect of our Annual Report for 2021 on Form 20-F filed on March 31, 2022. If our ADSs are subject to a trading prohibition under the HFCA Act, the price of our ADSs may be adversely affected, and the threat of such a trading prohibition would also adversely affect their price. If our listing in Hong Kong cannot provide sufficient liquidity or if we are unable to be listed on another securities exchange that provides sufficient liquidity, such a trading prohibition may substantially impair your ability to sell or purchase our ADSs when you wish to do so. Furthermore, even if we are able to maintain a listing or our ordinary shares on the Hong Kong Stock Exchange or another non-U.S. exchange, investors owning our ADSs may have to take additional steps to engage in transactions on that exchange, including converting ADSs into ordinary shares and establishing non-U.S. brokerage accounts.

Table of Contents

On December 15, 2022, the PCAOB removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. For this reason, we do not expect to be identified as a Commission-Identified Issuer under the HFCA Act after we file this annual report on Form 20-F for the fiscal year ended December 31, 2023. However, the PCAOB stated that should PRC authorities obstruct the PCAOB's ability to inspect or investigate completely in any way and at any point in the future, the PCAOB Board will act immediately to consider the need to issue new determinations consistent with the HFCA Act. While we currently do not expect the HFCA Act to prevent us from maintaining the trading of our ADSs in the U.S., uncertainties exist with respect to future determinations of the PCAOB in this respect and any further legislative or regulatory actions to be taken by the U.S. or Chinese regulators that could affect our listing status in the U.S. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

Risks Relating to Our ADSs and Ordinary Shares

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

On October 6, 2022, we received a NYSE letter notifying us that the trading prices of our ADSs had fallen below the NYSE's price criteria for continued listing standard of a minimum average closing price of $1.00 over a consecutive 30 trading-day period.

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

On January 3, 2023, we received a letter from the NYSE confirming that we had regained compliance with the NYSE's continued listing standards after the average closing price for our ADSs for the consecutive 30-trading-day period ended December 30, 2022 exceeded $1.00. However, there can be no assurance that we will be successful in maintaining compliance and our securities will remain listed on the NYSE. The delisting of our ADSs by NYSE would have material negative impacts on the liquidity of our securities and our ability to raise future capital.

The trading price of our ADSs has been and may continue to be, and the trading price of our ordinary shares may be, volatile, which could result in substantial losses to investors.

Since our ADSs became listed on the NYSE on December 13, 2019 to the date of this annual report, the trading price of our ADSs has ranged from US$0.47 to US$28.8 per ADS (trading price presented here reflected actual trading price, without retrospectively applied ratio change). Since our ordinary shares became listed on the Hong Kong Stock Exchange on July 4, 2022 to the date of this annual report, the trading price of our ordinary shares has ranged from HK$0.49 to HK$7.40 per ordinary share. The trading price of our ordinary shares and 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 Hong Kong or the United States. A number of Chinese companies have listed or are in the process of listing their securities on Hong Kong or 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 Hong Kong or the United States in general and consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. The trading price of our ordinary shares, likewise, can be volatile for similar or different reasons.

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

- macro-economic conditions in China;
- variations in our revenues, earnings and cash flow;

- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;

Table of Contents

- announcements of new services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- detrimental adverse publicity about us, our services or our industry;
- additions or departures of key personnel;
- allegations of a lack of effective internal control over financial reporting, inadequate corporate governance policies, or allegations of fraud, among other things, involving China-based issuers;
- release of lock-up or other 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 ordinary shares or ADSs will trade.

Shareholders of public companies in the U.S. 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 such a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

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

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

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

Sales of our ordinary shares or ADSs in the public market, or the perception that these sales could occur, could cause the market price of our ordinary shares or ADSs to decline. As of March 31, 2024, we had 1,169,980,653 ordinary shares issued and outstanding including 364,966,410 ordinary shares represented by ADSs. Our ADSs are freely transferable without restriction or additional registration under the Securities Act. The remaining outstanding ordinary shares will be available for sale, subject to volume and other restrictions as applicable under Rules 144 under the Securities Act. Our principal shareholders have entered into lock-up undertaking pursuant to Rule 10.07 of the Hong Kong Listing Rules in relation to our listing in Hong Kong. Our principal shareholders may sell shares of us after the expiry of such lock-up undertaking. We cannot predict what effect, if any, market sales of securities held by our principal shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ordinary shares and ADSs.

Table of Contents

We adopted a Stock Incentive Plan in November 2017, which was amended and restated from time to time, under which we have the discretion to grant options, performance share units or other share-based awards to eligible participants. See "Item 6. Directors, Senior Management and Employees—B. Compensation—Management—Share Incentive Plan." We have registered under the Securities Act all ordinary shares that we may issue under this Stock Incentive Plan and these ordinary shares can be freely sold in the public market in the form of ADSs upon issuance, subject to volume limitations applicable to affiliates. If we or our existing shareholders sell, or are perceived as intending to sell a large number of our ordinary shares or securities convertible into our ordinary shares are sold in the public market in the form of ADSs after they become eligible for sale, the sales could reduce the trading price of our ordinary shares or ADSs and impede our ability to raise future capital. Any sales, or perceived potential sales, by our existing shareholders might make it more difficult for us to issue new equity or equity-related securities in the future at a time and place we deem appropriate. In addition, any ordinary shares that we issue under our Stock Incentive Plan would dilute the percentage ownership held by public investors.

Certain holders of our ordinary shares have the right to cause us to register under the Securities Act the sale of their shares. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the form of ADSs in the public market could cause the price of our ADSs to decline.

Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of our ADSs and ordinary shares 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. 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 ordinary shares and 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 ordinary shares and ADSs will likely depend entirely upon any future price appreciation of our ordinary shares and ADSs. There is no guarantee that our ordinary shares and ADSs will appreciate in value or even maintain the price at which you purchased the ordinary shares or ADSs. You may not realize a return on your investment in our ordinary shares and ADSs and you may even lose your entire investment in our ordinary shares and ADSs.

Our directors, officers and principal shareholders have substantial influence over our company and their interests may not be aligned with the interests of our other shareholders.

Certain of our existing shareholders hold a substantial number of our shares. As of March 31, 2024, Rong Chang, Sen Rong and Bo Yu Limited each held 32.9%, 16.1% and 32.1% of our ordinary shares, based on the number of shares reported in their respective beneficial ownership filings. These shareholders, and our directors and officers have, and will continue to have substantial influence over our business, including significant corporate actions such as change of directors, mergers, change of control transactions and other significant corporate actions.

In addition, our directors, officers, and principal shareholders may take actions that are not in the best interest of us or our other shareholders. The concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our ordinary shares or ADSs. These actions may be taken even if they are opposed by shareholders. In addition, the significant concentration of share ownership may adversely affect the trading price of our ordinary shares or ADSs due to investors' perception that conflicts of interest may exist or arise.

Table of Contents

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, 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 ordinary shares or ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

The provisions of our articles of association may encourage potential acquirers to negotiate with us and allow our board of directors the opportunity to consider alternative proposals in the interest of maximizing shareholder value. However, these provisions may also discourage acquisition proposals or delay or prevent a change in control that could be beneficial to holders of our ordinary shares and ADSs.

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

We are an exempted company with limited liability incorporated in the Cayman Islands, and conduct a substantial portion of our business and operations through our subsidiaries in China, the world's largest emerging market. Our corporate affairs are governed by our Articles of Association and by the Cayman Companies Act (As Revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take legal action against our directors and us, actions by minority shareholders and the fiduciary duties 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 English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States and Hong Kong. In particular, the Cayman Islands has a less developed body of securities laws as compared to the United States and Hong Kong, and provides significantly less protection to investors. For example, 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 (other than copies of our Memorandum and Articles of Association and register of mortgages and charges, and any special resolutions passed by our shareholders). Our shareholders will, however, have such rights as may be set out in our Articles of Association, including that any register of members of our Company held in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Board may impose) be open to inspection by a shareholder without charge, provided that our Company be permitted to close the register in the circumstances set out in our Articles of Association. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action before the federal courts of the United States or the courts of Hong Kong. Furthermore, our Articles of Association are specific to us and include certain provisions that may be different from common practices in Hong Kong.

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. Currently, we follow our home country practices and rely on certain exemptions provided by the Corporate Governance Rules of the NYSE to a foreign private issuer, including exemptions from the requirements to have:

- majority of independent directors on our board of directors;
- only independent directors being involved in the selection of director nominees and determination of executive officer compensation; and
- regularly scheduled executive sessions of independent directors.

Table of Contents

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

Your investment in our ordinary shares or ADSs may be impacted if we are encouraged to issue CDRs in the future.

PRC regulatory authorities have issued new rules that allow PRC technology companies listed outside China to list on the stock market through the creation of Chinese Depositary Receipts, or CDRs. However, as the CDR mechanism is newly established, there are substantial uncertainties in the interpretation and implementation of these rules. We might consider and be encouraged by the evolving PRC regulatory policies to issue CDRs and allow investors to trade our CDRs on PRC stock exchanges in the future. However, there are uncertainties as to whether a pursuit of CDRs in China would bring positive or negative impact on your investment in our ordinary shares or ADSs.

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

Our ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deems it advisable to do so because of any requirement of law or of any government or regulatory body, or under any provision of the deposit agreement, or for any other reason.

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

Short selling is the practice of selling securities that the seller does not own but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is in the short seller's interest for the price of the security to decline, many short sellers publish, or arrange for the publication of, negative opinions and allegations regarding the relevant issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a security short. These short attacks have, in the past, led to selling of shares in the market. If we were to become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we could have to expend a significant amount of resources to investigate such allegations and/or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which we can proceed against the relevant short seller by principles of freedom of speech, applicable state law or issues of commercial confidentiality.

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

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, a majority of our directors and executive officers reside within China, and most of the assets of these persons are located within China. As a result, it may be difficult or impossible for you to effect service of process within the United States or Hong Kong upon these individuals, or to bring an action against us or against these individuals in the United States or Hong Kong in the event that you believe your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, you may experience difficulties to enforce a judgment against our assets or the assets of our directors and officers under the laws of the Cayman Islands and of the PRC.

Table of Contents

There is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments) or in the courts of Hong Kong, a judgment obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment (a) is given by a foreign court of competent jurisdiction, (b) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given, (c) is final, (d) is not in respect of taxes, a fine or a penalty, and (e) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands. However, the Cayman Islands courts are unlikely to enforce a judgment obtained from the U.S. courts under civil liability provisions of the U.S. federal securities law or from the Hong Kong courts under Hong Kong law if such judgment is determined by the courts of the Cayman Islands to give rise to obligations to make payments that are penal or punitive in nature. A Cayman Islands court may stay the enforcement proceedings if concurrent proceedings are being brought elsewhere.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions, as well as public policy considerations and conditions set forth in applicable provisions of other PRC laws relating to the enforcement of civil liability. China does not have any treaties or other forms of reciprocity with the United States that provide for the reciprocal recognition and enforcement of U.S. judgments. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our director and officers if: (i) the foreign court does not have jurisdiction over the case; (ii) the respondent has not been legitimately summoned, or if legitimately summoned, has not been provided a reasonable opportunity to make representation and debate, or the litigant without litigation capacity has not been assigned an appropriate agent; (iii) the foreign judgment is obtained by fraud; (iv) the PRC court has already made a judgment or ruling on the same dispute, or has recognized the judgment or ruling made by the foreign court for the same dispute; or (v) they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States or the Cayman Islands.

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

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

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

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

We currently prepare our financial statements in accordance with IFRS as issued by the IASB. We are not required to file financial statements prepared in accordance with or reconciled to U.S. GAAP so long as our financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board.

Table of Contents

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

Holders of our ADSs will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. They will only be able to exercise the voting rights which attach to the underlying Shares which are represented by their ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Under the deposit agreement, they may vote only by giving voting instructions to the depositary, as the holder of the underlying ordinary shares which are represented by their ADSs. Upon receipt of voting instructions of holders of ADSs, the depositary will endeavor to vote the underlying ordinary shares in accordance with their instructions in the event voting is by poll, and in accordance with instructions received from a majority of holders of ADSs who provide instructions in the event voting is by show of hands. The depositary will not join in demanding a vote by poll. Holders of ADSs will not be able to directly exercise any right to vote with respect to the underlying ordinary shares unless you withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting. Under our currently effective memorandum and articles of association, the minimum notice period required to be given by our company to our registered shareholders for convening a general meeting is seven (7) days. When a general meeting is convened, holders of ADSs may not receive sufficient advance notice to enable you to withdraw the underlying shares which are represented by their ADSs and become the registered holder of such shares prior to the record date for the general meeting to allow them to attend the general meeting or to vote directly with respect to any specific matter or resolution which is to be considered and voted upon at the general meeting. In addition, under our currently effective memorandum and articles of association, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent holders of ADSs from withdrawing the underlying shares which are represented by your ADSs and becoming the registered holder of such shares prior to the record date, so that holders of ADSs would not be able to attend the general meeting or to vote directly. Where any matter is to be put to a vote at a general meeting, the depositary will, if we request, and subject to the terms of the deposit agreement, endeavor to notify holders of ADSs of the upcoming vote and to deliver our voting materials to them. We cannot assure holders of ADSs that they will receive the voting materials in time to ensure that they can instruct the depositary to vote the underlying shares which are represented by their ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out the voting instructions of holders of ADSs. This means that holders of ADSs may not be able to exercise their right to direct the voting of the underlying shares which are represented by their ADSs, and holders of ADSs may have no legal remedy if the underlying shares are not voted as they requested.

The rights of our ADS holders to pursue claims against the depositary as a holder of ADSs are limited by the terms of the deposit agreement and the deposit agreement may be amended or terminated without their consent.

Under the deposit agreement, any action or proceeding against or involving the depositary brought by holders of ADSs, arising out of or based upon the deposit agreement, the ADSs, the ADRs or the transactions contemplated thereby or by virtue of owning the ADSs (including any such action or proceeding that may arise under the Securities Act or Exchange Act) may only be instituted in a state or federal court in New York, New York, and holder of our ADSs, will have irrevocably waived any objection which they may have to the laying of venue of any such proceeding, and irrevocably submitted to the non-exclusive jurisdiction of such courts in any such action or proceeding. As a result, a holder of our ADSs may not initiate legal proceedings against or involving the depositary, arising out of or based upon the deposit agreement, the ADSs, the ADRs or the transactions contemplated therein or thereby, in any jurisdictions outside of a state or federal court in New York, New York, while proceedings against holders of ADSs may be initiated in a state or federal court in New York, New York or other jurisdictions. In addition, the depositary may, in its sole discretion, require that any claim, dispute or difference arising from the relationship created by the deposit agreement be referred to and finally settled by an arbitration conducted under the terms described in the deposit agreement; provided however, to the extent there are specific federal securities law violation aspects to any claims brought by you against us and/or the depositary, the federal securities law violation aspects of such claims may, at the option of holders of ADSs, remain in state or federal court in New York, New York and all other aspects, claims, and/or proceedings brought by holders of ADSs against us and/or the depositary, including those brought along with, or in addition to, federal securities law violation claims, may still be referred to arbitration by the depositary in accordance with the deposit agreement. The arbitration provisions in the deposit agreement do not preclude holders of ADSs from pursuing claims under federal securities laws in federal courts. Also, we may amend or terminate the deposit agreement without the consent of holders

of ADSs. If holders of ADSs continue to hold their ADSs after an amendment to the deposit agreement, they agree to be bound by the deposit agreement as amended.

Table of Contents

The depositary for our ADSs will give us a discretionary proxy to vote the ordinary shares underlying the ADSs if holders of these ADSs do not vote at shareholders' meetings, except in limited circumstances, which could adversely affect the interests of the holders of our ordinary shares and ADSs.

Under the deposit agreement for the ADSs, if holders of ADSs do not vote, the depositary will give us a discretionary proxy to vote the shares underlying their ADSs on any matter at a shareholders' meeting if:

- we have timely provided the depositary with notice of meeting and related voting materials;
- we have instructed the depositary that we wish a discretionary proxy to be given;
- we have informed the depositary that there is no substantial opposition as to a matter to be voted on at the meeting;
- a matter to be voted on at the meeting would not have a material adverse impact on shareholders; and
- the depositary has received an opinion of counsel in form and substance satisfactory to the depositary.

The effect of this discretionary proxy is that if holders of ADSs do not vote at shareholders' meetings, holder of ADSs cannot prevent our shares underlying the 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 shares are not subject to this discretionary proxy. In addition, in the event that voting on any resolution or matter is conducted on a show of hands basis in accordance with our constituent documents, the depositary will refrain from voting and the voting instructions received by the depositary from holders shall lapse.

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

The depositary of our ADSs has agreed to pay holder of our ADSs the cash dividends or other distributions it or the custodian receives on shares or other deposited securities underlying our ADSs, after deducting its fees and expenses. Holders of ADSs will receive these distributions in proportion to the number of shares their 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 holders of ADSs 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 holders of ADSs. These restrictions may cause a material decline in the value of our ADSs.

The right of our ADS holders to participate in any future rights offerings may be limited, which may cause dilution to their holdings of our ADS.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make such rights available to holders of ADSs in the United States unless we register both the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Under the deposit agreement, the depositary will not make rights available to holders of ADSs unless both the rights and the underlying securities to be distributed to holders of ADSs are either registered under the Securities Act or exempt from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective and we may not be able to establish a necessary exemption from registration under the Securities Act. Accordingly, holders of ADSs may be unable to participate in our rights offerings in the future and may experience dilution in their holdings.

Table of Contents

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 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 depositary 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 nonexclusive 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 deposit agreement.

If you or any other holders or beneficial owners of ADSs bring a claim against us or the depositary 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 depositary. If a lawsuit is brought against either or both of us and the depositary 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 depositary of compliance with any substantive provision of the U.S. federal securities laws and the rules and regulations promulgated thereunder.

Exchange between our ordinary shares and our ADSs may adversely affect the liquidity and/or trading price of each other.

Our ADSs are currently traded on NYSE. Subject to compliance with U.S. securities law and the terms of the deposit agreement, holders of our ordinary shares may deposit Shares with the depositary in exchange for the issuance of our ADSs. Any holder of ADSs may also withdraw the ordinary shares underlying the ADSs pursuant to the terms of the deposit agreement for trading on the Hong Kong Stock Exchange. In the event that a substantial number of ordinary shares are deposited with the depositary in exchange for ADSs, or vice versa, the liquidity and trading prices of our ordinary shares on the Hong Kong Stock Exchange and our ADSs on the NYSE may be adversely affected.

The characteristics of the U.S. capital markets and the Hong Kong capital markets are different.

The NYSE and the Hong Kong Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of our ordinary shares and the ADSs representing them might not be the same, even allowing for currency differences. Fluctuations in the price of the ADSs due to circumstances peculiar to its home capital market could materially and adversely affect the price of the ordinary shares. Because of the different characteristics of the U.S. and Hong Kong equity markets, the historic market prices of the ADSs may not be indicative of the performance of our ordinary shares in the Hong Kong Stock Exchange, and vice versa.

Table of Contents

The time required for the exchange between our ordinary shares and the ADSs might be longer than expected and investors might not be able to settle or effect any sale of their securities during this period, and the exchange of ordinary shares into ADSs involves costs.

There is no direct trading or settlement between the NYSE and the Hong Kong Stock Exchange on which the ADSs and our ordinary shares are respectively traded; furthermore, our equity trade in different forms on the two exchanges and these forms are not immediately fungible. Our ADSs are currently traded on the NYSE. Subject to compliance with U.S. securities laws and the terms of the deposit agreement, holders of our ordinary shares may deposit ordinary shares with the depositary in exchange for the issuance of the ADSs. Pursuant to the terms of the deposit agreement, a holder of ADSs may also withdraw the underlying ordinary shares represented by ADSs for trading on the Hong Kong Stock Exchange, subject to the holder making the necessary arrangement with broker dealers. In the event that a substantial number of ordinary shares are deposited with the depositary in exchange for ADSs or vice versa, the liquidity and trading price of our ordinary shares on the Hong Kong Stock Exchange and/or the ADSs on the NYSE may be adversely affected. In addition, the time differences between Hong Kong and New York, unforeseen market circumstances, difficulties in making suitable arrangements with broker or dealers in the relevant jurisdictions or other factors may delay the deposit of ordinary shares in exchange for the ADSs or the withdrawal of ordinary shares underlying the ADSs. Investors will be prevented from settling or effecting the sale of their securities during such periods of delay. In addition, we cannot assure you that any exchange for ordinary shares into ADSs (and vice versa) will be completed in accordance with the timelines that investors may anticipate.

Furthermore, pursuant to the deposit agreement the depositary for the ADSs is entitled to charge holders fees for various services including for the issuance of ADSs upon deposit of ordinary shares, cancelation of ADSs, distributions of cash dividends or other cash distributions, distributions of ADSs pursuant to share dividends or other free share distributions, distributions of securities other than ADSs, and annual service fees. As a result, shareholders who exchange Shares into ADSs, and vice versa, may not achieve the level of economic return the they may anticipate.

There is uncertainty as to whether Hong Kong stamp duty will apply to the trading or conversion of our ADSs following our listing of our ordinary shares on the Hong Kong Stock Exchange.

In connection with our listing in Hong Kong, we have established a branch register of members in Hong Kong, or the Hong Kong Share Register. Our ordinary shares that are traded on the Hong Kong Stock Exchange, including those that may be converted from ADSs, will be registered on the Hong Kong Share Register, and the trading of these Shares on the Hong Kong Stock Exchange will be subject to the Hong Kong stamp duty.

Under the Hong Kong Stamp Duty Ordinance, any person who effects any sale or purchase of Hong Kong stock, defined as stock the transfer of which is required to be registered in Hong Kong, is required to pay Hong Kong stamp duty. The stamp duty is currently set at a total rate of 0.2% of the greater of the consideration for, or the value of, shares transferred, with 0.1% payable by each of the buyer and the seller.

To the best of our knowledge, Hong Kong stamp duty has not been levied in practice on the trading or conversion of ADSs of companies that are listed in both the United States and Hong Kong and that have maintained all or a portion of their common shares, including common shares underlying ADSs, in their Hong Kong share registers. However, it is unclear whether, as a matter of Hong Kong law, the trading or conversion of ADSs of these dual-listed companies constitutes a sale or purchase of the underlying Hong Kong-registered common shares that is subject to Hong Kong stamp duty. We advise investors to consult their own tax advisors on this matter. If Hong Kong stamp duty is determined by the competent authority to apply to the trading or conversion of our ADSs, the trading price and the value of your investment in our ordinary shares and/or ADSs may be affected.

There is a significant risk that we were a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes for our prior taxable year and there is no assurance that we will not be a PFIC for our current taxable year, 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 will be a PFIC for any taxable year if either (i) 75% or more of its gross income for such year consists of certain types of "passive" income or (ii) the percentage of the value of its assets that is attributable to assets that produce or are held for the production of passive income (generally based on a quarterly average) is at least 50%. For this purpose, passive income generally includes dividends, interest, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person).

Table of Contents

Based on our audited financial statements, the manner in which we conduct our business, relevant market data, the value and nature of our assets, and the sources and nature of our income, there is a significant risk that we were a PFIC for our prior taxable year. Additionally, because the value of our assets generally is determined by reference to the price of our stock, the decline in the price of our stock has increased the risk that we might be treated as a PFIC for our current taxable year. The final determination of whether we may be classified a PFIC for the current taxable year, however, will not be able to be made until after the end of the year and will depend on all of the relevant facts and circumstances available at that time, including the composition and value of our assets (as implied by our stock price) throughout the remainder of the year.

If we were to be or become a PFIC for any taxable year during which a U.S. Holder (as defined below in "Item 10. Additional Information—United States Federal Income Tax Considerations") holds our ADSs or ordinary shares, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder.

U.S. Holders are urged to consult their own tax advisors regarding the possible application of the PFIC rules. See the discussion below in "Item 10. Additional Information—United States Federal Income Tax Considerations—Passive Foreign Investment Company Rules."

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We are a leading technology-as-a-service platform for financial institutions in China. We established our initial operations as the financial technology solution arm of Ping An Group. Since the end of 2015, we started to operate as a separate company in Ping An Group until November 29, 2017, when we ceased to be consolidated with Ping An Group.

Our legal and commercial name is OneConnect Financial Technology Co., Ltd. Our principal executive offices are located at 21/24F, Ping An Finance Center, No. 5033 Yitian Road, Futian District, Shenzhen, Guangdong, People's Republic of China. Our telephone number at this address is +86-21-2066-0625. Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Investors should submit any inquiries to the address and telephone number of our principal executive offices. Our main website is http://www.ocft.com. The information contained on our website is not a part of this annual report. SEC also maintains an internet site (http://www.sec.gov), which contains reports, proxy and information statements, and other information regarding us that file electronically with the SEC.

In October 2017, we restructured our holding structure by incorporating OneConnect Financial Technology Co., Ltd. in the Cayman Islands as an exempted company to facilitate financing and offshore listing. In the meanwhile, we also established Jin Tai Yuan Limited in the British Virgin Islands as the wholly-owned subsidiary of OneConnect Financial Technology Co., Ltd., and Jin Cheng Long Limited in Hong Kong as the wholly-owned subsidiary of Jin Tai Yuan Limited. Jin Tai Yuan Limited and Jin Cheng Long Limited are our intermediate holding companies.

In October 2017, Ping An Financial Technology and Guang Feng Rong transferred 22.2% and 2.4% of their equity interest in Shenzhen OneConnect to Shenzhen Lanxin and Shanghai Jin Ning Sheng, respectively. Shortly thereafter, OneConnect Financial Technology Co., Ltd. issued ordinary shares to the offshore entities designated by then-shareholders of Shenzhen OneConnect substantially in proportion to those shareholders' then-shareholding percentage in Shenzhen OneConnect.

In January 2018, Shenzhen OneConnect Technology was incorporated as a wholly owned subsidiary of Jin Cheng Long. Shenzhen OneConnect Technology has entered into a series of contractual arrangements with Shenzhen OneConnect and its shareholders, which allows us to exercise effective control over the business operation of Shenzhen OneConnect and enjoy all the economic interests derived therefrom. See "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with Shenzhen OneConnect and Shenzhen OneConnect Shareholders" for more information.

In July 2018, Shenzhen OneConnect Technology acquired 51.7% equity interest in Vantage Point Technology, a company providing asset liability management solutions. The acquisition has enabled us to expand our service offerings into the area of assets and liabilities management to banks.

Table of Contents

In June 2019, Shenzhen OneConnect Technology acquired an 80% equity interest in Beijing BER, which is a service provider specialized in scenario-based retail digital banking platform establishment and operation. As of the date of this annual report, we have completed the acquisition of the remaining equity interest in Beijing BER. The acquisition has enabled us to enlarge our customer base and enrich our business scenarios.

In August 2019, we acquired all the shares of View Foundation, a limited liability company incorporated in Hong Kong, from its sole shareholder. View Foundation has a PRC-incorporated subsidiary, Zhang Tong Shun which has entered into contractual arrangements with Shenzhen CA and its shareholders, which in the aggregate hold 98.9% shares in Shenzhen CA, that allow View Foundation, through Zhang Tong Shun, to exercise effective control over the business operation of Shenzhen CA and enjoy the relevant economic interests derived from it. Shenzhen CA is engaged in the provision of digital certification and related services and solutions. It holds a license to use encryption in electronic certification service, an electronic certification service license, an E-government electronic certification service license, and a license of mutual recognition of electronic signature certificates between Guangdong and Hong Kong.

On December 13, 2019, our ADSs commenced trading on the New York Stock Exchange under the symbol "OCFT." We raised from our initial public offering (after underwriters partially exercised their over-allotment option) approximately US$311.0 million in net proceeds after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

On August 17, 2020, we completed our follow-on public offering and raised (after underwriters fully exercised their over-allotment option) approximately US$357.7 million in net proceeds after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

In September 2020, we acquired Fuguan International Co., Ltd., which holds an insurance agency license through its subsidiary Beijing Mei An Insurance-Sales Agent Co., Ltd. In December 2020, Fuguan International Co., Ltd. acquired Beijing Jinyongtai Insurance Broker. Co., Ltd., which holds an insurance broker license. These acquisitions have enabled us to meet the licensing requirement to expand into the internet insurance business in future.

On July 4, 2022, our ordinary shares commenced trading on the Main Board of The Stock Exchange of Hong Kong Limited under the stock code "6638."

B. Business Overview

We are a technology-as-a-service provider for the financial services industry in China with an expanding international presence. We provide software to various players in the financial services industry, and in return collect both upfront implementation and ongoing transaction-based fees. We provide software-based technology solutions to our financial institution customers that help them to expedite their digital transformation and ensure their sustainability. We believe that our "technology + business" model is our key competitive advantage and a driving force of how we win new business and engage with our customers. By integrating our extensive financial industry expertise with technology tailored to the industry's needs, we simplify the digitalization process of our customers by not only providing proven solutions, but also enabling our financial institution customers to apply technologies in complex, industry-specific business scenarios. This approach enables our customers to improve efficiency, enhance service quality, reduce costs and mitigate risks. 100% of large and joint-stock banks, 98% of city commercial banks, 66% of property and casualty insurance companies and 48% of life insurance companies in China have used at least one of our products since our inception. In addition to financial institutions, our clients also include other service providers in the financial services industry.

Our integrated technology solutions span digital banking and digital insurance segments with comprehensive solutions, encompassing sales management, risk management and operation support services within each segment. We have also built and operate a proprietary Gamma Platform, which is a technology infrastructural platform for financial institutions.

Our emphasis on technology and innovation permeates all facets of our business. We were initially incubated within Ping An Group, which has historically been ahead of the curve globally in terms of technological innovation among financial service groups. Our technology has been internationally recognized, having cumulatively received 78 international awards for our technology as of December 31, 2023. Our 1,359 research and development-related

employees, which are the driving force of our leading innovation, represented 55.7% of our total staff in 2023. We have been highly active in innovating across AI, cloud, secure infrastructure and other forms of technology.

Table of Contents

Our revenue decreased by 17.8% from RMB4,464.0 million in 2022 to RMB3,667.5 million (US$516.6 million) in 2023. Our revenue from third-party customers decreased by 11.5% from RMB1,477.9 million in 2022 to RMB1,307.4 million (US$184.1 million) in 2023. Our net loss decreased from RMB928.0 million in 2022 to RMB371.5 million (US$52.3 million) in 2023. Our net loss as a percentage of total revenue decreased from 20.8% in 2022 to 10.1% in 2023.

Value Proposition

Many financial institutions struggle to maintain a balance between topline growth and profitability. We directly address this financial institution pain point by providing solutions that allow our customers to improve efficiency, enhance service quality, reduce costs and mitigate risks.

- *Improve Efficiency*: Our solutions enable financial institutions to understand their customer needs and tailor their sales efforts to improve productivity. For example, our AI-empowered sales force management tool enables financial institutions' sales representatives to engage with their customers through social media, and to provide anytime-anywhere service with AI-assisted phone calls and text messages.

- *Enhance Service Quality*: Our solutions help financial institutions significantly improve their services and consequently generate incremental revenue. For example, our AI-based intelligent fast claim solution allows insurers to inspect car accidents, identify potential fraud and determine damage amounts swiftly and accurately, which significantly accelerates claim processing.

- *Reduce Costs*: Our solutions help financial institutions to apply automation and digitalization to reduce costs and optimize efficiency by eliminating manual operations. For example, we provide financial institutions with a chatbot application that can receive customer phone calls and respond to customer text messages in a human-like way. By applying this technology, our customers can more effectively deploy their valuable human resources.

- *Mitigate Risks*: Our solutions enable financial institutions to automate their credit assessment process and more effectively manage risk. For example, our retail risk management solution provides financial institutions with tools to detect fraud, conduct credit analytics and assist in decision making, post-loan monitoring and collection.

Revenue Model

Our revenue model is primarily transaction-based, as we primarily charge our customers, which are primarily financial institutions but also include other participants in the financial services ecosystem, based on their usage of our software. For our transaction-based fees, we typically determine pricing based on factors such as usage levels, the type of transaction, and the type of software adopted by the customer. We use transaction-based pricing for transactions including loans processed, insurance claims made, and usage of risk management tools. We also include annual subscription fees for the use of our system as transaction-based revenue. Our transaction-based revenue model allows us to grow with our customers as their businesses increasingly utilize and benefit from our solutions. This mutually beneficial relationship further incentivizes us to create additional, more integrated solutions to fit our customers' broader business needs, and ultimately forms highly resilient, long-term business partnerships. In 2022 and 2023, 78.3% and 73.3% of our revenue, respectively, was transaction-based revenue from our technology solutions. The remainder of our revenue is generated from implementation services, where we charge one-time upfront implementation fees upon completion of the installation of our solutions. We rely on these two revenue models across all of our service offerings.

Our relationship with a customer can include revenue generated under both of our revenue models. Taking our digital insurance solution as an example, at the beginning of our cooperation with an insurance company, we may charge that customer a one-time fee under our implementation services model for us to implement our solution for the customer and connect the customer to our service management platform. After this implementation, we charge the customer for ongoing services based on our transaction-based revenue model. These transaction-based fees can include both annual subscription fees for the use of our system and transaction volume-based services fees based on the volume and nature of service requests on our insurance system. Additionally, under our digital insurance solution, we also charge third-party service providers, such as providers of roadside assistance and auto parts sourcing services, volume-based commissions based on their transactions with our insurer customers that are facilitated through our service management platforms.

Table of Contents

Our Solutions

Under our technology + business model, we integrate financial services expertise with technology to provide software to financial institutions. The technology solutions we provide to our financial institution customers help them to expedite their digital transformation and ensure their sustainability in a demanding market. We offer integrated solutions for the industry verticals of digital banking and digital insurance segments. We have also built a Gamma Platform, which offers a toolbox of separate solution modules that provide technology infrastructure and basic underlying technologies that financial institutions can apply to back-office functions across their operations. Our solutions enable our customers' digital transformations—which helps them improve efficiency, enhance service quality, reduce costs and mitigate risks. Given this structure for assembling our solutions and our robust technology base, we can deploy solution offerings to our financial institution customers either on an integrated basis with comprehensive end-to-end solutions or on an incremental basis to respond quickly to specific customer requirements. Our large array of standardized modules and open APIs allow us to flexibly customize our solutions, quickly and efficiently fulfill customer needs, and reuse these components to achieve long-term cost benefits.

Starting from 2021, we upgraded our product structure from single-module products to offer more comprehensive and integrated solutions.

The research and development for our solutions is primarily done in-house by our research and development team. This includes the design of our software and the development of our core system, model, algorithm, and system logic. In deploying our products to customers, we generally conduct onsite deployment ourselves. For work that are labor intensive and less technologically demanding, such as front-end developing, we leverage products and onsite implementation services from external technology service providers. We are also responsible for operations and maintenance services, including software operations and maintenance such as ongoing software upgrades after implementation and ongoing day-to-day operations and maintenance services such as bug fixing and error correction.

Digital Banking

Our digital banking offers a wide array of solutions to cater to the digital transformation needs of financial institutions in the banking industry. These solutions comprise digital retail banking, digital credit management, and digital operation solutions and are based on our "business + technology" model to assist banks to drive growth, curtail operational risks, enhance management efficiency and accomplish high-quality development. By utilizing these solutions, banks can augment their overall digital capabilities and improve outcomes for their customers.

Digital Retail Banking

Digital retail banking solutions are designed to align with the latest development trends of the retail banking sector, providing solutions to banks with a customer-centric approach and offering digital transformation consulting services and system solutions related to customer management, product management and channel management to bank customers. Our digital transformation consulting services help banks in formulating a retail digital transformation development blueprint. By leveraging products such as marketing management platform and wealth management platform, we employ digital means to help banks achieve more precise customer marketing, better meet the asset allocation needs of their high-net-worth customers, and reach customers more quickly and efficiently. This, in turn, enables high-value growth in banks' retail business. Key functions of this solution include:

Table of Contents

Marketing Management Platform, developed from our ***AI Banker App***, provides banks' relationship managers with technology that supports them in managing their acquisition of retail customers and their relationships with retail customers. Banks' relationship managers can use this platform to effectively interact with customers anytime and anywhere through online and offline channels, including social media platforms, in-branch interactions and AI-assisted telephone communications. This platform also assists bank managers in team building and management, allowing them to monitor the work of their relationship managers. Using this platform, bank managers can organize daily meetings, set key performance indicator targets for their relationship managers, and track relationship managers' performance.

Our ***wealth management platform*** provides banks with tools they can use to improve the efficiency of their wealth management business. This platform supports banks in launching their own customer-facing portals for online sales of an array of wealth management products. These portals are supported by our platform's digital shelf management function, which helps banks in their product risk analysis, product description drafting and product marketing. These functions assist banks in filtering and recommending suitable wealth management products based on their end-customers' profiles. The platform also helps managers in the banks' wealth management business with customer acquisition, product sales and customer relationship management. For example, the platform's intelligent chatbot can help wealth managers conduct know-your-customer procedures, provide portfolio and asset allocation recommendations and conduct sales and marketing—all of which promote their remote servicing capabilities and efficiency. Through this platform, banks can develop holistic wealth management capabilities to offer tailored services and product portfolios catered to their end-customers' wealth management needs. By offering tailored support, this platform allows banks to serve a wide range of customers from mass-market customers to high-net worth private banking customers.

Digital Credit Management

The digital credit management solution is a comprehensive and fully integrated package that provides banks with an end-to-end credit management system, online credit business system and accompanying operation service solutions. This solution is specifically tailored for corporate credit and SMEs' credit business scenarios, providing bank customers with a management system that covers the entire product and process of credit business, and is designed to assist banks in improving their credit management efficiency. By leveraging cutting-edge technologies such as AI, big data analytics and intelligent algorithms, we help banks establish scenario-based rule models of their credit operations throughout the loan-cycle, from initial loan application to post-lending monitoring. This enables banks to accurately identify risk signals, achieve proactive risk prediction and early warning and significantly enhance their active risk control capabilities. For example, the platform's early warning function can monitor the financial health and potential risks of an SME and its related parties and generate risk analysis and early warnings throughout the loan lifecycle to improve a bank's risk management efficiency. Additionally, we assist banks in building online inclusive credit business systems and provide supporting marketing systems for financial products, for both internal use and external use, to enhance the bank's customer acquisition capabilities.

This solution also provides an ***intelligent product development platform*** to banks, which allows them to shorten their product development cycle, increase speed to market, and facilitate their product portfolio management. This platform's modules for product development can be selected and assembled in various combinations to satisfy the specific needs of each bank. For example, banks using this platform can easily design and swiftly launch a new loan product by customizing loan feature options such as loan amounts, interest rate and maturity period. In addition, the platform's know-your-business product provides detailed analysis of enterprises that banks can use to design tailored products and services for their SMEs customers based on risk preferences and profitability requirements.

Digital Operation

Our suite of digital operation solutions has been specifically designed to cater to the needs of bank management departments. Our comprehensive range of management solutions includes business analysis, asset-liability management, pricing management, capital management, cost management, risk management, performance management, and compliance management. These solutions are aimed at helping banks formulate effective development strategies, gain insights into their current operational status, accurately measure costs, allocate resources efficiently, strengthen performance appraisals, mitigate compliance risks, and build a "super brain" for management, allowing for precise and intelligent decision-making. Additionally, we specialize in developing digital financial services and intelligent financial regulatory platforms for governmental and regulatory agencies, with the aim of promoting financial inclusivity and optimizing risk prevention and control in financial markets. This solution includes below key functions:

Table of Contents

Regtech, our end-to-end regulatory solutions for financial regulatory authorities in China, includes a diverse suite of modules to help regulatory authorities automate and digitalize their operations. These solutions include automatic aggregation and intelligent analyses of regulatory data, automatic and customized reporting, risk monitoring and alert, and intelligent interactive communication with the public. Our Regtech solutions can also help financial institutions comply with regulatory requirements and improve risk management more efficiently.

Our ***asset-liability management, or ALM, solution*** can provide analytics to enhance financial institutions' asset liquidity performance for financial institutions operating in the PRC regulatory environment. Financial institutions can use this solution's modules to enhance their risk management abilities. For example, our ALM module provides forecasting tools and analytical functions to measure and model customers' loans, deposits, investments, and portfolios. It applies the relevant regulatory requirements to help banks monitor their interest rate and liquidity risks. Our funds transfer pricing module uses analytic software to analyze a bank's profitability by funding source at an institutional level. It improves pricing decisions and drives desired employee behaviors by linking employee performance with profitability.

Digital Insurance

Our integrated solutions for the digital insurance segment help insurance companies to digitalize the entire insurance process, helping them handle marketing, customer management and claim processing. We also provide our customers service management platforms. We provide these offerings under our intelligent property and casualty insurance solution and our intelligent life insurance solution.

Intelligent Property and Casualty Insurance Solution

Our intelligent property and casualty insurance solution helps insurers reduce losses, fight fraudulent claims and improve service quality. This solution integrates technologies, including AI and advanced analytics, and services, to automate the entire insurance procedure—claim submission, underwriting, instant inspections and settlement, appraisal and roadside assistance, and auto parts sourcing. Insurance companies can adopt this solution as a comprehensive solution or they can select individual modules to incorporate into their own existing operational systems.

This solution provides an end-to-end core system for insurers. This core system allows insurers to streamline their claim processing procedures. Using our solution, insurers can automatically direct cases to appropriate services and processes within the system based on the severity of the claim. For complex cases, our system has complete operational and hierarchical approval functions to accelerate claims processing efficiency. For minor cases, with the help of remote inspection tools and AI loss assessment tools, our system provides insurers' end-customers with a contactless claim settlement experience. Our end-to-end system enables insurers to more accurately and efficiently inspect and adjust claims, identify potential fraud and determine damage amounts. We also provide services and products for the assessment of auto and injury losses, as well as risk management tools and anti-fraud analytics that provide insurers flexibility in adopting and integrating our solution. Recently, this system launched an insurance underwriting function for auto insurance providers, which can help auto insurance providers evaluate risk and establish pricing for insurance underwriting.

This solution's fast claim function uses image recognition technology to make auto damage claim adjustments faster and more efficient. Users of this solution can upload photos of damaged vehicles, and the solution automatically identifies the type and degree of loss and automatically prices the claim by analyzing it against an associated database. In combination, these functions allow for the settlement of simple auto damage claims in seconds without an appraisal.

Table of Contents

This solution also includes a service management platform for car owners, insurers and other service providers in the auto insurance claim and service segment. This platform covers claims services such as inspection, roadside assistance and repair—integrating resources and digitalizing all participants in the auto claim value chain. This platform also connects car owners with service providers in response to sporadic demands they may have from time to time. For example, an insurance company using this platform can source and manage third-party service providers for roadside assistance, including monitoring the status of assistance requests and applying image recognition technology to automatically verify license plate numbers and check work quality. The platform also provides auto parts sourcing services that use a transparent, centralized auto parts marketplace to reduce costs and fraud. Through the platform's auto part sourcing app, insurers can conveniently inquire and compare pricing, procure auto parts, and manage procurement. Through the service management platform, we help insurance companies increase their access to high-quality service providers and reduce fraud risks. At the same time, we improve the operational management efficiency of service providers on the platform with technology. As of December 31, 2023, our service management platform had over 194,000 auto service providers, including 4S auto dealerships, auto repair shops, auto parts dealers, rescue companies, and appraisal companies.

This solution also provides an intelligent system for insurance product development, which significantly accelerates the launch cycle for insurance products. Through the solution, we do not refer distribution channels or direct traffic to insurers for their marketing, but instead, our system enables insurers to connect with channels upon their selection, including their self-operated platforms or other third-party channels for insurance product distribution. Through this solution, we also offer health insurance providers with full support in their provision of health management services to their end-customers. For example, these services connect insurers with health service providers such as hospitals, clinics, physical examination centers and pharmacies before, during and after diagnosis, enabling insurers to search, connect and allocate medical and health resources to their end-customers.

Leveraging this solution, we are establishing an ecosystem centered around property and casualty insurance claim and service scenarios.

Intelligent Life Insurance Solution

Our intelligent life insurance solution helps insurers improve efficiency, risk control, and customer experience across their sales, policy issuance, policy claims processing and customer service. This solution has been adopted by both domestic insurers and overseas insurers, such as Old Mutual Limited.

This solution provides an app that insurance agents can use to boost their careers, which is the key function under this solution. This app digitalizes the processes for policy issuance, electronic policy signing and policy claims, allowing agents to engage with their customers on these tasks anytime and anywhere. In addition, powered by agent profiling and AI training technologies, an insurance agent can recruit and train his or her own team with the help of this app. For example, this app provides templates for the recruitment interview process as well as training materials. In addition, insurance companies can refer business opportunities and agent candidates to their agents through this app. Under this solution we also provide quick-to-adopt applications, such as an intelligent identity verification tool that can assist insurers with risk management and organizational optimization. We believe that by adopting this solution, our insurance company customers can increase the productivity and retention rate of their agents and improve the effectiveness of their sales and marketing, thus driving down management cost and improving efficiency.

Gamma Platform

Our Gamma Platform consolidates an array of solutions that can be applied across a wide range of industries, including but not limited to financial service industries. These include AI customer service as well as technology infrastructure, including financial cloud. The solution modules we offer under our Gamma Platform are adaptable and scalable, and our Gamma Platform customers can adopt them to address their needs under diverse and complex business scenarios or on an incremental basis. For example, our Gamma Platform's solutions can be adopted by our existing financial institutions customers using our integrated solutions for digital banking and digital insurance to further drive their digitalization process. Unlike our digital banking and digital insurance segment solutions, which provide integrated solutions applicable to a particular financial services vertical, our Gamma Platform offers a toolbox of separate solution modules that provide technology infrastructure and general solutions across a wide range of services scenarios.

We provide our Gamma Platform to our customers under our Gamma Voice and our Gamma FinCloud.

Table of Contents

Gamma Voice

Our Gamma Voice Solution includes AI customer service modules that use our award-winning AI technology to support customer service functions, in particular helping our customers to reduce headcount requirements and improve efficiency at their call centers. Our AI technology allows our customers in different industries to replace their call centers' paper-and- people-intensive processes and legacy infrastructure across a variety of business scenarios. For example, our customers can use our AI customer service's virtual assistants module to provide online and telephone customer services, including supporting their use of chatbots to handle customer interactions that would otherwise be handled by call center workers. They can use the service's AI phone and messaging module to support them in marketing and other functions through popular Chinese social media platforms and AI-assisted telephone communications. They can also use the service's quality assurance module to support their post-sales follow-ups, through which financial institutions verify information and obtain customer feedback.

Gamma FinCloud

We launched our Gamma FinCloud in the second quarter of 2020.

Our customers can adopt our Gamma FinCloud on an incremental basis, which allows those entities with expensive-to-replace legacy systems to directly migrate to the cloud to securely maintain their data in an efficient setting. Our Gamma FinCloud is built in accordance with the PBOC's Financial Cloud 500-plus security compliance requirements. It is highly scalable and can be customized and quickly combined with our financial institution customers' existing tools, allowing them to realize needs specific to their business. Using Gamma FinCloud, our customers can also efficiently manage different types of clouds and automate and visualize their IT, operations and management processes.

Ecosystem

We have partnered with regulatory authorities and industry partners to develop a digital ecosystem to facilitate the growth and digitalization of the financial services industry. As of December 31, 2023, we had collaborated with 100 government agencies and regulators.

We also provide digitalized services to national and regional financial regulators to improve their operational intelligence and service quality. We entered into a strategic cooperation agreement with the technology department of a national regulator to help them improve regulatory efficiency with advanced technology. For example, we have established a port logistics and trade blockchain platform in cooperation with a port operator in the Guangdong-Hong Kong-Macao Greater Bay Area to connect participants in the port trade process, centralize and simplify logistics processes, enable smart operations, processes digitalization and the processes for precision monitoring and financial services. We have strategic cooperation with stock exchanges in China and Hong Kong. For example, we provided technology support in the establishment of the Hong Kong Stock Exchange's FINI IPO settlement platform. We have also built intelligent supervision platforms for provincial and regional regulators in China to help them enhance their risk management ability and facilitate their services provided to the markets.

International Business

We have been actively exploring opportunities in overseas markets to replicate our success in China, mainly focusing on serving major local banks and insurance companies with our financial technology solutions. Since 2018, we have expanded our business overseas to cover over 185 customers in 20 countries and territories. The revenue contributed by our international business increased from 3.1% in 2021 to 4.4% in 2022 and further increased to 8.4% in 2023.

In May 2019, we were granted a virtual banking license by the Hong Kong Monetary Authority. As of December 31, 2022, this license was one of the eight virtual bank licenses that had been granted by the Hong Kong Monetary Authority. Our virtual bank, which officially began operating in September 2020, provides diverse services, including SME banking and retail banking, with the former as its the strategic focus. Upholding "Empower Your Life" as its mission, our virtual bank is committed to providing seamless and reliable financial services to customers and promoting inclusive finance in Hong Kong. We entered into a share purchase agreement to dispose our virtual bank business to Lufax Holding Ltd in November 2023. This disposal was closed on April 2, 2024.

Table of Contents

In 2022, our subsidiary Ping An OneConnect Credit Reference Services Agency (HK) Limited has been officially named as a selected credit reference agency, or CRA, under the Multiple Credit Reference Agencies Model. Our CRA is committed to building a core credit product system through unique business scenarios and data sources, and providing comprehensive credit services for financial institutions in Hong Kong. CRA will continue to focus on product development, system construction, and continuously exploring business opportunities in the Greater Bay Area. Our CRA officially launched its business operation in April 2024.

In Southeast Asia, in March 2018 we established a subsidiary in Singapore as our Southeast Asia headquarters and research and development center. We also launched subsidiaries in Indonesia, Malaysia and the Philippines in December 2018, October 2020, and October 2020, respectively. Our customers in Southeast Asia include both small-and-medium-sized local banks as well as larger financial institutions, including regional top 12 financial institutions, such as the top three regional banks and two of the world's top ten insurance companies.

In Abu Dhabi, we helped the government construct a secure and reliable digital sandbox for financial institutions and technology companies to collaborate and develop financial solutions through access to high quality APIs and architectures.

In South Africa, through the strategic partnership with Old Mutual Limited, a well-known insurer globally established for more than 179 years, we have achieved sound results in expanding our market share. Such collaboration would bring a new digitalization experience for South African insurance agents, and accelerate both parties' cooperation and development in the digitalization era.

Our Technology and Infrastructure

The success of our business depends on our technology and infrastructure, which enable us to deliver innovative and effective solutions to customers across the financial services industry. These fintech-related patent applications were mainly related to AI, big data, cloud computing and internet-of-things for the finance industry.

Artificial Intelligence

Our AI technology enables digital automation and underlies many of our solutions to reduce personnel and other expenses, while enhancing personalized service. Our AI technology is award-winning, having received 60 awards from professional and media organizations in China and abroad, including Global Innovation Awards from the Bank Administration Institution in 2018 and 2019, First Prizes in deep learning competitions hosted by Stanford University in 2018 and 2019, First Prizes in International Semantic Evaluation Competitions from Association for Computational Linguistics in 2019 and 2020, Best Data Analysis Technology in China (Risk Management) award from the Asian Banker in 2021, and the First Prize in extractive interpretable reading comprehension from the 5th Chinese Machine Reading Comprehension in 2022. Our inclusive finance AI platform has been selected as one of the major projects in the New Generation Artificial Intelligence program incubated by China's Ministry of Science and Technology, and in 2021 it received the Wu Wenjun Artificial Intelligence Science and Technology Progress Award (Enterprise Technology Innovation Project) from the Chinese Association for Artificial Intelligence. In 2023, it was selected as one of the NIFD-DCITS Fintech Innovations Cases. Our key AI applications include:

- *Biometric recognition:* Our voice verification technology can verify a speaker's identity by comparing the voice against previously provided samples within milliseconds; it is used in our solutions to ensure safer and faster account access. Our voice verification technology is low-cost and user-friendly, and it can support remote verification in apps, phone calls and customer services.

- *Natural language processing:* Our natural language processing technology translates text inputs into formats that are computable by machines, enabling processing and analyzing of transaction documents that is much faster than human beings. This technology also includes voice recognition capabilities that support multiple rounds of spoken dialogue, enabling us to develop chatbot services for automated customer and collection services.

- *Image recognition:* Underpinned by our deep-learning algorithms, we use image recognition technology to develop gesture payment applications that can replace conventional fingerprint and password checks,

improving efficiency and customer experience.

Table of Contents

- *Knowledge graph:* Knowledge graphs are tools we use to integrate information collected from various recognition technologies to allow our customers to form a holistic view on subjects of interest. For example, in our retail banking intelligent risk management solution, we use knowledge graphs to help financial institutions incorporate factors such as macroeconomic and financial status, social life and internet activity in making more informed credit-approval decisions.

- *Expert decisioning:* We train AI to recognize information, learn rules and eventually replace human-based decision-making processes. We have applied advanced expert decisioning technology in modules, including intelligent fast claim, anti-fraud tools and virtual assistants, to enhance our customers' efficiency and reduce their labor costs.

Cloud

Our proprietary Gamma FinCloud has multiple data centers across China and is constructed in compliance with more than 500 standards issued by the PBOC. Our technology has been internationally recognized. For example, our Gamma FinCloud received 2022-2023 Global-Cloud-Computing-Conference Leading Brands, CAICT-TRUCS CLOUD Best Practices for Financial Industry Services in 2023. Building on this infrastructure, our solutions have the following key cloud-related features:

- *Cloud-native flexibility:* Our solutions are cloud-native, as they were all created and developed for a cloud-based environment. This approach allows our customers to focus on business agility—while we undertake their IT responsibilities. Cloud-based deployment, which does not require our customers to install significant technical infrastructure, helps financial institutions, who may have limited budgets and IT capabilities, to deliver financial services that match their end-customers' expectations for faster and more seamless digital experiences. We can also provide on-premise installations of most of our solutions for our customers if they wish us to.

- *Modular software architecture:* Our modular software architecture consists of separate modules that can be combined or replaced without affecting the rest of the customer's system. This advanced architecture gives our customers increased flexibility in adding or removing functions, and it speeds up the deployment of new capabilities, features and functionalities. Our modular software architecture is horizontally scalable, which allows our customers to easily subscribe, deploy and upgrade additional modules as their operational needs expand. Our architecture and offerings facilitate cost-effective expansion compared to on-premise solutions.

- *Reliability and availability:* Our technology has built-in software and hardware redundancy. Our platform is built on distributed computing architecture so that a single point of failure does not cause the entire system to fail. Our innovative cloud received CAICT-TRUCS CLOUD Best Practices for Financial Industry Services in 2023. In 2022 and 2023, major Gamma FinCloud applications, on which our applications are hosted, had an SLA exceeding 99.99%. To support our Gamma FinCloud, we currently have multiple disaster recovery centers equipped with six-level disaster tolerance in south and east China.

- *Safety:* Our cloud computing service has passed an assessment in accordance with the measures jointly promulgated by China's CAC, the NDRC, the MIIT and the Ministry of Finance. We have also obtained the TRUCS certification, which is an authoritative cloud computing evaluation system in China. Our Gamma FinCloud has obtained ISO20000, ISO22301, ISO27001, ISO27017 and ISO27018 certifications, certifying that we meet the standards for IT service management, business continuity management, international information security, personal information protection, and software development, operation, and maintenance quality management. Our Gamma FinCloud has also obtained grade-4 security protection certification in accordance with information security protection-related regulations promulgated by Ministry of Public Security of China and three other authorities, validating it as a secure and credible cloud service provider. We continually improve and enhance our system security through routine checks and timely upgrades.

Table of Contents

Security

Our security architecture provides a secure and trusted environment throughout the data life-cycle. Through our use of ciphertext calculation and authorization management, our secured architecture ensures data security across data storage, data transmission and data processing. This architecture also supports secured multi-party computation, data access and ownership separation, digital forensics and digital asset verification.

We believe our security architecture can help financial institutions and government agencies resolve privacy issues in data processing in their digitalization reforms, and will further promote a digitalized ecosystem that integrates data from different industries and ensures security and order in data sharing.

Our platform, built on this security architecture, has passed the security tests from the Ministry of Public Security of China and the National Financial IC Card Security Test Center.

Research and Development

We invest significant resources in research and development, not only to support our existing business and enhance our existing solution offerings, but also to incubate new technological and business initiatives to enable us to continue to lead our competition. Our research and development capacity has been recognized by the Capability Maturity Model Integration Institution as level 5, the highest maturity level. We incurred RMB1,353.0 million, RMB1,417.7 million and RMB955.2 million (US$134.5 million) of research and development expenses in the fiscal years ended December 31, 2021, 2022 and 2023, respectively, accounting for 32.7%, 31.8% and 26.0% of our total revenues during these same respective periods.

Our experienced scientists and engineers dedicated to research and development are the source of our continued innovation. As of December 31, 2023, we had 1,359 research and development employees, representing 55.7% of our total employees. Our research and development team includes data scientists, computer scientists and software engineers.

Our research and development expenses primarily consist of technology service fees we pay for outsourced technology services in relation to our cloud and IT infrastructure, employee benefit expenses relating to our research and development employees, and amortization of intangible assets.

Intellectual Property

We protect our intellectual property rights through a combination of patent, copyright, trademark, trade secret and other intellectual property laws, as well as confidentiality agreements and clauses for major technology cooperation, business operations and investment projects. In general, our employees are required to enter into standard employment agreements that include a clause acknowledging that all inventions, trade secrets, developments and other processes generated by them on our behalf are our property and assigning to us any ownership rights that they may claim in those works.

As of December 31, 2023, we owned 827 registered patents in China and other countries or regions, and approximately 154 registered domain names, including our official website. As of the same date, we owned 916 copyrights and 1,154 trademarks in various categories. In addition, we had 17 trademark applications in various categories that were pending registration. We intend to pursue additional patent and other intellectual property protections, both in China and elsewhere, to the extent we believe it would be beneficial and cost-effective.

Our intellectual property is subject to risks of theft and other unauthorized use, and our ability to protect our intellectual property from unauthorized use is limited. In addition, we may be subject to claims that we have infringed the intellectual property rights of others. See “Item.3D. — Risk Factors — Risks Relating to Our Business and Industry— We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.” In 2021, 2022 and 2023, we did not have any material disputes or any other pending legal proceedings regarding intellectual property rights with third parties.

Table of Contents

User Privacy and Data Protection

We are dedicated to data privacy protection. We have adopted policies that establish authorization mechanisms for data usage, data classification, approval procedures and access rights for confidential data. Our service agreements include terms to ensure that our customers have obtained appropriate consents from their end-customers to collect, use and disclose their data in compliance with applicable laws and regulations. When providing cloud-based targeted marketing services, we leverage our AI and other advanced data tools to develop algorithms to translate data into anonymous, transferable insights without accessing personal details. Furthermore, we adopt data encryption and firewalls to ensure the secured storage and transmission of data and prevent unauthorized access or usage of data. We also rely on our internal policies to prevent our systems from being infiltrated or our data being accessed or disclosed improperly. Our personal information management policy clearly sets out how we are to collect, protect and store personal information, including (i) limiting the use of the personal information for collection purposes; (ii) establishing a strict authorization policy to limit the access of authorized parties; (iii) encrypting and desensitizing user data whenever necessary; and (iv) conducting an internal review and approval process for any material revision, copying or downloading of personal information. In addition, we have implemented enhanced data security measures and technologies and adopted a data classification and grading system that offers various levels of data protection. We limit access to sensitive data on a "need-to-know" basis according to the importance and sensitivity of data, which reduces human review and intervention in the processing of those data, to minimize the possibility of data leakage and unnecessary privacy invasion.

As the regulatory regime for data security and privacy is constantly evolving, we are closely watching legislative developments affecting data security practices. We have an internal department responsible for closely monitoring and assessing the fast and ever evolving legislative and regulatory environment, and we maintain ongoing consultations with relevant government authorities to seek guidance on the applicability and interpretation of relevant laws and regulations. We also maintain frequent communications with our legal advisors, including PRC data law specialists, to keep abreast of the latest regulatory developments and receive prompt advice on fulfilling any applicable requirements in relation to our data security and personal information protection practices. We believe that with the measures we have in place, we can continually adjust our internal policies in response to new regulatory developments, update our practices for network security, data compliance and personal information protection as appropriate, and timely take any necessary rectification measures, to ensure compliance with the cybersecurity and data-related laws and regulations and any other relevant measures or regulations if and when they come into effect.

Data access requests we receive from third parties are subject to our formal evaluation and approval procedure based on the necessity and scope of the access requests and appropriate consent from users. According to our personal information management policy, we typically enter into confidentiality agreements with third-party suppliers that require them to undertake data protection measures, limit the use of personal information to what is necessary and assess their capabilities for personal information protection. We also review the qualifications of third-party suppliers and the category of information to be processed by them to ensure that data access is limited to the authorized scope. In addition, we will continue to update our policies involving third parties on a regular basis in order to reflect any new data protection rules and policies.

In 2021, 2022 and 2023, we had not received any material claim from a third party against us alleging our infringement of any party's right to data and privacy protection as provided by any applicable laws or regulations in the PRC or any other jurisdiction.

For additional information, see the section titled "Item 3D. —Risk Factors — Risks Relating to Our Business and Industry — Failure to comply with existing or future laws and regulations related to data security, data protection, cyber security or personal information protection could lead to liabilities, administrative penalties and other regulatory actions, which could negatively affect our operating results and business".

Table of Contents

Customers

We have established significant coverage across a wide range of customers. 100% of large and joint-stock banks, 98% of city commercial banks, 66% of property and casualty insurance companies and 48% of life insurance companies in China have used at least one of our products since our inception. In addition, as of December 31, 2023, we had also served 138 overseas financial institutions and 93 government agencies and regulators. While financial institution customers are our strategic focus, our solutions can also be used by other participants in the financial service ecosystem including financial regulatory authorities that use our Regtech solution to digitalize operations such as regulatory reporting, and other participants that provide financial services such as micro-credit companies. In addition, our solutions can also be used by ecosystem participants on the platforms that we provide or build for our financial institution customers. For example, auto parts manufacturers can sell auto parts through our digital insurance service management platform that we provide to insurance companies.

Sales and Marketing

Our customer acquisition approach is built around our pricing model, sales team composition, and industry-specific marketing and promotion. We charge upfront fees for the installation of our products and use transaction-based pricing for ongoing services. We market our services through our sales and business development team who has extensive experience in both financial services and technology industries. Our relationship managers, leveraging their previous working experience, usually have direct executive-level relationships with our existing and target customers. We employ a variety of marketing methods to promote our brand recognition as a reliable and innovative financial technology solution provider with a proven track record. We are one of the key founding members of the Internet Finance Association of Small and Medium-sized Banks, an alliance of over 260 small and medium-sized bank members in China that promotes cooperation and innovation among its members.

Seasonality

Our quarterly results of operations, including the levels of our revenues, expenses, net loss or income and other key metrics, may vary significantly due to a variety of factors. In general, our third and fourth quarters have been the stronger quarters in the past, primarily due to our business model of primarily charging our financial institution customers based on the transaction volume generated on our platform or their other usage of it. Our financial institution customers tend to have higher spending with us in the second half of the year as a result of their annual budget cycles. In addition, customer transactions at financial institutions tend to peak in the fourth quarter, which in turn can cause seasonality in our revenue. On the other hand, our first quarter results tend to be relatively weaker, in light of the Chinese New Year holidays when many of our customers' businesses are closed.

Competition

The markets in which we operate are competitive and evolving. Our primary competitors include companies affiliated with financial institutions that provide technology-as-a-service solutions, traditional technology companies that provide traditional standard and customized IT products and services, and internet companies that offer technology services. The most significant competitive factors for us are:

- alignment with the business vision and goals of customers;
- pricing and overall customer relationship management;
- application features and functions;
- ease of delivery and integration;
- security and compliance of solutions with regulatory requirements;
- ability to maintain, enhance and support applications and services;

Table of Contents

- domain expertise in financial technology;
- ability to innovate and rapidly respond to customer needs;
- ability to provide end-to-end solutions; and
- brand recognition within the financial services industry.

Our Relationship with Ping An Group

We began in December 2015 as the financial technology solution arm of Ping An Group. Ping An Group is incorporated under the laws of China, with its shares listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange. Established over 30 years ago, Ping An Group holds a full suite of financial services licenses and its operations span the insurance, banking, securities, trust, investment, leasing, healthcare and technology industries. Ping An Group is committed to developing next-generation technology and stands at the forefront of digital transformation.

We enjoy a strong partnership with Ping An Group, as a partner for technology development, a supplier of application scenarios for developing our solutions, and a flagship customer showcasing our capabilities. Ping An Group is our strategic partner and our most important customer and supplier. We have partnered with Ping An Group to jointly develop new technology and applications, and Ping An Group provides us support in technology infrastructure such as cloud infrastructure. Ping An Group also provides us with a diverse, reliable source of real-life application scenarios to validate and prove our technology. Many of our customer insights and innovative solutions are first initiated and tested within the Ping An Group ecosystem. Our strategic partnership with Ping An Group has contributed to our growth significantly since our initial business operations.

We and Ping An Group cooperate under a Strategic Cooperation Agreement with a term extending until ten years after completion of our initial public offering in the U.S. on December 17, 2019, subject to Ping An Group continuing to hold or beneficially own at least 30% of our shares. Under this agreement, Ping An Group will give preference to us in choosing its partner for providing technology service and solutions to external financial institutions. Ping An Group will also give preference to us in purchasing banking and non-banking solutions. Under the same agreement, Ping An Group has granted us non-transferable rights to use, duplicate, modify and sell Ping An Group's existing technologies to financial institutions globally. With this long-term Strategic Cooperation Agreement, we believe we will continue to benefit from Ping An Group's development of technologies and to leverage Ping An Group's know-how, customer insights, and application scenarios in developing new technology applications. While the Strategic Cooperation Agreement between Ping An Group and us is subject to Ping An Group continuing to beneficially own at least 30% of our shares, Ping An Group has confirmed that it intends to continue to honor the arrangement under the Strategic Cooperation Agreement in the future, and will not take the shareholding threshold of at least 30% as a pre-condition.

We have also entered into a series of agreements with certain subsidiaries and associates of Ping An Group in connection with IP licensing, property leasing, financial services, and provision and purchases of services and products. The payments under these property leasing, services and products agreements are based on arm's-length pricing.

Ping An Group is also our principal shareholder. The total Shares held by Ping An Group, through both Bo Yu and Ping An Overseas, was 32.12% of our ordinary shares as of March 31, 2024 based on the number of shares reported in their beneficial ownership filing on February 13, 2023. When exercising its rights as our shareholder, Ping An Group may take into account not only the interests of our Company and our other shareholders but also its own interests, the interests of its public shareholders and the interests of its other affiliates. The interests of our Company and our other shareholders may conflict with the interests of Ping An Group and its public shareholders and other affiliates. For additional information about the risks in connection with our relationship with Ping An Group, see "Item 3. Key Information — D. Risk Factors—Risks Relating to our Business and Industry—Ping An Group is one of our principal shareholders, our strategic partner, our most important customer and our largest supplier. If our relationship with Ping An Group deteriorates, or if Ping An Group significantly reduces purchasing from or cooperating with us, our results of operations, business and growth could be materially and adversely affected."

Table of Contents

Regulation

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

Regulations Relating to Foreign Investment

The establishment, operation and management of corporate entities in the PRC, including foreign-invested companies, are subject to the Company Law of the PRC, or the Company Law, which was issued by the Standing Committee of the National People's Congress, or the NPC Standing Committee, on December 29, 1993 and took effect on July 1, 1994. It was last amended on December 29, 2023. Unless otherwise provided in the PRC's foreign investment laws, the provisions of the Company Law shall prevail.

Investments in the PRC by foreign investors and foreign-invested enterprises are regulated by the Catalogue of Industries in which Foreign Investment is Encouraged (2022 edition), or the 2022 Catalog, and the Special Administrative Measures for Foreign Investment Access (Negative List 2021), or the 2021 Negative List. The establishment of wholly foreign-owned enterprises is generally allowed in industries not included in the Negative List. Industries not listed in the Negative List are generally open to foreign investment unless specifically restricted by other applicable Chinese regulations. Under the 2021 Negative List, foreign equity in companies providing value-added telecommunications services, excluding e-commerce, domestic multi-party communications, data collection and transmission services, and call centers, should not exceed 50%. Part of our business is subject to such 50% foreign invested equity cap. Under the 2021 Negative List, any domestic enterprise operating business in the sectors prohibited by the 2021 Negative List to issue and trade shares abroad shall obtain the consent of the relevant competent authorities of the State, and it does not mention that if it is applicable to indirect overseas listing. On January 18, 2022, the spokesperson of the NDRC in a press conference confirmed that the application of the foresaid provision is limited to the direct listing of domestic enterprises involving in industries prohibited for foreign investment by the 2021 Negative List.

On March 15, 2019, the NPC Standing Committee issued the Foreign Investment Law of the PRC, or the Foreign Investment Law, which took effect on January 1, 2020. It replaced the major laws and regulations governing foreign investment in the PRC, namely, the Law of the PRC on Sino-foreign Equity Joint Ventures, the Wholly Foreign-owned Enterprise Law of the PRC and the Law of the PRC on Sino-foreign Cooperative Joint Ventures, together with their implementation rules and ancillary regulations.

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

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

In addition, the Foreign Investment Law subjects foreign investors and foreign-invested enterprises to legal liabilities for failing to report their investment information in accordance with the requirements of an information reporting system that will be established. It also provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementation of the Foreign Investment Law, which means that foreign invested enterprises may be required to

adjust their structure and corporate governance in accordance with the PRC Company Law and other laws and regulations governing the corporate governance.

Table of Contents

On December 26, 2019, the State Council promulgated the Implementation Regulations for the Foreign Investment Law, which became effective on January 1, 2020. The Implementation Regulations for the Foreign Investment Law implement the legislative principles and purpose of the Foreign Investment Law, emphasize on promoting the foreign investment and refine the specific measures, and also replaced the implementation rules of the Law of the PRC on Sino-foreign Equity Joint Ventures, the Wholly Foreign-owned Enterprise Law of the PRC and the Law of the PRC on Sino-foreign Cooperative Joint Ventures. On December 26, 2019, the Supreme People's Court issued an Interpretation on Several Issues Concerning the Application of the Foreign Investment law of the PRC, which also came into effect on January 1, 2020. The interpretation applies to any contractual dispute arising from acquisition of the relevant rights and interests by a foreign investor through gift, division of property, merger of enterprises, division of enterprises, etc. On December 30, 2019, MOFCOM and the SAMR jointly issued the Measures on Reporting of Foreign Investment Information, which replaced the existing filing and approval procedures regarding the establishment and change of foreign-invested companies. On December 31, 2019, MOFCOM issued the Announcement on Matters Relating to Foreign Investment Information Reporting, emphasized the information reporting requirements provided by the Measures on Reporting of Foreign Investment Information, and stipulated the forms for information reporting.

On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the Measures for the Security Review of Foreign Investment which became effective on January 18, 2021. Pursuant to the Measures for the Security Review of Foreign Investment, a working mechanism office in charge of the security review of foreign investment will be established, and any foreign investment which has or could have an impact on national security shall be subject to security review by such working mechanism office. The Measures for the Security Review of Foreign Investment further require that a foreign investor or its domestic affiliate shall apply for clearance of national security review with the working mechanism office before they conduct any investment into any of the following fields: (i) investment in the military industry or military-related industry, and investment in areas in proximity of defense facilities or military establishment; and (ii) investment in any important agricultural product, important energy and resources, critical equipment manufacturing, important infrastructure, important transportation services, important cultural products and services, important information technologies and internet products and services, important financial services, critical technologies and other important fields which concern the national security where actual control over the invested enterprise is obtained.

Regulations Relating to Value-Added Telecommunication Services

The Telecommunications Regulations of the PRC, or the Telecommunications Regulations, issued by the State Council of the PRC on September 25, 2000 and last amended on February 6, 2016, provide the general framework for the provision of telecommunication services by PRC companies. It requires a telecommunication service provider in China to obtain an operating license from the Ministry of Industry and Information Technology, or MIIT, or its provincial counterparts, prior to commencement of operations.

The Telecommunications Regulations categorize telecommunication services in China as either basic telecommunications services or value-added telecommunications services. According to the Catalog of Telecommunications Business, attached to the Telecommunications Regulations and issued by MIIT, on December 28, 2015 and last amended on June 6, 2019, online data processing, transaction processing and information services provided via fixed network, mobile network and internet, cluster communication services, internet data center ("IDC") services, content delivery network services, domestic internet protocol virtual private network services and internet access services are value-added telecommunication services.

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

Table of Contents

Regulations on Foreign Investment in the Value-Added Telecommunications Industry

Foreign direct investment in telecommunications companies in China is governed by the Administrative Rules on Foreign-invested Telecommunications Enterprises, or the FITE Regulations, which was issued by the State Council on December 11, 2001 and last amended on March 29, 2022. Under the FITE Regulations, a foreign investor's beneficial equity ownership in an entity providing value-added telecommunications services in China shall not exceed 50%. However, under the Circular on Loosening the Restriction on Foreign Shareholdings in Online Data Processing and Transaction Processing Business (for E-commerce), or Circular 196, issued by MIIT on June 19, 2015, foreign investors may hold up to 100% of all equity interest in an online data processing and transaction processing business operating e-commerce in China, while other requirements provided by the FITE Regulations shall still apply. Apart from e-commerce, the 2021 Negative List also provides that foreign investors may hold 100% equity interest in domestic multiparty communications, data collection and transmission services and call centers. The MIIT's Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business, or the MIIT Circular, issued on July 13, 2006, requires foreign investors to set up foreign-invested enterprises and obtain a license for value-added telecommunications services. It prohibits domestic companies holding value-added telecommunications services licenses from leasing, transferring or selling their licenses in any form, or providing any resource, sites or facilities, to any foreign investors intending to conduct this type of businesses in China.

In addition to restricting dealings with foreign investors, the MIIT Circular contains a number of detailed requirements applicable to operators of value-added telecommunications services, including that operators or their shareholders must legally own the domain names and trademarks used in their daily operations and each operator must possess the necessary facilities for its approved business operations and maintain its facilities in the regions covered by its license. The MIIT or its provincial counterparts have the power to require corrective actions after they discover any non-compliance by operators, and where operators fail to take those steps, the MIIT or its provincial counterparts can revoke the value-added telecommunications services licenses.

The Catalog of Telecommunications Businesses provides that the IDC services refer to the placement, agency maintenance, system configuration and management services provided for users' servers or other internet/network-related equipment in a form of outsourced lease by utilizing the corresponding machine room facilities, as well as the lease of database systems, servers and other equipment, lease of the storage spaces of such equipment, lease of communication lines and export bandwidth on an agency basis, and other application services. The operator of IDC services needs to obtain a value-added telecommunications business license, and states its business category as IDC B11. The business scope of foreign-invested telecommunications companies are limited to the business opened according to China's WTO commitments in accordance with the 2021 Negative List. In addition, China's commitment to open telecommunication business does not include IDC business pursuant to the Protocol on the Accession of the PRC, executed on November 10, 2001.

In view of the foregoing foreign ownership restrictions, we have established several domestic VIEs to engage in the business of value-added telecommunications services. For more information, please see " — C. Organizational Structure—Contractual Arrangements with Shenzhen OneConnect and Shenzhen OneConnect Shareholders." Due to the lack of interpretative guidance from the relevant PRC regulatory authorities, there are uncertainties regarding whether PRC regulatory authorities would consider our corporate structure and contractual arrangements compliant with applicable PRC foreign investment laws and regulations.

Regulations on Internet Information Services

The Administrative Measures on Internet Information Services, or the Internet Information Measures, which was issued by the State Council on September 25, 2000 and amended on January 8, 2011, set out guidelines on the provision of internet information services. Pursuant to the Internet Information Measures, "internet information services" are defined as services that provide information to online users through the internet. The Internet Information Measures require internet information services operators to obtain a value-added telecommunications business operating license for internet information services, or the ICP License, from the relevant government authorities before engaging in any commercial internet information services operations in China.

Table of Contents

In addition, internet information service providers are required to monitor their websites to ensure that they do not contain content prohibited by law or regulation. The PRC regulatory authority may require corrective actions to address non-compliance by ICP License holders or revoke their ICP License for serious violations. Furthermore, the MIIT Circular on Regulating the Use of Domain Names in Internet Information Services, issued on November 27, 2017 and that took effect on January 1, 2018, requires internet information service providers to register and own the domain names they use in providing internet information services.

Regulations on Mobile Internet Application Information Services

On June 28, 2016, the CAC issued the Administrative Provisions on Mobile Internet Application Information Services, which was most recently amended on June 14, 2022 and became effective on August 1, 2022. Pursuant to the Mobile Application Administrative Provisions, internet information service providers, or ICPs, must comply with relevant provisions on the scope of necessary personal information when engaging in personal information processing activities and should not compel users to agree to non-essential personal information collection or ban users from their basic functional services due to their refusal of providing unnecessary personal information. Internet app providers should not provide the relevant services to the users who fail to submit real identity information or use fraudulent identity information of other organizations or persons for fake registration. Internet app providers are also required to establish sound information content review and management mechanism, take sound management measures such as user registration, account management, information review, daily inspection and emergency disposal, and be staffed with professionals and technical ability appropriate to the service scale. Furthermore, internet app providers who launch new technologies, applications or functions with the attribute of public opinion or the capability of social mobilization should conduct security assessment in accordance with the applicable laws and regulations. If an internet app provider violates these regulations, internet app distribution platforms may issue warnings, suspend the release of its applications, or terminate the sale of its applications, and/or report the violations to regulatory authorities, and the application provider may be imposed administrative penalty by the CAC and relevant competent authorities in accordance with relevant laws and regulations.

ICPs are also required under the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals, which was issued on December 16, 2016 and took effect on July 1, 2017, to ensure that APPs, as well as its ancillary resource files, configuration files and user data, can be conveniently uninstalled by a user, unless it is a basic function software (i.e., software that supports the normal functioning of hardware and operating system of a mobile smart device).

On March 12, 2021, CAC, MIIT, Ministry of Public Security together with State Administration for Market Regulation promulgated the Provisions on the Scope of Necessary Personal Information Required for Common Types of Mobile Internet Applications, clarifying that mobile Internet application operators shall not deny users' access to basic app functions and services in the event that the users disagree with collection of unnecessary personal information.

Regulations Relating to Information Security and Privacy Protection

Regulations on Cyber Security

In recent years, PRC regulatory authorities have enacted laws and regulations with respect to cyber security and protection of personal information from abuse or unauthorized disclosure. Pursuant to the Decision on the Maintenance of Internet Security issued by the NPC Standing Committee on December 28, 2000, which was amended on August 27, 2009, persons may be subject to criminal liabilities in China for any attempt to: (i) gain improper entry to a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information or (v) infringe upon intellectual property rights and other activities prohibited by relevant laws and regulations.

The Administration Measures on the Security Protection of Computer Information Network with International Connections, issued by the Ministry of Public Security, or MPS, on December 16, 1997 and amended by the State Council of the PRC on January 8, 2011, prohibits using the internet in ways that result in a leak of state secrets or a spread of socially destabilizing content. The MPS has supervision and inspection powers and relevant local security bureaus may also have jurisdiction. If a value-added-telecommunications service license holder violates these measures, the government of the PRC may revoke its value-added-telecommunications service license and shut down its websites.

Table of Contents

On November 7, 2016, the NPC Standing Committee promulgated the Cyber Security Law of the PRC, or Cyber Security Law, which took effect on June 1, 2017, pursuant to which, network operators must comply with laws and regulations and fulfil their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks must take technical measures and other necessary measures pursuant to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. It also states that: network operator may not collect personal information that is irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties. The Regulations on Cyber Security Supervision and Inspection of Public Security Organs, which was issued by the MPS on September 15, 2018 and came into effect on November 1, 2018, is an important basis for the Public Security Bureau to strengthen the enforcement of the Cyber Security Law. In addition, on July 22, 2020, the MPS issued the Guiding Opinions on Implementing the Cybersecurity Protection System and Critical Information Infrastructure Security Protection System to further improve the national cybersecurity prevention and control system.

Pursuant to the Ninth Amendment to the Criminal Law issued by the NPC Standing Committee on August 29, 2015, which took effect on November 1, 2015, any Internet service provider that fails to fulfil the obligations related to internet information security administration as required by applicable laws and refuses rectification orders is subject to criminal penalty for (i) any dissemination of illegal information in large scale, (ii) any severe effect due to leakage of the client's information, (iii) any serious loss of criminal evidence, or (iv) other severe situation. These amendments also state that any individual or entity that (i) sells or provides personal information to others that violates applicable law, or (ii) steals or illegally obtains any personal information, is subject to criminal penalty for severe violations. On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate released the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information, which took effect on June 1, 2017. It clarifies several concepts regarding the crime of "infringement of citizens' personal information," including "citizen's personal information," "provision," and "unlawful acquisition."

In addition, the PRC General Provisions of the Civil Law, which was issued by the NPC Standing Committee on March 15, 2017 and took effect on October 1, 2017, requires personal information of individuals to be protected. Any organization or individual requiring personal information of others shall obtain such information legally and ensure the security of such information, and shall not illegally collect, use, process, or transmit such personal information, or illegally buy, sell, provide, or publish such personal information. The General Provisions of the Civil Law of the PRC has been repealed by the Civil Code of the PRC, which was issued by the National People's Congress on May 28, 2020 and came into effect from January 1, 2021. The Civil Code of the PRC integrates the rules and guidelines set forth by the Contract Law, the General Principles of the Civil Law, the General Provisions of the Civil Law and other basic civil laws of the PRC. The Civil Code of the PRC built the foundation of developing the civil and commercial legal regime in China. On February 24, 2022, the Supreme People's Court issued the Interpretation on Several Issues Concerning the Application of the General Provisions of the Civil Code of the People's Republic of China, which became effective on March 1, 2022 and explain the application of the Civil Law.

Pursuant to the Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information by Apps, which was issued on January 23, 2019, app operators should collect and use personal information in compliance with the Cyber Security Law and should be responsible for the security of personal information obtained from users and take effective measures to strengthen the personal information protection. Furthermore, app operators should not force their users to make authorization by means of bundling, suspending installation or in other default forms and should not collect personal information in violation of laws, regulations or breach of user agreements. Such regulatory requirements were emphasized by the Notice on the Special Rectification of APPs Infringing upon User's Personal Rights and Interests, which was issued by MIIT on October 31, 2019.

On October 21, 2019, the Supreme People's Court and the Supreme People's Procuratorate jointly issued the Interpretations on Certain Issues Regarding the Applicable of Law in the Handling of Criminal Case Involving Illegal Use of Information Networks and Assisting Committing Internet Crimes, which came into effect on November 1, 2019, and further clarifies the meaning of Internet service provider and the severe situations of the relevant crimes.

Table of Contents

The recommended national standard, Information Security Technology Personal Information Security Specification, puts forward specific refinement requirements on the collection, preservation, use and commission processing, sharing, transfer, public disclosure, etc. Although it is not mandatory, in the absence of clear implementation rules and standards for the law on cyber security and other personal information protection, it will be used as the basis for judging and making determinations. On November 28, 2019, The Notice of Identification Method of Application Illegal Collection and Use of Personal Information was issued, which provides a reference for the identification of App illegal collection and use of personal information, and provides guidance for App operators' self-inspection and self-correction and netizens' social supervision.

On December 15, 2019, the Provisions on Ecological Governance of Network Information Content was issued by the CAC, which has come into effect on March 1, 2020. These provisions require network information content service platform to perform its duties as the information content administrator, strengthen ecological governance of the network information contents of its own platform, and foster a positive, healthy, progressive and amicable cyber culture.

The Measures on Cyber Security Review was jointly issued on April 13, 2020 and took effect on June 1, 2020. It provides detailed rules regarding cyber security review, any operator in violation of the regulations shall be penalized in accordance with Article 65 of the Cyber Security Law. On December 28, 2021, the CAC, together with other twelve regulatory authorities published the Measures for Cyber Security Review, or the New Cyber Security Review Measures, which replaces the Measures for Cybersecurity Review published in 2020 and the New Cyber Security Review Measures became effective on February 15, 2022. Pursuant to the New Cyber Security Review Measures and other PRC cybersecurity laws and regulations, critical information infrastructure operators, or the CIIOs, that purchase internet products and services or the online platform operators that carry out data processing activities, which affect or may affect national security, shall be subject to the cybersecurity review. Moreover, where an online platform operator who possesses personal information of over one million users intends to apply for foreign listing, it must be subject to the cybersecurity review. Meanwhile, the New Cyber Security Review Measures grants the competent authorities the right to initiate a cybersecurity review without application, if any member organization of the cybersecurity review mechanism has reason to believe that any internet products, services or data processing activities affect or may affect national security. Cybersecurity review shall focus on the assessment of the following national security risk factors of the relevant object or situation: (i) risks of illegal control, interference or destruction of critical information infrastructure brought about by the use of products and services; (ii) the harm caused by supply interruption of products and services to the business continuity of critical information infrastructure; (iii) security, openness, transparency and diversity of sources of products and services, reliability of supply channels, and risks of supply interruption due to political, diplomatic, trade or other factors; (iv) information on compliance with the PRC laws, administrative regulations and departmental rules by product and service providers; (v) risks of theft, disclosure, damage, illegal use or cross-border transfer of core data, important data or large amounts of personal information; (vi) risks of influence, control or malicious use of critical information infrastructure, core data, important data or large amounts of personal information by foreign governments after overseas listing; and (vii) other factors that may endanger critical information infrastructure security and national data security.

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

Table of Contents

On July 30, 2021, the State Council promulgated the Regulations of Security Protection for Critical Information Infrastructure, which became effect on September 1, 2021. The regulations provide that, among others, critical information infrastructure, or the CIIO, means important network facilities and information systems in important industries such as public communications and information services, energy, transportation, water conservancy, finance, public services, e-government, defense technology industry and others that may seriously harm national security, national economy, people's livelihood and public interests once damaged, disabled or its data disclosed. Operators shall, based on leveled system for cybersecurity protection, adopt technical protection measures and other necessary measures to deal with cybersecurity security events, defend against cyberattack and criminal activities, to ensure the safe and stable operation of CIIO, maintain data integrity, confidentiality, and availability pursuant to relevant laws, regulations and the mandatory requirements of national standards. Moreover, the competent supervisory departments of relevant important industries abovementioned shall organize the recognition of the CIIO and promptly notify the operators and Public Security Department of The State Council of the results of the identification.

On July 7, 2022, the CAC published the Measures for the Security Assessment of Data Cross-border Transfer, effective on September 1, 2022. It references the Cybersecurity Law, the Data Security Law, and the PIPL, and supplements the implementation of their provisions on cross-border data transfer. Data handlers that provide cross-border important data that is collected or produced through operations within the territory of the PRC, or personal information where a security assessment shall be conducted according to the law, shall conduct a security assessment according to the provisions of these Measures. Data handlers providing cross-border data shall apply for cross-border data transfer security assessment with the CAC in any of the following circumstances: (i) the data processor provides important data abroad; (ii) the critical information infrastructure operator or the data processor that has processed personal information of over one million people provides personal information abroad; (iii) the data processor that has provided personal information of over 100,000 people or sensitive personal information of over 10,000 people cumulatively abroad since January 1 of the previous year; (iv) any other circumstance where an application for the security assessment of data cross-border transfer is required by the national cyberspace administration.

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

On March 22, 2024, the CAC promulgated the Provisions on Promoting and Regulating Cross-border Data Flows, effective on March 22, 2024. The provisions provide that no data cross-border compliance declaration is required under any of the following circumstances that: (i) it is necessary to provide personal information abroad for the purpose of concluding or performing a contract to which an individual concerned is a party, such as cross-border shopping, cross-border delivery, cross-border remittance, cross-border payment, cross-border account opening, air ticket and hotel reservation, visa handling and examination services; (ii) it is necessary to provide employees' personal information abroad for the purpose of conducting cross-border human resources management in accordance with the employment rules and regulations, collective contracts, which are in compliance with the laws; (iii) it is necessary to provide personal information abroad in an emergency to protect the life, health and property safety of individuals; (iv) a data handler other than a critical information infrastructure operator provides abroad the personal information (excluding sensitive personal information) of no more than 100,000 people accumulatively as of January 1 of the current year.

Table of Contents

On November 14, 2021, the CAC publicly solicited the Draft Regulations on Cyber Data Security Management. The Draft Regulations on Cyber Data Security Management covers a wide range of cyber data security issues and applies to the use of networks to carry out data processing activities, as well as the supervision and management of data security in the PRC. It sets out general guidelines, protection of personal information, security of important data, security management of cross-border data transfer, obligations of internet platform operators, supervision and management, and legal liabilities. Pursuant to such draft regulations, a cybersecurity review will be imposed on a data processor which (i) processes personal information of one million or more users and applies for listing in a foreign country, (ii) applies for listing in Hong Kong and may impact national security, or(iii) engages in activities or transactions that may impact national security. Most of the regulatory details under the Draft Regulations on Cyber Data Security Management have already been embodied in the now-effective texts of the Data Security Law and the PIPL. Key requirements under such regulations include that data processors should be in compliance with the requirements of cybersecurity multi-level protection, strengthen the data processing system, data transmission network, data storage environment and other security protection, processing of important data systems in principle should meet more than the third level of cybersecurity multi-level protection and critical information infrastructure security protection requirements; data processors should establish a data security emergency response mechanism, and promptly start the emergency response mechanism in the event of a data security incident; the detailed rules for data processors to apply when providing personal information to third parties, or sharing, trading or entrusting important data to third parties; the scenarios of cybersecurity review; the definitions of important data and operators' security protection obligations; the detailed rules on cross-border data transfer which added missing details to the PIPL; data processors processing personal information of more than one million people shall also comply with the regulations for processing of important data; data processors dealing with important data or listing offshore should carry out an annual data security assessment on their own or entrusted data security services, and each year before January 31, data security assessment report for the previous year shall be reported to the municipal-level cyberspace administration department. The enforcement includes business fines of up to RMB10 million depending on the severity of the effects of violation and potential business suspension and/or revocation of business license. As of the date of this annual report, the Draft Regulations on Cyber Data Security Management had not come into effect.

Regulations on Privacy Protection

On December 13, 2005, the MPS issued the Regulations on Technological Measures for Internet Security Protection, or the Internet Protection Measures, which took effect on March 1, 2006, requiring internet service providers to utilize standard technical measures for internet security protection.

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

In addition, the Decision on Strengthening Network Information Protection issued by the NPC Standing Committee on December 28, 2012 emphasizes the need to protect electronic information that contains individual identification information and other private data. The decision requires ICPs to establish and publish policies regarding the collection and use of personal electronic information and to take necessary measures to ensure the security of the information and to prevent leakage, damage or loss. Furthermore, MIIT's Order on Protection of Personal Information of Telecommunications and Internet Users, which was issued on July 16, 2013 and took effect on September 1, 2013, contains detailed requirements on the use and collection of personal information as well as the security measures to be taken by ICPs.

On August 22, 2019, CAC promulgated the Provisions on the Cyber Protection of Children's Personal Information, which took effect on October 1, 2019, requiring that before collecting, using, transferring or disclosing the personal information of a child, any Internet service operator should inform that child's guardians in a noticeable and clear manner and obtain their consents. Meanwhile, Internet service operators should take measures like encryption when storing children's personal information.

Table of Contents

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

On July 6, 2021, the relevant PRC regulatory authorities made public the Opinions on Strictly Combatting Illegal Securities Activities in Accordance with the Law, or the July 6 Opinion, which called for the enhanced cross border regulatory cooperation and administration and supervision of overseas-listed China based companies. Along with the promulgation of the July 6 Opinion, laws and regulations regarding data security, cross-border data flow and management of confidential information are expected to undergo further changes, which may require increased information security responsibilities and stronger cross-border information management mechanism and process.

On September 17, 2021, the CAC, together with eight other departments, issued the Guidance Opinions on Strengthening the Comprehensive Governance of Internet Information Service Algorithms, effective on the same day, providing that an algorithm security comprehensive governance pattern shall be gradually established in the coming three years. According to this Guidance Opinions, enterprises should establish algorithmic security responsibility system and scientific and technological ethics review system, improve the algorithm security management organization, strengthen risk prevention and trouble detection, improve the ability and level of responding to algorithmic security emergencies. Enterprises should also strengthen the sense of responsibility and take the main responsibility for the results produced by the application of algorithms.

Regulations Relating to E-Commerce

On August 31, 2018, the NPC Standing Committee promulgated the E-Commerce Law of the PRC, or the E-Commerce Law, which became effective on January 1, 2019. The promulgation of the E-Commerce Law established the basic legal framework for the development of China's e-commerce business and clarified the obligations of the operators of e-commerce platforms and the possible legal consequences if operators of e-commerce platforms are found to be in violation of legal obligations. For example, pursuant to the E-Commerce Law, an operator of an e-commerce platform shall give appropriate reminders to business operators on its platform who have not completed the registration of market entities to complete such registration. Also, an operator of an e-commerce platform is legally obligated to verify and register the information of the business operators on its platform, prepare emergency plans in response to possible cyber security incidents, keep the transaction information for no less than three years from the date on which the transaction has been completed, establish rules on the protection of intellectual property rights and conform to the principle of openness, fairness and justice. Violation of the provisions of the E-Commerce Law may result in being ordered to make corrections within a prescribed period of time, confiscation of illegally obtained gains, fines, suspension of business, inclusion of such violations in the credit records and possible civil liabilities.

Table of Contents

Regulations Relating to Outsourcing Services

In recent years, the PRC regulatory authority has expressed its support for outsourcing services provided by non-regulatory companies.

Regulations on Outsourcing by Banks

The Guidelines for Management of Outsourcing Risks of Banking Financial Institutions, or the Outsourcing Risk Guidelines, issued and effective on June 4, 2010, requires banks engaging in outsourcing to establish outsourcing risk management guidelines and incorporate these guidelines into their overall risk management systems. The Outsourcing Risk Guidelines, which generally regulates outsourcing by banks, defines "outsourcing" as an act whereby a banking financial institution commissions some business activities originally handled by itself to a service provider for sustained operations and such service provider may be an independent third party, a subsidiary, an affiliated company, or a related party established in or outside China by the parent company of the banking financial institution or its affiliates.

Regulations on Outsourcing by Insurers

Various guidelines regulate outsourcing by insurance companies, including Guidelines for Information System Security of Insurance Companies (Trial) issued on November 16, 2011, which set outs the requirements and prudential standards for information technology outsourcing by insurance companies. The insurance company shall not outsource its information system security to any third party.

On December 30, 2021, the Measures for the Regulation of IT Outsourcing Risks of Banking and Insurance Institutions was issued by CBIRC, which became effective on the same date, and put forward comprehensive requirements for IT outsourcing of banking and insurance institutions, including the requirements on IT outsourcing governance, access, monitoring and evaluation, risk management. According to such measures, IT outsourcing refers to the activities that banking and insurance institutions entrust the information technology activities originally handled by themselves to service providers for processing. Information technology activities involving processing important data of insurance institutions and customers' personal information in the cooperation between insurance institutions and other third parties shall be managed in accordance with the relevant requirements of such measures.

Regulations Relating to Loan Facilitation

On December 1, 2017, the Group Head Office of Internet Financial Risk Special Rectification and the Group Head Office of the P2P Network Loan Risks jointly issued the Notice on the Regulation and Rectification of the "Cash Loan" Business, or Circular 141, which regulates "cash loan" businesses conducted by internet micro-finance companies, banking financial institutions and online lending information intermediaries. Circular 141 defines "cash loans" as loans that are unrelated to the circumstances of their 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. Circular 141 sets forth various prohibitions and obligations on banking financial institutions participating in "cash loan" businesses, including that: (i) extension of loans jointly with any third-party institution that has 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 lending business conducted in collaboration 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 without guarantee qualification are also prohibited, and (iii) banking financial institutions must require and ensure that such third-party institutions do not collect any interest or fees from the borrowers. Any violation of Circular 141 may result in criminal liability and various penalties, including suspension or cessation of business operations, sanctions, rectification, rejection of filing, and revocation of license.

In addition, the Notice on Specific Rectification Implementation Plans for Risk of Online Microfinance Businesses of Microfinance Companies, or Circular 56, provides that the online lending business conducted by microfinance companies in collaboration with a third-party institution, may not include any credit enhancement service in disguised form (including the provision of a "drawer agreement" guarantee) or underlying commitments by the third-party institution. Third-party institutions collaborating with microfinance companies are also prohibited from collecting any interest or fees from borrowers. Violation of Circular 56 may result in various penalties.

Table of Contents

On August 1, 2019, the General Office of the State Council issued and promulgated the Guidance on Promoting the Healthy Development of the Platform Economy, which provides that the market-access management and supervision of financial services provided through online platforms in the finance sector are regulated by the laws, regulations and other relevant rules. In addition, entities conducting financial information intermediaries services and transaction-matching services are subject to the market-access management pursuant to relevant laws.

On December 31, 2021, the People's Bank of China, MIIT, CBRC, CSRC, CAC, SAFE and the intellectual property office issued the Measures for Administration of Internet Marketing of Financial Products (Draft for comments), which regulate financial institutions or internet platform operators entrusted by such financial institutions carrying out internet marketing activities of financial products. Pursuant to this draft, financial institutions shall not entrust other entities or individuals to carry out internet marketing of financial products unless otherwise provided or authorized by laws and regulations. The draft also prohibit third-party online platform operators from involving in the sale of financial products, including interactive consultation with consumers on financial products, suitability assessment of financial consumers, execution of sale contracts and transfer of funds. In addition, online platform operators are not allowed to participate in the income sharing of financial business in a disguised way by setting various charging mechanisms linked to the loan scale and interest scale.

Regulations Relating to Private Investment Funds

The Securities Investment Fund Law of PRC, issued by the NPC Standing Committee on October 28, 2003 and amended on April 24, 2015, governs the administration and supervision of securities investment funds, which includes private investment funds. In addition, private investment funds are regulated by rules and regulations enacted by the China Securities Regulation Commission, or CSRC, and the Asset Management Association of China, or AMAC.

The CSRC issued the Interim Measures for the Supervision and Administration of Private Investment Funds, or the Interim Measures, which took effect on the same date. Under the Interim Measures of Private Investment Funds, "private funds" are investment funds established by raising capitals from qualified investors (as defined in the Interim Measures) in a non-public manner within the territory of the PRC. The Interim Measures contains provisions relating to fund manager registration, private fund record keeping and filing requirements, qualified investor systems, regulations on fund raising by private funds, industry self-regulation and the supervision and administration measures of private funds.

Under the Interim Measures, the establishment of management institutions of private funds and the formation of private funds are not subject to administrative examination and approvals. However, fund managers are subject to a maximum number of qualified investor limits, required to register with the AMAC and must comply with its record keeping and filing requirements, in particular the Measures for the Registration and Filing of Private Investment Fund issued by AMAC on February 24, 2023 that took effect on May 1, 2023.

According to the Administration Measures for the Funding Raising of Private Investment Funds, or the Fund Raising Measures, issued on April 15, 2016 and effective from July 15, 2016, only two kinds of institutions are qualified to conduct fund raising for private investment funds: (a) private fund managers registered with the AMAC (only applicable when raising funds for the funds established and managed by themselves); and (b) fund distributors with a fund distribution license who are AMAC members in case of authorization of such private fund managers. In addition, the Fund Raising Measures set forth detailed procedures for conducting fund raising business, and also require fund management service providers to comply with certain anti-money laundering requirements. On December 23, 2019, AMAC issued the Notice regarding the Filing Procedure for Private Investment Funds, which clarifies the procedural requirements upon the completion of fund raising by private investment funds, and specifies the scope of material issues to be filed with AMAC.

The Head Office of the Group for the Special Remediation of Internet Financial Risks issued the Notice on Strengthening the Renovation of Asset Management Business through the Internet and Launching Acceptance Work, or Circular 29, on March 28, 2018. Circular 29 states 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 sale of asset management products through the internet would be deemed to be a financing business and the relevant asset management licenses or permits are required to conduct such business. Any entities, including internet asset management platforms, are not allowed to publicly raise funds through "directed commission plans," "directed financing plans," "wealth management plans," "asset management plans," "transfers of right to earnings" or similar products, or to act as an agent for any type of trading exchanges to sell asset management products without permission. Circular 29 also provides a grace period from April 2018 to the end of June 2018 for the relevant entities to make necessary rectifications. In the

event of non-compliance, the competent PRC authority may impose administrative penalties, which include, deregistration of telecommunication business license, websites bans, removal of mobile APP and/or revocation of industrial and commercial business license.

Table of Contents

Regulations On The Insurance Industry

The legal framework for monitoring and administering insuring activities within the territory of the PRC is underpinned by laws and regulations including the Insurance Law of the PRC promulgated by the SCNPC on June 30, 1995, effective on October 1, 1995 and last amended on April 24, 2015, and administrative regulations, departmental provisions and other regulatory documents stipulated in accordance with the Insurance Law.

On October 28, 2021, the CBIRC promulgated Implementing Measures for Administrative Licensing and Record-filing of Insurance Intermediaries, or the Implementing Measures, which took effect in February 1, 2022. The Implementing Measures regulates insurance agencies, insurance brokers and insurance adjustment institutions via providing requirements on qualification criteria, shareholders, registration and filing formalities, and so on and so forth.

Regulations Relating to Insurance Adjustment

The Assets Appraisal Law of the PRC, or the Asset Appraisal Law, issued by the NPC Standing Committee on July 2, 2016 and effective on December 1, 2016, regulates the asset assessment business and defines "asset appraisal activity" as the professional service activity of appraisal organizations and their appraisal professionals to assess, estimate, and issue assessment reports on real estate, movable property, intangible assets, corporate value, asset loss or other economic interests.

On November 28, 2016, the China Insurance Regulatory Commission, or CIRC, which is the predecessor of the CBIRC, issued the CIRC Notice on the Filing of Insurance Adjustment Institutions, which provides that the license system for insurance adjustment businesses will no longer be implemented effective December 1, 2016, and insurance adjusters engaging in this business will instead file with the CIRC according to law. This filing requirement was clarified in the CIRC Notice on the Filing and Supervision of the Insurance Adjustment Business, or Notice No. 165, issued by the CIRC on June 30, 2017, which provides: (i) that institutions engaging in the insurance adjustment business must meet the requirements of the Asset Appraisal Law and complete filing formalities with the insurance regulatory department, (ii) imposes certain working capital, risk management and custodial requirements on insurance adjusters, (iii) insurance adjusters are required to have a certain number of qualified professional insurance assessors and (iv) existing insurance adjusters must complete certain filing requirements during the transition period.

On February 1, 2018, the CIRC issued the Regulatory Provisions on Insurance Adjusters, which took effect on May 1, 2018. It provides more detailed requirements relating to the operations of an insurance adjustment business and insurance adjusters, including (i) filings procedures, (ii) minimum number of qualified insurance adjuster shareholders and insurance adjuster shareholdings, (iii) insurance adjuster registration professional risk fund requirements and (iv) fines and penalties, including suspension, imposable by the CIRC for violations. The CBIRC issued the Notice on Allowing Overseas Investors to Operate Insurance Adjuster Business in China on June 19, 2018, which permits insurance adjuster organizations established in China by overseas insurance adjusters that have three or more years of operational experience to operate insurance adjuster businesses upon compliance with the Regulatory Provisions on Insurance Adjusters.

Regulations on Insurance Brokerages

The Provisions on the Supervision and Administration of Insurance Brokers, or the POSAIB, issued by the CIRC on February 1, 2018 and effective on May 1, 2018, establish that an insurance broker is subject to the approval of the CIRC. The term "insurance brokers" refers to an entity engaging in the insurance brokering business that meets the qualification requirements specified by the CIRC and has obtained the license to operate an insurance brokering business with the approval of the CIRC. Insurance brokering business includes both direct insurance brokering, which refers to brokering activities on behalf of insurance applicants or the insured in their dealings with the insurance companies, and reinsurance brokering, which refers to brokering activities on behalf of insurance companies in their dealings with reinsurance companies. An insurance broker may be either a limited liability company or a joint stock limited company. According to the POSAIB, the minimum registered capital of an insurance brokerage firm whose business area is not limited to the province, autonomous region, municipality directly under the Central Government or city under separate state planning where industrial and commercial registration formalities are undergone shall be RMB50 million; the minimum registered capital of an insurance brokerage firm whose business area is the province, autonomous region, municipality directly under the Central Government or city under separate state planning where industrial and commercial registration formalities are undergone shall be RMB10 million. Insurance brokerage companies legally formed before the

POSAIB come into force shall remain in existence, and the specific measures for application to those failing to meet all of the conditions in the POSAIB shall be separately developed by the CIRC.

Table of Contents

An insurance brokerage firm may conduct the following insurance brokering businesses: (i) making insurance proposals, selecting insurance companies and handling the insurance application procedures for the insurance applicants; (ii) assisting the insured or the beneficiary to claim compensation; (iii) reinsurance brokering business; (iv) providing consulting services to clients with respect to disaster and damage prevention, risk assessment and risk management; and (v) other business activities approved by the CIRC.

Pursuant to the Insurance Law and the POSAIB, to operate insurance brokerage business within the territory of the PRC, an insurance broker shall satisfy the requirements stipulated by the CIRC and obtain a license to operate insurance brokerage business. The minimum paid-in registered capital of an insurance broker that conducts business within the province it is registered is RMB10 million, while the minimum paid-in registered capital of a cross-province insurance broker is RMB50 million. The registered capital of an insurance broker must be fully paid in cash by shareholders using their self-owned, true and lawful funds instead of bank loans or other funds not owned by shareholders. In addition, an insurance broker shall set up a designated account book to record the income and expenditure of the insurance brokerage business. An insurance broker shall open an independent designated account for client funds. The following funds shall only be deposited in the designated account for client funds: (i) insurance premiums paid by policyholders to insurance companies; and (ii) surrender value and pay-outs collected on behalf of policyholders, insured and beneficiaries. An insurance broker shall also open an independent account for commissions it collects.

Regulations on insurance Agents

The Provisions on the Regulation of Insurance Agents promulgated by the CBIRC on November 12, 2020 and came into effect on January 1, 2021, a concurrent-business insurance agency branch may carry out insurance agency business after obtaining the corresponding authorization from the corporation and shall promptly report the relevant situation via the regulatory information system. Where a concurrent-business insurance agency corporation authorizes a branch of a province, autonomous region, municipality directly under the central government or city specifically designated in the state plan other than that where its place of registration is located to engage in insurance agency business, it shall designate a branch to be responsible for all matters concerning insurance agency business management in the region.

Regulation relating to Internet Insurance Business

On July 22, 2015, the CIRC issued the Interim Measures for the Regulation of Internet Insurance Business, or Internet Insurance Interim Measures, pursuant to which no institutions or individuals other than insurance institutions (namely, insurance companies, insurance agency companies, insurance brokerage companies and other qualified insurance intermediaries) may engage in the internet insurance business. Under the Internet Insurance Interim Measures, insurance institutions are allowed to conduct internet insurance business through both self-operated online platforms and third-party online platforms. Self-operated online platforms refer to online platforms duly set up by insurance institutions. Third-party online platforms refer to online platforms providing network supporting services for internet insurance business activities of insurance consumers and insurance institutions. Both self-operated online platforms and third-party online platforms are required to meet certain conditions and are subject to certain requirements. The Measures for the Regulation of Internet Insurance Business, or Regulatory Measures, were promulgated by CBIRC on December 7, 2020, came into effect on February 1, 2021 and repealed the Internet Insurance Interim Measure simultaneously. According to the Regulatory Measures, “Internet insurance business” refers to insurance operating activities such as conclusion of insurance contracts and provision of insurance services that are conducted by insurance institutions relying on the Internet; Internet insurance business shall be carried out by legally established insurance institutions rather than other institutions or individuals. An insurance institution shall sell internet insurance products or provide insurance brokerage and insurance loss adjustment services via its self-operated network platform or the self-operated network platform of any other insurance institution, and the insurance application page shall belong to its self-operated network platform, except where any government department requires policyholders to complete the entry of insurance application information on the network platform prescribed by the government in the public interest. “Self-operated network platform” refers to any network platform being independently operated while enjoying complete data permission, which is legally established by an insurance institution for the purpose of internet insurance business operation; No network platform established by any branch of an insurance institution or any non-insurance institution with a related-party relationship with an insurance institution in terms of equity, personnel, etc., belongs to the category of self-operated network platform. An insurance institution shall continue to raise the level of risk prevention and control of internet insurance business, improve the risk

monitoring, early warning and early intervention mechanism, ensure the independence of the operation of its self-operated network platform.

Table of Contents

Regulations Relating to Electronic Certification Service

The Administrative Measures of the Electronic Certification Service, which were promulgated by the MIIT on February 8, 2005, amended on February 28, 2009, and last amended on April 29, 2015, provide that all entities providing electronic certification service shall obtain the Electronic Certification Service License from the MIIT. Pursuant to the Administrative Measures of the Electronic Certification Service, electronic certification service providers shall establish a security management system, an internal-auditing system and a security system. In addition, electronic certification service providers shall formulate business rules for electronic certification and corresponding certification policies, and issue such rules and policies to the public and file with the MIIT. If any electronic certification service provider fails to take such steps, the MIIT has the power to require corrective actions, make warning notice, and impose fines accordingly.

The Administrative Measures of the E-government Electronic Certification Service (Trial Implementation), or the Administrative Measures, which were promulgated on October 20, 2009 by the SCA and effected on November 1, 2009, stimulate that all of the electronic certification service providers for the E-government shall establish an operation management system for e-government electronic certification infrastructure, a security access policy, a software controlling process, an internal auditing mechanism and a disaster recovery and emergency response mechanism. Pursuant to the Administrative Measures, electronic certification service providers are also required to conduct annual safety assessment and rectify identified issues.

The Administrative Measures for the Electronic Certification Service Cryptography, which were promulgated on October 28, 2009 by the SCA and last amended on December 1, 2017, provide that all electronic certification service providers shall obtain an Electronic Certification Service License for Cryptography Usage. Pursuant to the Administrative Measures for the Electronic Certification Service Cryptography, the SCA and its provincial cryptography management departments shall supervise and inspect the operation of electronic certification service providers. If any electronic certification service provider fails to meet the licensing requirements, the SCA has the power to order it to rectify and comply with the requirements within a certain period of time or even revoke its Service License as the SCA deems necessary.

The Circular of the Guangdong Provincial People's Government on Printing and Distributing the Mutual Recognition Measures of Electronic Signature Certificates in Guangdong and Hong Kong, which was promulgated by the General Office of the People's Government of Guangdong Province on July 20, 2012 and became effective on the same date, provides that electronic certification service agencies conduct the mutual recognition of electronic signature certification shall pass annual assessments by the relevant authorities. If any electronic certification service agency violates the relevant rules, and refuses to rectify, the operation of such agency shall be suspended by the Guangdong Provincial Economic and Information Technology Commission or the Office of the Information and Technology Supervisor of Hong Kong.

The Circular on the Transition of Relevant Administration Policies after Removal of Four Administrative Licensing Items Including the Examination and Approval for Commercial Encryption Product Manufacturers, or the Circular, which was promulgated by the SCA on October 11, 2017 and became effective on the same date, provides that the SCA and its provincial cryptography management departments no longer accept applications for the approval of four kinds of administrative licenses, which include the Certificate for the Production of Commercial Cryptographic Products, the Certificate for the Sales of Commercial Cryptographic Products, the Certificate of the Use of Cryptographic Products Produced Abroad, the Permit for the Use of Cryptographic Products by Overseas Organizations or Individuals. However, pursuant to the Circular, any entity that has obtained the Model Certificate of Commercial Encryption Products shall continuously make annul filings to the relevant local departments of the SCA regarding its sales record of commercial encryption products in the preceding year.

The PRC Electronic Signature Law was promulgated on August 28, 2004 and last amended on April 23, 2019 by the NPC Standing Committee. According to the PRC Electronic Signature Law, electronic certification service providers are required to obtain the Electronic Certification License, formulate the electronic certification service rules, and file such rules with the competent authority.

The PRC Cryptography Law was issued by the NPC Standing Committee on October 26, 2019 and became effective on January 1, 2020. The PRC Cryptography Law provides the classification principle of core cryptography, ordinary cryptography and commercial cryptography, and specifies that commercial cryptography service providers are

required to comply with the relevant laws, administrative regulations, mandatory national standards on commercial cryptography and the technical requirements of their disclosed standards.

Table of Contents

Regulations Relating to Taxation

Regulations on Enterprise Income Tax

On March 16, 2007, the NPC Standing Committee issued the Enterprise Income Tax Law of the PRC, which took effect on January 1, 2008, or the Old EIT Law. On December 6, 2007, the State Council enacted the Implementation Rules for the Enterprise Income Tax Law of the PRC, or the EIT Rules, which also took effect on January 1, 2008 and was amended on April 23, 2019. The Old EIT Law was amended on February 24, 2017 and December 29, 2018. The Old EIT Law, as amended, and the EIT Rules are collectively referred to as the EIT Law. According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with relevant regulations, or that are established in accordance with the laws of foreign countries but whose actual or *de facto* control entity is within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but (i) have entities or premises in China, or (ii) have no entities or premises but have income generated from China. According to the EIT Law, foreign-invested enterprises in the PRC are subject to a uniform enterprise income tax rate of 25%. A non-resident enterprise that has an establishment or premises within the PRC must pay enterprise income tax at a rate of 25% on its income that is derived from such establishment or premises inside the PRC and that is sourced outside the PRC but is actually connected with the said establishment or premises. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

Enterprises that are recognized as high and new technology enterprises in accordance with the Notice of the Ministry of Science, the Ministry of Finance and the State Administration of Taxation on Amending and Issuing the Administrative Measures for the Determination of High and New Tech Enterprises are entitled to enjoy a preferential enterprise income tax rate of 15%. Pursuant to the Administrative Measures for the Recognition of High and New Technology Enterprises, the validity period of the high and new technology enterprise qualification shall be three years from the date of issuance of the certificate of high and new technology enterprise. An enterprise can re-apply for such recognition as a high and new technology enterprise before or after the previous certificate expires.

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

On October 17, 2017, the SAT issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, or the SAT Circular 37, which took effect on December 1, 2017 and was amended on June 15, 2018. According to SAT Circular 37, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount for equity transfer income.

Under the SAT Circular 7 and the Law on the Administration of Tax Collection issued by the NPC Standing Committee on September 4, 1992 and last amended on April 24, 2015, in the case of an indirect transfer, entities or individuals that are obligated to pay the transfer price to the transferor shall act as withholding agents. If they fail to make withholding or withhold the full amount of tax payable, the transferor of equity must declare and pay tax to the tax authorities in charge within seven days from the occurrence of the tax payment obligation. Where the withholding agent does not make withholding, and the transferor of equity does not pay the payable amount, the tax authority may impose late payment interest on the transferor. In addition, the tax authority may also hold the withholding agents liable and impose a penalty of ranging from 50% to 300% of the unpaid tax on them. The penalty imposed on the withholding

agents may be reduced or waived if the withholding agents have submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with Circular 7.

Table of Contents

Regulations on Dividend Tax

Pursuant to the SAT Circular on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements, which took effect on February 20, 2009, all of the following requirements must be satisfied to enjoy the preferential tax rates provided under the tax agreements: (1) the tax resident that receives dividends should be a company as provided in the tax agreement; (2) the equity interest and voting shares of the PRC resident company directly owned by the tax resident satisfy the percentages specified in the tax agreement; and (3) the equity interest of the PRC resident company directly owned by such tax resident at any time during the 12 months prior to receiving the dividends satisfy the percentage specified in the tax agreement.

The EIT Law provides that an income tax rate of 10% will normally be applicable to dividends payable to investors that are "non-resident enterprises," and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and other applicable jurisdictions. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, or the Double Tax Avoidance Arrangement, issued by the SAT on August 21, 2006 that took effect on December 8, 2006, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement, its protocols and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from the in-charge tax authority. However, based on the SAT Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, issued and effective on February 20, 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Based on the SAT Announcement of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties, issued on February 3, 2018 and effective from April 1, 2018, to determine the "beneficial owner" status of a resident of the treaty counterparty seeking to enjoy tax treaty benefits, a comprehensive analysis must be carried out in accordance with the factors set out in the announcement.

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

Regulations on Value-added Tax

All entities and individuals engaged in the sale of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax, or the VAT, in accordance with the Provisional Regulations on Value-added Tax of the PRC, or the Provisional Regulations on VAT, and its implementation rules, or collectively, the VAT Law. The Provisional Regulations on VAT, which was issued by the State Council on December 13, 1993 and took effect on January 1, 1994, was amended by the Notice of Adjustment of VAT Rates issued on April 4, 2018 and by the Notice of Strengthening Reform of VAT Policies issued on March 5, 2019. Pursuant to the VAT Law, VAT payable is calculated as "output VAT" minus "input VAT". The rate of VAT varies among 13%, 9% and 6% depending on the product type.

In accordance with the Circular of the Ministry of Finance and SAT on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax, issued on March 23, 2016 and effective from May 1, 2016, upon approval of the State Council of the PRC, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner as at May 1, 2016.

Table of Contents

Regulations Relating to Intellectual Property

Regulations on Trademark Law

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

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

Any of the following acts will be an infringement upon the right to exclusive use of a registered trademark: (1) using a trademark that is identical to a registered trademark on the same kind of commodities without a license from the registrant of the registered trademark; (2) using a trademark that is similar to a registered trademark on the same kind of commodities, or using a trademark that is identical or similar to the registered trademark on similar goods without a license from the registrant of the registered trademark, if the use is likely to cause confusion; (3) selling commodities that infringe upon the right to exclusive use of a registered trademark; (4) counterfeit or unauthorized production of the label of another's registered trademark, or sale of any such label that is counterfeited or produced without authorization; (5) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of the registered trademark; (6) providing, intentionally, facilitation for activities infringing upon others' exclusive right of trademark use, and facilitating others to commit infringement on the exclusive right of trademark use; or (7) causing other damage to the right to exclusive use of a holder of a registered trademark. In the event of infringement of the registered trademark above that leads to disputes, the parties concerned may settle such disputes through negotiations; if no negotiation is prospective or fails, the trademark registrant or any interested party may file a lawsuit before the People's Court or request the administrative department for industry and commerce for handling.

Regulations on Patent Law

Patents in the PRC are mainly protected under the Patent Law of the PRC, or the Patent Law, which was issued by the NPC Standing Committee on March 12, 1984 and last amended on October 17, 2020, and such amendment became effective on June 1, 2021, and its implementation rules, which were promulgated by the State Council of the PRC on December 21, 1992 and last amended on December 11, 2023. The Patent Law and its implementation rules provide for three types of patents: "invention," "utility model" and "design." "Invention" refers to any new technical solution relating to a product, a process or improvement thereof; "utility model" refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and "design" refers to any new design of the shape, pattern, color or the combination of any two of them, of a product, that creates an aesthetic feeling and is suitable for industrial application. Invention patents are valid for 20 years, while design patents and utility model patents are valid for 10 years, each calculated from the date of application. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

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

Table of Contents

Regulations on Domain names

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

Regulations on Copyright and Software Products

Under the Copyright Law of the PRC issued by the NPC Standing Committee on September 7, 1990, which was last amended on November 11, 2020 and such amendment became effective on June 1, 2021, works of Chinese citizens, legal persons or other organizations, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Similarly, under the Computer Software Protection Regulations issued by the State Council on June 4, 1991, last amended on January 30, 2013 and effective on March 1, 2013, Chinese citizens, legal persons and other organizations shall enjoy copyright on the software they develop, regardless of whether the software has been released publicly. Software copyright commences from the date on which the development of the software is completed. A software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council of the PRC. A registration certificate issued by the software registration institution is a preliminary proof of the registered items. The protection period for software copyright of a legal person or other organizations shall be fifty years, concluding on December 31 of the fiftieth year after the software's initial release. In order to further implement the Computer Software Protection Regulations, the National Copyright Administration issued the Measures for the Registrations of Computer Software Copyright effective on February 20, 2002, which provides procedures for software copyright registration, license contract registration and transfer contract registration. The Copyright Protection Center of the PRC is mandated as the software registration institution under the regulations.

Regulations Relating to Labor

Regulations on Labor Contract

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

The Labor Law was issued by the NPC Standing Committee on July 5, 1994, took effect on January 1, 1995, and was last amended on December 29, 2018. Under this law, employers should enter into employment contracts with their employees based on the principles of equality, consent and agreement through consultation. Wages will be paid based on the policy of performance, equal pay for equal work, lowest wage protection and special labor protection for female worker and juvenile workers. The Labor Law also requires employers to establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Employers are also required to pay their employees' social insurance premiums.

The Labor Contract Law was issued by the NPC Standing Committee on June 29, 2007, amended on December 28, 2012 and took effect on July 1, 2013. Under this law and its implementing regulations, enterprises established in the PRC must enter into employment agreements with their employees to provide for the term of employment, job duties, work time, holidays and statutory payments, labor protection, working condition and occupational hazard prevention and protection and other essential contents. Both employers and employees will duly perform their duties. The Labor Contract Law also provides for the scenario of rescission and termination. Except for certain situations explicitly stipulated in the

Labor Contract Law that are not subject to economic compensation, economic compensation shall be paid to the employee by the employer for the rescission or termination of the employment agreement.

Table of Contents

Regulations on Social Insurance and Housing Provident Funds

Pursuant to the Social Insurance Law of the PRC, which was promulgated by the NPC Standing Committee on October 28, 2010, effective on July 1, 2011 and last amended on December 29, 2018, the PRC established social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. Employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. Employers must apply for completion of social security registration with the local social security agency within 30 days from the date of incorporation with their business license, registration certificate or corporation seal. Employers that fail to complete social security registration will be ordered by the social security administrative authorities to make correction within a stipulated period; where correction is not made within the stipulated period, the employers will be subject to fines ranging from one to three times the amount of the payable social security premiums, and the person(s)-in-charge who is/are directly accountable and other directly accountable personnel will be subject to fines ranging from RMB500 to RMB3,000. If an employer does not pay the full amount of social insurance premiums as scheduled, the social insurance premium collection institution will order it to make the payment or make up the difference within the stipulated period and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department will impose a fine from one to three times the amount of overdue payment.

According to the Several Provisions on Implementing the Social Insurance Law of the PRC, or the Provisions, issued by the Ministry of Human Resources and Social Security of the PRC on June 29, 2011 and effective on July 1, 2011, insurance premiums that should be paid by employees will be withheld and paid by the employers. Where an employer fails to withhold and pay the premiums in accordance with the Provisions, the social insurance premium collection institution will order the employer to remit within the prescribed time and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date of default as late payment penalty. Employers may not require employees to pay late payment penalties.

Pursuant to the Regulations on the Administration of Housing Provident Funds, issued by the State Council on April 3, 1999 and last amended on March 24, 2019, employers must complete housing provident funds registration with local housing fund administration centers and open housing fund accounts for their employees in the bank. Employers must, within 30 days from their date of establishment, go through housing provident funds registration with local housing fund administration centers and complete housing provident fund account establishment procedures for employees with the examination and approval documents of the housing provident fund management center within 20 days from completion of registration. The contribution rate of housing provident funds of an employee and employer may not be less than 5% of the monthly average salary in the previous year, and cities with good conditions may properly raise the contribution rate. Employers are required to pay and deposit housing funds on behalf of their employees in full and in a timely manner, and any employer that fails to open such bank account or contribute housing funds may be fined and ordered to make payment within a prescribed time limit. If the employer still fails to do so, the housing fund administration center may apply to the court for enforcement of the unpaid amount.

Pursuant to the Notice of the General Office of the State Council on Promulgation of the Pilot Program for Implementing Consolidation of Maternity Insurance and Basic Medical Insurance for Employees and Opinions of the General Office of the State Council on Comprehensively Promoting the Implementation of the Combination of Maternity Insurance and Basic Medical Insurance for Employees issued on January 19, 2017 and March 6, 2019, maternity insurance and basic medical insurance for employees will be consolidated. On July 20, 2018, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council of the PRC issued the Reform Plan of the State Tax and Local Tax Collection Administration System, or the Reform Plan. Under the Reform Plan, beginning January 1, 2019, tax authorities are responsible for the collection of social insurance contributions in the PRC.

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

Table of Contents

Regulations Relating to Foreign Exchange

Regulation on Foreign Currency Exchange

The principal law governing foreign currency exchange in the PRC is the Foreign Exchange Administration Regulations of the PRC. The Foreign Exchange Administration Regulations was enacted by the State Council on January 29, 1996 and implemented on April 1, 1996. On January 14, 1997 and August 5, 2008, the State Council amended the Foreign Exchange Administration Regulations. According to the Foreign Exchange Administration Regulations currently in effect, Renminbi is freely convertible into other currencies for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. But it is not freely convertible for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless prior approval is obtained from the State Administration of Foreign Exchange, or SAFE, or its local counterpart, and prior registration with SAFE is made.

Pursuant to the Regulation of Settlement, Sale and Payment of Foreign Exchange, promulgated on June 20, 1996 by the People's Bank of China, or the PBOC, and effective on July 1, 1996, foreign-invested enterprises may only buy, sell or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial supporting documents and, in the case of capital account item transactions, obtaining approvals from SAFE or its local counterpart. Foreign-invested enterprises are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. However, foreign exchange transactions involving overseas direct investment or investment and exchange in securities and derivative products abroad are subject to registration with SAFE and approval from or filing with the relevant PRC regulatory authorities.

The Notice on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign Invested Enterprises, or SAFE Circular 19, was issued by SAFE on March 30, 2015 and took effect on June 1, 2015, and was most recently amended on March 23, 2023, further expanding the extent of convertibility under direct investment. SAFE Circular 19 stipulates that the use of capital funds and exchange settlement funds by foreign-invested enterprises will be subject to foreign exchange management regulations and the implementation of negative list management.

On June 9, 2016, SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts, or SAFE Circular 16, which was amended on December 4, 2023. SAFE Circular 16 unifies the Discretional Foreign Exchange Settlement for all the domestic institutions. The Discretional Foreign Exchange Settlement refers to foreign exchange capital in the capital account that has been confirmed by the relevant policies subject to the Discretional Foreign Exchange Settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) and which can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%. Violations of SAFE Circular 19, or SAFE Circular 16, could result in administrative penalties under the Regulations of the People's Republic of China on Foreign Exchange Control and relevant provisions.

Furthermore, SAFE Circular 16 stipulates that the use of foreign exchange income of capital accounts of foreign-invested enterprises must follow the principles of authenticity and self-use within the business scope of enterprises. Foreign exchange income of capital accounts and capital in Renminbi obtained by foreign-invested enterprises from foreign exchange settlement may not be directly or indirectly used for the following purposes: (i) payment outside of the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) investment in securities or financial schemes other than wealth management products and structured deposits with risk rating results of not higher than Grade II unless otherwise provided by relevant laws and regulations; (iii) granting loans to non-connected enterprises, unless otherwise permitted by its business scope; and (iv) purchase of real estate that is not for self-use (except for enterprises engaged in real estate development and management or real estate leasing).

On January 26, 2017, SAFE promulgated the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control, 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 must check board resolutions regarding profit distribution, the original versions of tax filing records and audited financial statements; and (ii) domestic entities must hold income to account against previous years' losses before remitting profits. Moreover, pursuant to Circular 3, domestic entities must make detailed explanations of the

sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Table of Contents

On October 23, 2019, the SAFE issued the SAFE Circular 28. The SAFE Circular 28 cancels the restrictions on the domestic equity investment with capital of non-investment foreign-invested enterprises, including the capital obtained from foreign exchange settlement. Such investments should be real and should be in compliance with the relevant laws, regulations and rules, including the provisions of the 2021 Negative List. In addition, the SAFE Circular 28 stipulates that qualified enterprises in certain pilot areas may use their capital income from capital, foreign debt and overseas listing, for the purpose of domestic payments without providing authenticity certifications to the relevant banks in advance for those domestic payments.

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

Regulations on Dividend Distribution

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

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

On July 4, 2014, SAFE promulgated the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles, or Circular 37, for the purpose of simplifying the approval process and for the promotion of the cross-border investment. Circular 37 supersedes the Notice on Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Back in China by Domestic Residents, and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under Circular 37, (1) PRC residents (including PRC entities and PRC individuals) must register with the local SAFE branch before he or she contributes assets or equity interest in an overseas special purpose vehicle, or an Overseas SPV, that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (2) following the initial registration, PRC residents must update their SAFE registration when the offshore special purpose vehicle undergoes material events relating to any change of basic information, including change of such PRC citizens or residents' name, operation term, increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions.

Pursuant to the SAFE Circular on Further Simplification and Improvement of Foreign Exchange Administration on Direct Investment, which was promulgated by SAFE on February 13, 2015, effective on June 1, 2015 and amended on December 30, 2019, the registrations described in the preceding paragraph must be directly reviewed and handled by qualified banks, and SAFE and its branches will perform indirect regulation over the foreign exchange registration through qualified banks.

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

Table of Contents

Regulations on Stock Incentive Plans

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

Regulations on Loans Between a Foreign Company and its Chinese Subsidiaries

A loan made by foreign investors as shareholders in a foreign-invested enterprise is considered to be foreign debt in the PRC and is regulated by various laws and regulations, including the Regulation of the PRC on Foreign Exchange Administration, the Interim Provisions on the Management of Foreign Debts promulgated by SAFE, the NDRC and the Ministry of Finance, and became effective on March 1, 2003, the Administrative Measures for Registration of Foreign Debts promulgated by SAFE on April 28, 2013 and amended on May 4, 2015 and the Notice of the People's Bank of China on Matters Concerning the Prudent Macro Management of All Cross-Border Financing promulgated on January 11, 2017. Under these rules, a shareholder loan in the form of foreign debt made to a Chinese entity does not require the prior approval of SAFE. However, such foreign debt must be registered with and recorded by SAFE or its local branches. SAFE Circular 28 provides that a non-financial enterprise in the pilot areas may register the permitted amounts of foreign debts, which is as twice of the nonfinancial enterprise's net assets, at the local foreign exchange bureau. Such non-financial enterprise may borrow foreign debts within the permitted amounts and directly handle the relevant procedures in banks without registration of each foreign debt. However, the non-financial enterprise should report its international income and expenditure regularly.

Regulation on Outbound Direct Investment

On December 26, 2017, the NDRC promulgated the Administrative Measures on Overseas Investments by Enterprises, or NDRC Order No.11, which took effect on March 1, 2018. According to NDRC Order No.11, non-sensitive overseas investment projects are required to make record filings with the local branch of the NDRC. On September 6, 2014, MOFCOM promulgated the Administrative Measures on Overseas Investments, which took effect on October 6, 2014. According to this regulation, overseas investments of PRC enterprises that involve non-sensitive countries and regions and non-sensitive industries must make record filings with a local branch of MOFCOM. The Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment was issued by SAFE on November 19, 2012 and amended on May 4, 2015 and December 30, 2019, under which PRC enterprises must register for overseas direct investment with local banks. The shareholders or beneficial owners who are PRC entities are required to be in compliance with the related overseas investment regulations. If they fail to complete the filings or registrations required by overseas direct investment regulations, the relevant authority may order them to suspend or cease the implementation of such investment and make corrections within a specified time.

Table of Contents

Regulations On Anti-monopoly And Unfair Competition

The Anti-Monopoly Law promulgated by the SCNPC on August 30, 2007, took effect on August 1, 2008, was most recently amended on June 24, 2022 and such amendment took effect on August 1, 2022. The amended Anti-monopoly Law increases the fines for illegal concentration of business operators to "no more than ten percent of its preceding year's sales revenue if the concentration of business operator has or may have an effect of excluding or limiting competition; or a fine of up to RMB5 million if the concentration of business operator does not have an effect of excluding or limiting competition." The amended Anti-monopoly Law also proposes for the relevant authority to investigate any concentration where there is evidence that such concentration has or may have the effect of eliminating or restricting competition, even if such concentration does not reach the filing threshold. In addition, the amended Anti-monopoly Law introduces a "stop-clock mechanism" which may prolong the review process for the concentration.

On February 7, 2021, the Anti-monopoly Commission of the State Council issued the Anti-Monopoly Guidelines for the Internet Platform Economy Sector that specifies some of activities of internet platforms may be identified as monopolistic and concentrations of undertakings involving variable interest entities are subject to anti-monopoly scrutiny as well.

According to the Law of the People's Republic of China against Unfair Competition, or the Anti-Unfair Competition Law promulgated by the SCNPC on September 2, 1993 and amended on November 4, 2017 and April 23, 2019, operators shall not undermine their competitors by engaging in improper activities, including but not limited to, taking advantage of powers or influence to affect a transaction, market confusion, commercial bribery, misleading false publicity, infringement of trade secrets, illegitimate premium sale and commercial libel. Any operators who violate the Anti-Unfair Competition Law by engaging in the foregoing unfair competitive activities shall be ordered to cease such illegal activities, eliminate the influence of such activities or compensate for the damages caused to any party. The competent supervision and inspection authorities may also confiscate the illegal gains or impose fines on such operators.

Regulations on M&A Rules

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

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

Table of Contents

On February 17, 2023, the CSRC released a set of regulations consisting of 6 documents, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines, collectively, the Overseas Listing Filing Rules, effective March 31, 2023. The Overseas Listing Filing Rules establish a new filing-based regime to regulate overseas offerings and listings by domestic companies. According to the Overseas Listing Filing Rules, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Overseas Listing Filing Rules, among others, require the issuer or its main operational entity in the PRC to: (i) file with the CSRC for its initial public offering or listing within three business days after the submission of listing application documents outside mainland China; (ii) file with the CSRC for its follow-on securities offerings in the same offshore market within three business days after the completion of such offerings; (iii) file with the CSRC for its offerings or listing in offshore stock market other than the stock market of its initial public offering or listing within three business days after the submission of offering application outside mainland China; (iv) report material events to the CSRC within three business days after the occurrence and announcement of such events, including, among other things, the change of control, investigation or penalties imposed by relevant authorities, the change of listing status or the transfer of listing board. Failure to comply with the filing or reporting requirements for any offering, listing or any other capital raising activities, may result in administrative penalties, such as order to rectify, warnings, fines and other penalties on the companies, the controlling shareholder, the actual controllers, the person directly in charge and other directly liable persons.

C. Organizational Structure

The following diagram illustrates our corporate structure, including our principal subsidiaries, our variable interest entities, or VIEs, and the VIEs' principal subsidiaries as of the date of this annual report:

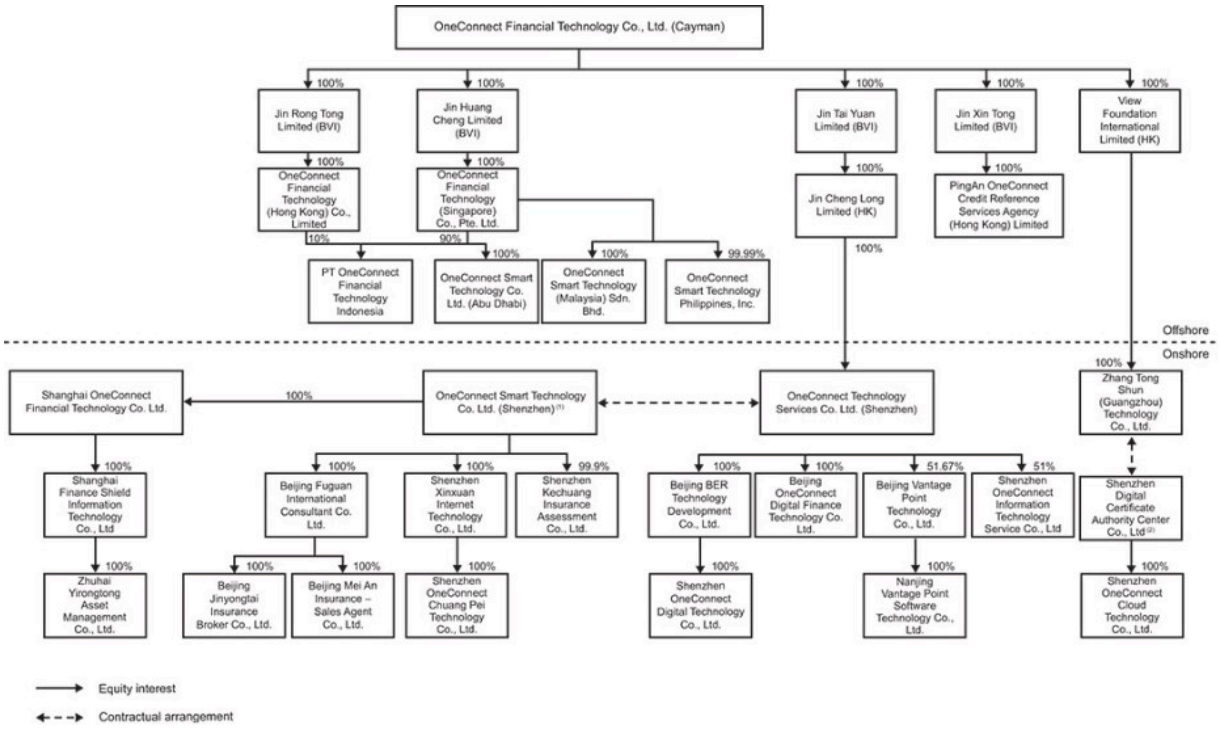


Table of Contents

Notes:

(1) The shareholders of Shenzhen OneConnect are Shenzhen Ping An Financial Technology Consulting Co., Ltd., or Ping An Financial Technology; Shanghai Jin Ning Sheng Enterprise Management Limited Partnership, or Shanghai Jin Ning Sheng; Shenzhen Lanxin Enterprise Management Co., Ltd., or Shenzhen Lanxin; and Urumqi Guang Feng Qi Investments Limited Partnership, or Guang Feng Qi, which hold 44.3%, 7.35%, 22.2% and 26.15% equity interest in Shenzhen OneConnect, respectively.

(2) Shanghai Jinlinlin Enterprise Management Partnership, which holds 98.9% equity interest in Shenzhen Digital Certificate Authority Center Co., Ltd, or Shenzhen CA, has entered into contractual arrangements with Zhang Tong Shun (Guangzhou) Technology Co., Ltd., or Zhang Tong Shun, and Shenzhen CA that allow Zhang Tong Shun to exercise effective control over the business operation of Shenzhen CA and enjoy the relevant economic interests derived from it.

Contractual Arrangements

Contractual Arrangements with Shenzhen OneConnect and Shenzhen OneConnect Shareholders

Foreign ownership of companies that engage in value-added telecommunication services is subject to certain restrictions under Chinese laws and regulations. The Special Administrative Measures for Entrance of Foreign Investment (Negative List) (2021 Version) provides that foreign investors are generally not allowed to own more than 50% of the equity interest in a value-added telecommunication service provider other than an e-commerce service provider, a domestic multi-party communications service provider, a data collection and transmission service provider or a call center. We are an exempted company incorporated in the Cayman Islands, and our subsidiary Shenzhen OneConnect Technology is considered a foreign-invested enterprise. To comply with the Chinese laws and regulations described above, we primarily conduct our business in China through Shenzhen OneConnect, and its subsidiaries in China, based on a series of contractual arrangements.

The following is a summary of the contractual arrangements made by Shenzhen OneConnect Technology, Shenzhen OneConnect, the shareholders of Shenzhen OneConnect, as well as the shareholders of the direct shareholders of Shenzhen OneConnect, who we refer to as the Indirect Shareholders, and together with the direct shareholders of Shenzhen OneConnect, the Shenzhen OneConnect Shareholders.

Agreement that Allows Us to Receive Economic Benefits from Shenzhen OneConnect

Amended and Restated Exclusive Business Cooperation Agreement

Shenzhen OneConnect Technology and Shenzhen OneConnect entered into an exclusive business cooperation agreement on January 29, 2018, which was amended and restated on September 16, 2019. Pursuant to this agreement, Shenzhen OneConnect Technology or its designated party has the exclusive right to provide Shenzhen OneConnect with business support, technology and consulting services. In exchange for these services, Shenzhen OneConnect will pay Shenzhen OneConnect Technology an annual service fee, equal to Shenzhen OneConnect's profit before tax, after recovering any accumulated losses of Shenzhen OneConnect and its subsidiaries from the preceding fiscal year, and deducting working capital, costs, expenses, tax and other statutory contributions required for that fiscal year. Without the prior written consent of Shenzhen OneConnect Technology, Shenzhen OneConnect may not accept any services covered by this agreement from any third party, and may not cooperate with any third party in respect of the subject matter of the amended and restated exclusive business cooperation agreement. Shenzhen OneConnect and Shenzhen OneConnect Technology have agreed that Shenzhen OneConnect Technology will exclusively own the proprietary rights, ownership, interests and intellectual property rights produced or created in connection with the performance of this agreement. Unless mutually terminated, this agreement will remain effective for ten years, and it will be automatically renewed for another five years, unless Shenzhen OneConnect Technology objects in writing thirty days prior to the agreement's expiry.

Table of Contents

Agreements that Provide Us with Options to Purchase the Equity Interest in and Assets of Shenzhen OneConnect

Amended and Restated Exclusive Equity Option Agreement and Amended and Restated Exclusive Asset Option Agreement

Shenzhen OneConnect Technology, Shenzhen OneConnect and the Shenzhen OneConnect Shareholders entered into an exclusive equity option agreement and an exclusive asset option agreement on January 29, 2018, which was amended and restated on September 16, 2019. Pursuant to the amended and restated exclusive equity option agreement, the shareholders of Shenzhen OneConnect have irrevocably and unconditionally granted Shenzhen OneConnect Technology or any third party designated by Shenzhen OneConnect Technology an exclusive option to purchase all or a portion of their respective equity interest in Shenzhen OneConnect. The purchase price for these equity interest will be the higher of (i) the nominal price and (ii) the lowest price permitted by applicable PRC law. Pursuant to the amended and restated exclusive asset option agreement, Shenzhen OneConnect has irrevocably and unconditionally granted Shenzhen OneConnect Technology or any third party designated by Shenzhen OneConnect Technology an exclusive option to purchase all or a portion of its assets. Subject to any valuation required by applicable PRC law at the time of the exercise of this option, the purchase price will be the higher of (i) the nominal price and (ii) the lowest price permitted by applicable PRC law.

Shenzhen OneConnect Technology may transfer any of its rights or obligations under the amended and restated exclusive asset option agreement to a third party after providing written notice to Shenzhen OneConnect, and Shenzhen OneConnect Technology may transfer any of its rights or obligations under the amended and restated exclusive equity option agreement to a third party after providing written notice to Shenzhen OneConnect and its shareholders. Without the prior written consent of Shenzhen OneConnect Technology, Shenzhen OneConnect and the relevant Shenzhen OneConnect Shareholders may not, in any manner, among other things, supplement and amend the articles of associations of Shenzhen OneConnect; increase or reduce its registered capital or change the structure of their registered capital in other manners; sell, transfer, pledge or dispose of its assets, legal or beneficial interests in business or revenue or allow any encumbrance on such assets, legal or beneficial interests in business or revenue, outside the ordinary course of business; assume, inherit, guarantee any debt, or allow the existence of any debt, except for debts incurred in the ordinary course of business and debts known and agreed in writing by Shenzhen OneConnect Technology; cause Shenzhen OneConnect to enter into any material contract with value above RMB1 million outside the ordinary course of business; provide loans, credits or guarantees in any form to any other persons outside the ordinary course of business; cause or permit Shenzhen OneConnect to merge, consolidate with, acquire or invest in any other persons; procure or permit Shenzhen OneConnect to sell any assets value RMB1 million or more; or distribute dividends to its shareholders. Under these agreements, the Shenzhen OneConnect Shareholders also undertake that they will not transfer, pledge, or otherwise dispose of their equity interest in Shenzhen OneConnect to any third party or create or allow any encumbrance on their equity interest. Unless terminated upon the parties' agreement, these agreements will remain effective for ten years, and will be automatically renewed for another five years, unless Shenzhen OneConnect Technology objects to the renewal in writing thirty days prior to these agreements' expiry.

Table of Contents

Agreements that Provide Us with Effective Control over Shenzhen OneConnect

Amended and Restated Equity Pledge Agreement

Shenzhen OneConnect Technology, Shenzhen OneConnect and the Shenzhen OneConnect Shareholders entered into an equity pledge agreement on January 29, 2018, which was amended and restated on September 16, 2019. Pursuant to this agreement, each shareholder of Shenzhen OneConnect has pledged all of its respective equity interest in Shenzhen OneConnect to Shenzhen OneConnect Technology to guarantee the performance of the Shenzhen OneConnect Shareholders and Shenzhen OneConnect of their respective obligations under the amended and restated exclusive option agreements, the amended and restated shareholder voting proxy agreements, the amended and restated exclusive business cooperation agreement and the letters of undertakings, as well as their respective liabilities arising from any breach. If Shenzhen OneConnect or any of the Shenzhen OneConnect Shareholders breaches any obligations under these agreements, Shenzhen OneConnect Technology, as pledgee, may dispose of the pledged equity and have priority to be compensated by the proceeds from the disposal of such equity. Each of the Shenzhen OneConnect Shareholders agrees that before its obligations under the contractual arrangements are discharged and the amounts payable prescribed under these agreements are fully paid (other than those for the purpose of performing its obligations under the contractual arrangements) it will not dispose of the pledged equity interest, create or allow any encumbrance on the pledged equity interest that may have material adverse effects on the pledgee's rights under this agreement without Shenzhen OneConnect Technology's prior written consent. The amended and restated equity pledge agreement will remain effective until Shenzhen OneConnect and the Shenzhen OneConnect Shareholders have discharged all their obligations and fully paid all the amounts payable under the contractual arrangements. We have completed the registration of the equity pledge with the relevant office of the Administration for Industry and Commerce of China in accordance with applicable PRC law and regulations on February 26, 2018.

Amended and Restated Shareholder Voting Proxy Agreement

Shenzhen OneConnect Technology, Shenzhen OneConnect, the Shenzhen OneConnect Shareholders and the subsidiaries of Shenzhen OneConnect entered into a shareholder voting proxy agreement on January 29, 2018, which was amended and restated on September 16, 2019. Pursuant to this agreement, each shareholder of Shenzhen OneConnect and its subsidiaries irrevocably authorizes the persons designated by Shenzhen OneConnect Technology to act on its behalf to exercise all of such shareholder's voting and other rights associated with the shareholder's equity interest in Shenzhen OneConnect and the subsidiaries of Shenzhen OneConnect, such as the right to appoint or designate directors, supervisors and officers, as well as the right to sell, transfer, pledge or dispose of all or any portion of the shares held by such shareholder. The term of the amended and restated shareholder voting proxy agreement is the same as that of the amended and restated business cooperation agreement described above.

Letters of Undertakings

Each Indirect Shareholder signed a letter of undertakings to our company on January 29, 2018 and September 16, 2019, respectively. Under these letters, the signing Indirect Shareholder has separately irrevocably undertaken, in the event of his or her death or loss of capacity or any other events that could possibly affect his or her capacity to fulfil his or her obligations under the contractual arrangement of Shenzhen OneConnect, that he or she will unconditionally transfer his or her equity interest in Shenzhen OneConnect to any person designated by Shenzhen OneConnect Technology and the transferee will be deemed to be a party to the contractual arrangements and will assume all of his or her rights and obligations as such under the contractual arrangements. Each signing Indirect Shareholder represents that his or her spouse has no ownership interest in his or her equity interest in Shenzhen OneConnect. Each signing Indirect Shareholder further represents that in any circumstances, he or she will not, directly or indirectly, commit any conduct, measure, action or omission that is contrary to the purpose and intention of the contractual arrangements, that leads or may lead to any conflict of interest between Shenzhen OneConnect and OneConnect Financial Technology Co., Ltd. and/or its subsidiaries, and that if, during his or her performance of the contractual arrangements, there is a conflict of interest between the signing Indirect Shareholder and OneConnect Financial Technology Co., Ltd. and/or its subsidiaries, the signing Indirect Shareholder will protect the legal interests of Shenzhen OneConnect Technology under the contractual arrangements and follow the instructions of our company.

Table of Contents

Spousal Consent Letters

Under these letters, each signing spouse respectively agreed that he or she was aware of the equity interest beneficially owned by his or her spouse in Shenzhen OneConnect and the relevant contractual arrangements in connection with such equity interest. The signing spouse unconditionally and irrevocably confirmed that he or she does not have any equity interest in Shenzhen OneConnect and committed not to impose any adverse assertions upon his or her spouse's respective equity interest. Each signing spouse further confirmed that such equity interest may be disposed of pursuant to the relevant contractual arrangements, and committed that he or she will take all necessary measures for the performance of those arrangements.

Contractual Arrangement with Shenzhen CA and Certain of Its Shareholders

Shenzhen CA and certain of its shareholders holding in the aggregate 98.9% of the equity interest in Shenzhen CA entered into a series of contractual agreements with Zhang Tong Shun in August 2019, which were amended and restated in November 2019. These agreements contain terms substantially similar to the contractual arrangements among Shenzhen OneConnect, Shenzhen OneConnect Shareholders and Shenzhen OneConnect Technology described above.

Pursuant to the share purchase agreement and its supplementary agreement in connection with our acquisition of View Foundation, which was entered into in August, 2019 and further amended in February 2021, we and the selling shareholder of View Foundation will procure Shenzhen Huaxinhe Information Technology Co., Ltd., Zhuhai Ruisheng Chuangye Investment LLP and Fengxun Shengdao to transfer their respective equity interest in Shenzhen CA to our designated entity. The transfers of equity interest in Shenzhen CA are subject to reporting procedures to the relevant PRC authorities.

As a result of these contractual agreements, we control and receive the economic benefits of the business operations of the VIEs and their respective subsidiaries, which is not equivalent to equity ownership in the VIE and its subsidiaries. Accordingly, under IFRS, the financial statements of the VIEs are consolidated as part of our financial statements. Accordingly, we are the primary beneficiary of the VIEs for accounting purposes and consolidate the financial results of the VIEs and their respective subsidiaries in our consolidated financial statements in accordance with IFRS. Neither we nor our investors own any equity ownership in, direct foreign investment in, or control of the VIEs as a result of the WFOE's contractual agreements with the VIEs and their respective shareholders and these agreements have not been tested in a court of law in the PRC.

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

Table of Contents

Based on the above, our PRC legal counsel, Haiwen& Partners, is of the opinion that:

- the ownership structure of (i) Shenzhen OneConnect Technology and Shenzhen OneConnect, and (ii) Zhang Tong Shun and Shenzhen CA does not violate applicable PRC laws and regulations currently in effect; and

- each of the Contractual Arrangements is valid, legal and binding for Shenzhen OneConnect Technology, Zhang Tong Shun, Shenzhen OneConnect and its direct shareholders, Shenzhen CA and its direct shareholders where applicable under PRC laws, except that (i) the circumstance where, in respect of the contractual arrangements binding Shenzhen CA, the minority shareholders of Shenzhen CA which are not parties to the contractual arrangements may not have the requisite power and authority to execute, deliver or perform the written confirmation in relation to the contractual arrangements binding Shenzhen CA or may not obey such confirmation, (ii) the Contractual Arrangements provide that the arbitral body may award interim remedies over the shares and/or assets of the VIEs, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) and/or order the winding up of the VIEs, and that courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC (being the place of incorporation of the VIEs) also have jurisdiction for the grant and/or enforcement of arbitral award and interim remedies against the shares and/or assets of the VIEs, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in the VIEs in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China, and (iii) in the event of a mandatory liquidation, the provisions regarding the sale of the assets of VIEs to WFOEs at the lowest price, the waiver of the payment from WFOEs and the payment from VIEs to WFOEs may not be enforceable.

However, the interpretation and application of current and future PRC laws, regulations and rules are evolving and subject to change. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to or otherwise different from the above opinion of our PRC legal counsel. It is uncertain whether any new PRC laws or regulations relating to VIE structures such as ours will be adopted or if adopted, what they would provide. If the PRC regulatory authority finds that the agreements that establish the structure for the operation of Shenzhen OneConnect and Shenzhen CA do not comply with PRC regulatory authority restrictions on foreign investment in our businesses, 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—If the PRC regulatory authority finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these laws and regulations or their interpretations change, we could be subject to severe penalties or be forced to relinquish our interests in those operations.” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in the PRC—The interpretation and enforcement of PRC laws and regulations are evolving and subject to change, which could limit the legal protections available to you and us” for more details.

D. Property, Plants and Equipment

We do not own any properties. Our corporate headquarters are located at 21/24F, Ping An Finance Center, No. 5033 Yitian Road, Futian District, Shenzhen, Guangdong Province, PRC. We also have offices in the Hong Kong SAR, Shenzhen, Shanghai, Beijing and Chengdu in China, Singapore, and Jakarta, Indonesia. These facilities have an aggregate of over 26,000 square meters and currently accommodate our management, research and development, sales and marketing, as well as general and administrative activities.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

Table of Contents

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 on Form 20-F. This report contains forward-looking statements. See "Forward-Looking Statements" in this annual report. 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 on Form 20-F. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.

A. Operating Results

Overview

We are a technology-as-a-service provider for the financial services industry in China with an expanding international presence. We provide software to various players in the financial services industry, and in return collect both upfront implementation and ongoing transaction-based fees. Our technology solutions address the significant technology spending need of financial institutions that are seeking to expedite their digital transformation and ensure their sustainability. We believe "technology + business" is our key competitive advantage and a driving force of how we continue to win and engage with our customers. By integrating our extensive financial industry expertise with technology tailored to the industry's needs, we simplify the digitalization process of our customers by not only providing proven solutions, but also enabling our customers to apply technologies in complex business scenarios. This approach enables our customers to improve efficiency, enhance service quality, reduce costs and mitigate risks. 100% of large and joint-stock banks, 98% of city commercial banks, 66% of property and casualty insurance companies and 48% of life insurance companies in China have used at least one of our products since our inception. In addition to financial institutions, our clients also include other service providers in the financial services industry.

We established our initial operations as the financial technology solution arm of Ping An Group. Since the end of 2015, we started to operate as a separate company in Ping An Group until November 29, 2017 when we ceased to be consolidated with Ping An Group. We continue to enjoy a strong relationship with Ping An Group, as a partner for technology development, a supplier of application scenarios for developing our products, and a flagship customer showcasing our capabilities. Our strategic partnership with Ping An Group has contributed to our growth significantly since our initial business operations.

Our revenue model is primarily transaction-based. This revenue model allows us to grow with our customers as their businesses utilize and benefit from our solutions, which further incentivizes us to create additional, more integrated solutions to fit their broader business needs, and ultimately forms a highly resilient, long-term business partnership. In 2022 and 2023, 78.3% and 73.3% of our revenue, respectively, was transaction-based revenue from technology solutions. We believe that growing our customer base and increasing customer engagement are crucial to monetizing our business and thus increasing revenues and achieving profitability. Starting from 2021, we have shifted our customer development strategy from primarily expanding customer base to deepening customer engagement, including through focusing on those who tend to have more sizable and stable demand for our solutions and therefore, have more potential to become premium plus customers. To better serve these customers, we also upgraded our product structure from single-module products to more comprehensive, integrated solutions encompassing sales management, risk management and operation support services.

We have achieved significant growth in our client base and revenues since our inception. Our revenue grew by 8.0% from RMB4,132.4 million in 2021 to RMB4,464.0 million in 2022, and decreased by 17.8% to RMB3,667.5 million (US$516.6 million) in 2023.

Table of Contents

Major Factors Affecting Our Results of Operations

Our business and operating results are affected by general factors affecting China's technology-as-a-service for financial institutions market, which include China's overall economic growth and the growth of its financial industry, competitive landscape for technology and business spending by financial institutions, financial institutions' acceptance of advanced technology services, and regulation and policies affecting technology services and financial institutions. Unfavorable changes in any of these general conditions could negatively affect demand for our services and materially and adversely affect our results of operations.

While our business is influenced by general factors affecting the spending on technology and business by financial institutions in China, we believe that our results of operations are more directly affected by certain company-specific factors, including:

Our Ability to Optimize Our Product Mix

We have continued to optimize product offering through product integration, product standardization and infrastructure product offerings.

In 2021, we integrated 50 discrete products into three integrated end-to-end solutions spanning the digital retail banking, digital commercial banking, and digital insurance segments to deepen customer relationship. Our product integration also allows us to upgrade our pricing model from incremental-based – charging our fees based on the incremental transaction volume, to stock-based – charging our fees based on the total transaction volume, leading to a more sustainable revenue growth. Furthermore, our streamlined product offerings allow us to be more focused when enhancing our products, therefore reducing research and development expenses.

We also continue to standardize products as they mature. As our products become more standardized, we can deploy them more quickly and cost efficiently, reducing labor-related costs and sales and marketing expenses. It also enables us to recycle and leverage existing product modules for future product development to drive down research and development expenses.

We launched our technology infrastructure platform, the Gamma Platform, in 2021. The Gamma Platform is deeply integrated with our customers' daily operations and therefore increases customer stickiness as it is costly and timely to replace infrastructure products. This, in turn, promotes more usage of our products and cross-selling and upselling opportunities for a sustainable revenue growth.

We have also optimized our product portfolio to proactively respond to changing regulatory environment. This has caused, and may continue to cause, fluctuations in our revenue growth and profit margin.

Our Ability to Monetize and Market Our Services and Solutions

Our results of operations are affected by our ability to successfully monetize and market our technologies. This, in turn, depends on our technology leadership and our innovation to develop and design easy-to-deploy, scalable and secure solutions to address financial institutions' unserved or under-served needs. Our results of operations also depend on the effectiveness of our customer acquisition and relationship management strategies, as well as customers' acceptance of our transaction-based revenue model.

Our Ability to Grow Our Customer Transaction Volume

We adopt a primarily transaction-based revenue model, which allows us to grow with our customers as their businesses utilize and benefit from our solutions. To drive the growth of our customers' transaction volume or usage of our platform, we have been focused on deepening engagement with customers by upselling our products and solutions. For example, we provide our customers with a set of tailored business services to catalyze transaction volume or usage of our platform. In addition, we promote cross-selling of products and, ultimately, platform integration of our solutions so that we become an integral part of the customer's operations. Our products are flexible and easy for customers to take on either on an integrated basis or incrementally with other solutions purchased. We have also upgraded our product structure from single-module products to more comprehensive, integrated solutions, to increase customer stickiness,

deepen customer engagement and drive more usage. We have experienced rapid growth in the transaction volumes for many on-going solutions.

Table of Contents

As our customers' transaction volume or usage of our platform increases, we are able to generate more transaction-based fee revenue. The growth of our customers' transaction volume is also affected by other factors such as general-economic and market conditions and regulatory developments.

Our Ability to Expand Premium (in particular Premium-Plus) Customer Base and Deepen Our Customer Engagement

Our growth depends on our ability to expand and deepen customer engagement. As our market awareness increased and product portfolio expanded, starting from 2021, we shifted our customer development strategy from primarily expanding customer base to focusing on retaining and expanding premium-plus customers base, and deepening our customer engagement. We had 212, 221 and 208 non-Ping An Group customers that have reached the RMB1,000,000 revenue threshold, which we categorized as premium-plus customer, in 2021, 2022 and 2023, respectively. The number of premium-plus customer decreased from 2022 to 2023 because we optimized our business model and proactively reduced our low-value business. We believe expanding our premium-plus customer base will support higher quality, more sustainable growth.

Our ability to expand and optimize our customer base depends on various factors, including the acceptance of our solutions, the success of our sales and marketing efforts, competition, the regulatory environment for financial institutions and our industry, and our ability to innovate and improve our services.

Our Ability to Manage Costs and Expenses Effectively

Our ability to manage and control our cost of revenue and operating expenses is critical to our results of operations. Our cost of revenue primarily includes fees we pay to our channel partners to generate leads for our customers, fees we pay for outsourced technology or data services, labor-related cost, and amortization of intangible assets recognized in cost of revenue. Gross profit margin for any of our particular solutions is generally lower at the earlier stage of its monetization.

We have made substantial investment in customer acquisition, research and development, and other supporting functions to support our future growth and expansion. To achieve, maintain and enhance our profitability, we plan to leverage our large customer base by cross-selling products and expanding our financial institution customer relationships to reduce selling and marketing expenses as a percentage of our revenue. We also plan to continue to leverage previous investment in technology and other infrastructure to reduce our research and development expenses as a percentage of our revenue and to further benefit from economies of scale.

Our Ability to Continue to Innovate in Technology

Our advanced technological capabilities and infrastructure are key to our business development. Our ability to effectively invest in these areas helps us develop new solutions and explore new business models for our financial institution customers and it helps our customers expand their client bases and transaction volumes, while effectively managing risks. In addition, our technology infrastructure is critical to the scalability, security and flexibility of our platform.

Our Ability to Continue Our Strategic Partnership with Ping An Group

Ping An Group is our strategic partner and our most important customer and supplier. We have partnered with Ping An Group to jointly develop new technology and applications, and Ping An Group provides us support in technology and infrastructure. Ping An Group also provides us with a diverse and reliable source of real-life application scenarios to validate and prove our technology. Many of our customer insights and innovative solutions are first initiated and tested within the Ping An Group ecosystem.

We have provided a number of products and services to Ping An Group. We expect Ping An Group and its associates will continue to be our most important customers, although we may be less reliant on their revenue contributions over time. Our strategic partnership with Ping An Group has contributed to our growth significantly since our initial business operations. However, any decision from Ping An Group to reduce or cease procurement and adoption of our services will materially and adversely affect our business, financial results and operations. For additional information about the risks in connection with our relationship with Ping An Group, see "Item 3. Key Information — D. Risk Factors—Risks Relating to our Business and Industry—Ping An Group is one of our principal shareholders, our

strategic partner, our most important customer and our largest supplier. If our relationship with Ping An Group deteriorates, or if Ping An Group significantly reduces purchasing from or cooperating with us, our results of operations, business and growth could be materially and adversely affected."

Table of Contents

Key Performance Indicators

Non-financial Key Performance Indicators

We regularly review the following key operating metrics to evaluate our business, measure our performance, identify trends affecting our business and assess our operational efficiency.

Number of Customers

In determining the number of customers, we treat legal entities within the same corporate group as one customer (to the extent we are aware of such relationship). Accordingly, Ping An Group, including Ping An and its subsidiaries, is treated as a single customer.

We categorize non-Ping An Group customers that have contributed revenue of at least RMB100,000 since the beginning of the applicable fiscal year as our premium customers. Furthermore, we categorize premium customers that contribute revenue of at least RMB1,000,000 since the beginning of the applicable fiscal year as our premium plus customers and have started focusing on the development of and deepening of relationship with these customers since 2021. Our premium customers and premium plus customers exclude Ping An Group but include customers that we have direct contracts with, and provide direct services to, where payments for these services have been made through contractual arrangements that we have with others, including Ping An Group.

The following tables set forth our number of customers and their revenue contribution for the respective periods:

	For the year ended December 31,											
	2021			2022				2023				
	Number of customers[5]	Revenue RMB	Average Revenue Per Customer	Number of customers[5]	Revenue RMB	Average Revenue Per Customer	Net Expansion Rate	Number of customers[5]	Revenue RMB	Revenue US$	Average Revenue Per Customer	Net Expansion Rate
		(in millions)			(in millions)		(in percentage)		(in millions)			(in percentage)
Ping An Group[1]	N/A	2,316.7	2,316.7	N/A	2,526.7	2,526.7	N/A	N/A	2,091.0	294.5	2,091.0	N/A
Premium Customers[2][3]	796	1,746.5	2.2	649	1,798.4	2.8	81	599	1,404.3	197.8	2.3	66
Premium-Plus Customers[2][4]	212	1,564.5	7.4	221	1,671.6	7.6	82	208	1,288.8	181.5	6.2	64

Notes:

(1) Includes 37, 40 and 35 legal entities in Ping An Group in 2021, 2022 and 2023, respectively. We treat Ping An Group and its subsidiaries as a single customer because they are consolidated subsidiaries of Ping An Insurance (Group) Company of China, Ltd. Please see Note 36(c) of the audited consolidated financial statements included elsewhere in this annual report.

(2) Includes Lufax Group, see Note 6.2(a) to our audited consolidated financial statements included elsewhere in this annual report. In 2021, 2022 and 2023, it includes nil, nil and nil in relation to the lending solutions we provided to third party customers that we had direct contracts with, and provided direct services to, where payments for these services were made through contractual arrangements that we have with others, including Ping An Group. Please see Note 36(c) of the audited consolidated financial statements included elsewhere in this annual report. There is no overlap in the number of customers and their respective revenue contributions between "Ping An Group" and "Premium customers" as a result of these arrangements.

(3) The net change in the number of premium customers from 2021 to 2022 was from 242 newly qualified premium customers and 389 disqualified premium customers in 2022. The net change in the number of premium customers from 2022 to 2023 was from 255 newly qualified premium customers and 305 disqualified premium customers in 2023.

(4) The net change in the number of premium-plus customers from 2021 to 2022 was from 92 newly qualified premium-plus customers and 83 disqualified premium-plus customers in 2022. The net change in the number of premium-plus customers from 2022 to 2023 was from 75 newly qualified premium-plus customers and 88 disqualified premium-plus customers in 2023.

(5) We treat legal entities within the same corporate group as one customer (to the extent we are aware of such relationship).

Table of Contents

The following table sets forth a breakdown of our premium customers by Ping An Group related parties and independent customers in the respective periods:

	For the year ended December 31,									
	2021			2022			2023			
	Number of customers	Revenue RMB	Average revenue	Number of customers	Revenue RMB	Average revenue	Number of customers	Revenue RMB	Revenue US$	Average revenue
		(in millions)			*(in millions)*			*(in millions)*		
Ping An Group related parties	5	451.1	90.2	8	495.1	61.9	6	308.8	43.5	51.5
Independent Customers	791	1,295.4	1.6	641	1,303.3	2.0	593	1,095.5	154.3	1.8

Revenue Per Premium Customer

We view non-Ping An Group customers that have contributed revenue of at least RMB100,000 since the beginning of the applicable fiscal year as our premium customers. Our premium customers contributed to a substantial portion of our total revenue. We use revenue per premium or premium-plus customer (consisting of both newly added premium or premium-plus customers and existing premium or premium-plus customers) to evaluate their respective expansion. Our revenue is primarily transaction-based and highly correlates to customer usage or transaction volume. Once a customer adopts our software, we continue to cross-sell and up-sell our other products, including infrastructure products to increase customer stickiness and promote the growth of transaction volume, from which we charge transaction-based fees. As a result of these efforts, our customers tend to increase their transaction volume and usage of our products, and therefore generate higher revenue the longer they stay with us. Therefore, mature premium and premium-plus customers tend to have higher usage and transaction volume and generate higher revenue than new premium and premium-plus customers. For the purpose of depicting customer revenue contribution trend from ground zero, these customers had zero revenue prior to qualification. The change of composition of premium and premium-plus customers may result in volatilities in revenue per premium and premium-plus customer.

Premium customer was the focus of our customer development strategy before 2021. Starting from 2021, we shifted our customer development strategy from our previous strategy of primarily expanding our customer base to a strategy of deepening customer engagement— with a focus on premium-plus customers who we believe will have more sizable and stable demands for our solutions in the long term, and, at the same time, we gradually phased out certain low-value products. Therefore, we experienced a decrease in the number of our premium customers from 2021 to 2022. Due to the increasing number of premium plus customer as a percentage of total premium customers, our revenue per premium customer increased to RMB2.8 million in 2022, compared with RMB2.2 million in 2021.

As we proactively reduced our low-value business, our revenue per premium customer decreased to RMB2.3 million in 2023, compared with RMB2.8 million in 2022.

Revenue Per Premium-Plus Customer

We view customers with revenue contribution of at least RMB1,000,000 since the beginning of the applicable fiscal year as our premium-plus customers. Since 2021, we have started to focus on the development of and deepening of relationship with premium-plus customers, including by converting existing premium customers, as we believe they tend to have more sizable and stable demand for our solutions. The number of premium-plus customer decreased by 5.9% from 221 in 2022 to 208 in 2023, because we optimized our business model and proactively reduced our low-value business.

Revenue per premium-plus customer increased from RMB7.4 million in 2021 to RMB7.6 million 2022, and decreased to RMB6.2 million in 2023, as we proactively reduced our low-value business.

From 2021, we shifted our customer development strategy from primarily expanding customer base to deepening customer engagement, in particular with respect to premium-plus customers, for higher quality and more sustainable growth. Specifically, we had adopted the following initiatives:

- Growing customer stickiness through infrastructure products, such as cloud and core system products on our Gamma Platform, which are deeply integrated into our customers' daily operations;

Table of Contents

- Expanding the depth and breadth of our solutions: sales of end-to-end solutions, covering marketing, risk management, management and operational functions and establishing integrated, full-stack solutions from infrastructure-as-a-service, or IaaS, to platform-as-a-service, or PaaS, to meet more customer needs; and

- Expanding our customer servicing network: expanding the coverage of our sales and customer service activities to additional ten provinces, in addition to Beijing, Shanghai, Chengdu and Shenzhen.

Revenue from Third-Party Customer as a Percentage of Total Revenue

We have continued to seek diversification of revenue and customers base. We use revenue from third-party customers, which refer to each customer with revenue contribution of less than 5% of our total revenue in the relevant period, as a percentage of our total revenue, to measure our customer diversification. Our revenue from third-party customers increased by 6.5% from RMB1,387.6 million in 2021 to RMB1,477.9 million in 2022, and decreased by 11.5% to RMB1,307.4 million (US$184.1 million) in 2023. Our revenue from third-party customers as a percentage of total revenue decreased from 33.6% in 2021 to 33.1% in 2022 and increased to 35.6 % in 2023. Our revenue from third-party customers as a percentage of total revenue decreased from 2021 to 2022 as a result of our launch of the Gamma FinCloud in the second quarter of 2020 for which Ping An Group is our largest customer; transition regarding our customer focus since 2021 where we started to place a greater focus on medium and large-sized financial institutions and terminated services with certain smaller customers; change in product portfolio to phase out certain low-value products and the macro impact of COVID-19. Our revenue from third-party customers as a percentage of total revenue increased from 2022 to 2023 due to the optimization of our revenue structure.

Net Expansion Rate

We use net expansion rate to evaluate the retention and expansion of our customer relationships on a year-on-year basis for our premium customers and premium-plus customers. Net expansion rate in a given year (the "current" year) for premium customers in the preceding year (the "base" year) is calculated as the ratio between (i) the revenue contribution from premium customers in the current year who are also our premium customers in the base year, and (ii) the total revenue contribution from premium customers in the base year, expressed as a percentage. Net expansion rate in a given year (the "current" year) for premium-plus customers in the preceding year (the "base" year) is calculated as the ratio between (i) the revenue contribution from premium-plus customers in the current year who are also our premium-plus customers in the base year, and (ii) the total revenue contribution from premium-plus customers in the base year, expressed as a percentage. Our net expansion rate in 2022 for 2021 premium customers was 81%. Our net expansion rate in 2023 for 2022 premium customers decreased to 66%. Our net expansion rate in 2022 for 2021 premium-plus customers was 82%. Our net expansion rate in 2023 for 2022 premium-plus customers decreased to 64%. The decrease of net expansion rate in 2023 and 2022 for both our premium customers and premium-plus customers was due to the sluggish demands from our customers amid and post the pandemic, such as less usage volume of our intelligent auto insurance solution. Our net expansion rate for premium customers and premium-plus was less than 100% in these periods as we continued to optimize our product portfolio to phase out low-value products and proactively respond to changing regulatory environment. As we continue to deepen customer engagement with premium-plus customers, we expect that their net expansion rate will increase.

Disposal of Our Virtual Bank

On November 13, 2023, we entered into a share purchase agreement with Lufax Holding Ltd, and PAOB, an indirectly wholly-owned subsidiary of us incorporated in Hong Kong with limited liability, for the disposal of our virtual bank business at a consideration of HK$933 million in cash (the "Disposal"). This Disposal was closed on April 2, 2024, since then, our virtual bank business is no longer consolidated into our financial statements, which is expected to affect our financials going forward significantly.

Table of Contents

Financial Key Performance Indicators

Revenue

The following table sets forth a breakdown of our revenue by segments for the years indicated:

	For the Year ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US$
	(in thousands)			
Technology Solutions Segment[(1)]				
Implementation	733,648	861,820	834,620	117,554
Transaction based and support revenue				
- Operation support services	1,097,719	1,140,727	861,056	121,277
- Business origination services	450,597	383,723	132,112	18,608
- Risk management services	534,071	414,849	320,462	45,136
- Cloud services platform	1,050,179	1,315,819	1,245,952	175,489
- Post-implementation support services	49,447	50,983	52,012	7,326
- Others	182,376	189,541	75,377	10,617
Subtotal	**4,098,037**	**4,357,462**	**3,521,591**	**496,006**
Virtual Bank Business				
Interest and commission	**34,320**	**106,540**	**145,917**	**20,552**
Total	**4,132,357**	**4,464,002**	**3,667,508**	**516,558**

Notes:

(1) Intersegment eliminations and adjustments are included under technology solutions segment.

Technology Solutions Segment

Our revenue from the technology solutions segment consists of implementation revenue and transaction-based and support services revenue.

Implementation Revenue

Our implementation revenue primarily consists of revenue from customer-specific software development or customization services provided to our customers for the use of our platform through either cloud offerings or in the on-premise IT environment.

Transaction-Based and Support Services Revenue

Our revenue from transaction-based and support services consists of (i) revenue from business origination services, which primarily include business origination modules under digital banking solution, (ii) revenue from risk management services, which primarily include digital credit management solution under digital banking solution and anti-fraud and intelligent fast claim function under digital insurance solution, (iii) revenue from operation support services, which primarily include AI customer services and roadside assistance management modules under digital insurance solution, (iv) revenue from cloud services platforms, which represent our Gamma FinCloud launched in 2020, (v) revenue from post-implementation support services, and (vi) revenue from other services, which primarily include service management platform under digital insurance solution.

Table of Contents

Virtual Bank Business Segment

Our revenue from virtual bank business primarily consists of our interest income from our lending business of our virtual bank and fees and commission from our banking operations. We entered into a share purchase agreement to dispose our virtual bank business to Lufax Holding Ltd in November 2023. This disposal was closed on April 2, 2024, since then, our virtual bank business is no longer consolidated into our financial statements.

Cost of Revenue

Our cost of revenue consists of business service fees, labor related costs, amortization of intangible assets, and depreciation of property and equipment. Business service fees primarily include (i) business origination fee, which is fees we pay to our channel partners for their generation of end-customer leads for our customers, and represents our expense for business origination services, which is recognized in cost of revenue when a referral is successfully accepted by our customer, (ii) technology service fee—business service fees, which are fees we pay to technology service provider and data fees we pay to others, and (iii) outsourcing labor costs, which represent outsourced labor costs relating to the delivery of our transaction-based services. Labor related costs include (i) employee benefit expenses recognized in cost of revenue, and (ii) technology service fee—labor related costs, which are fees paid to technology service providers for their labor relating to the development and implementation of systems and applications for our customers. Amortization of intangible assets recognized in cost of revenue consists of (i) amortization of application and platform contributed by Ping An Group, (ii) amortization of internally developed application and platform, and (iii) amortization of acquired software and other intangible assets, in each case relating to revenue generation. Depreciation of property and equipment recognized in cost of revenue represents depreciation of office and telecommunication equipment associated with revenue generation.

The following table sets forth the breakdown of cost of revenue by nature for the years presented:

	Year ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US$
	(in thousands)			
Employee benefit expenses[1]	370,445	417,638	527,601	74,311
Technology service fee	1,177,529	1,310,724	1,059,356	149,207
Technology service fee—business service fees[2]	878,099	1,086,937	759,492	106,972
Technology service fee—labor related costs[1]	299,430	223,787	299,864	42,235
Business origination fee[2]	276,966	251,377	53,419	7,524
Outsourcing labor costs	331,383	437,217	365,237	51,442
Outsourcing labor costs-business service fees[2]	331,383	255,279	151,316	21,312
Outsourcing labor costs-labor related costs[1]	—	181,938	213,921	30,130
Other costs[2][3]	238,344	262,814	191,232	26,934
Amortization of intangible assets[4]	297,406	146,466	114,511	16,129
Amortization of internally developed application and platform relating to revenue generation	190,503	110,801	73,736	10,386
Amortization of acquired software and other intangible assets	106,903	35,665	40,775	5,743
Depreciation of property and equipment	3,633	2,750	6,747	950
Total	**2,695,706**	**2,828,986**	**2,318,103**	**326,497**

Notes:

(1) Under labor related costs.

(2) Under business service fees.

Table of Contents

(3) Include traveling expenses associated with revenue generation, costs of revenue associated with virtual bank operation, and others including inventory cost for sales of products and payment handling fees paid to third-party payment companies for transaction-based and support services provided to our customers. Include cost of revenue of virtual bank business totaled RMB19.9 million, RMB30.1 million and RMB91.1 million (US$12.8 million) in 2021, 2022 and 2023, respectively.

(4) Include cost of revenue of virtual bank business totaled RMB18.5 million, RMB26.6 million and RMB30.4 million (US$4.3 million) in 2021, 2022 and 2023, respectively.

Gross Profit and Gross Profit Margin

Our gross profit increased by 13.8% from RMB1,436.7 million in 2021 to RMB1,635.0 million in 2022, and decreased by 17.5% to RMB1,349.4 million (US$190.1 million) in 2023. Our gross profit margin increased from 34.8% in 2021 to 36.6% in 2022, primarily due to on-going product standardization efforts . Our gross profit margin increased from 36.6% in 2022 to 36.8% in 2023, primarily due to our on-going product standardization efforts.

Operating Expenses

Research and Development Expenses

Our research and development expenses primarily consist of technology service fee we pay for outsourced technology services in relation to our cloud and IT infrastructure, employee benefit expenses relating to our research and development employees, and amortization of intangible assets. For a detailed breakdown of our research and development expenses by nature, please refer to Note 7 to our audited consolidated financial statements included elsewhere in this annual report.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of employee benefit expenses. Employee benefit expenses recognized in selling and marketing expenses mainly include wages, salaries and other benefits of employees from our sales and marketing functions. Such employee benefit expenses were RMB369.9 million, RMB325.3 million and RMB200.5 million (US$28.2 million) in 2021, 2022 and 2023, respectively, representing the majority of our selling and marketing expenses for the same periods.

Our selling and marketing expenses also include telecommunication expenses, which primarily relate to service fee we pay for text message advertisement, and marketing and advertising fee relating to our selling and marketing activities, such as online advertising, product launch conferences and brand promotion events. In addition, our selling and marketing expenses also include outsourcing labor costs, professional service fee, depreciation of property and equipment, traveling expenses and other selling and marketing expenses.

General and Administrative Expenses

Our general and administrative expenses primarily include employee benefit expenses and depreciation of property and equipment. Employee benefit expenses recognized in general and administrative expenses mainly include wages, salaries and other benefits of our general management and back office employees. Employee benefit expenses were RMB419.6 million, RMB409.6 million and RMB227.1 million (US$32.0 million) in 2021, 2022 and 2023, respectively, representing the largest expenses in our general and administrative expenses for the same periods. Depreciation of property and equipment recognized in general and administrative expenses mainly represents depreciation of properties and equipment which are for general and administrative use. Depreciation of property and equipment was RMB116.6 million, RMB97.6 million and RMB56.8 million (US$8.0 million) in 2021, 2022 and 2023, respectively.

Our general and administrative expenses also include traveling expenses for business travel for employees from our general management and back office departments, outsourcing labor costs, telecommunication expenses, professional service fee primarily for legal, consulting and auditing fees that we incur in our ordinary course of business, and other general and administrative expenses.

Net Impairment Losses on Financial and Contract Assets

Our net impairment losses primarily include provisions of impairment for trade receivables, contract assets and other receivables.

Table of Contents

Other Income, Gains or Loss-Net

Our other income, net primarily includes net gain on financial assets at fair value through profit or loss and gains or losses, which reflects gains from our investments in wealth management products, and our guarantee gain or loss, which reflects the net gain or loss on our remaining guarantee exposure from our legacy credit risk management services, which we ceased offering at the end of January 2018.

Finance Income

Our finance income relates to interest income on bank deposits generated by our cash deposits at commercial banks.

Finance Costs

Our finance costs primarily include interest expense on borrowings, which represent the interest we paid to commercial banks for our borrowings.

Non-IFRS Financial Measures

We use the following non-IFRS financial measures to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-IFRS financial information, when taken collectively, is helpful to investors because it provides consistency and comparability with past financial performance, facilitates period-to-period comparisons of results of operations, and assists in comparisons with other companies, many of which use similar financial information. We also believe that presentation of the non-IFRS financial measures provides useful information to our investors regarding our results of operations because it allows investors greater transparency to the information used by our management in our financial and operational decision making so that investors can see through the eyes of our management regarding important financial metrics that our management uses to run the business as well as allowing investors to better understand our performance.

Non-IFRS financial information is presented for supplemental informational purposes only, and should not be considered a substitute for financial information presented in accordance with IFRS Accounting Standards, and may be different from similarly-titled non-IFRS measures used by other companies.

Whenever we use a non-IFRS financial measure, a reconciliation is provided to the most closely applicable financial measure stated in accordance with IFRS Accounting Standards. Investors are encouraged to review the related IFRS financial measures and the reconciliation of these non-IFRS financial measures to their most directly comparable IFRS financial measures.

Non-IFRS Gross Profit and Non-IFRS Gross Profit Margin

We define non-IFRS gross profit and non-IFRS gross profit margin as IFRS gross profit and IFRS gross profit margin, respectively, adjusted to exclude non-cash items, which consist of amortization of intangible assets recognized in cost of revenue, depreciation of property and equipment recognized in cost of revenue, and share-based compensation expenses recognized in cost of revenue. Our management regularly reviews non-IFRS gross profit and non-IFRS gross profit margin to assess the performance of our business. By excluding non-cash items, these financial metrics allow our management to evaluate the cash conversion of one dollar revenue on gross profit.

Table of Contents

The table below sets forth a reconciliation of our gross profit to non-IFRS gross profit and non-IPRS gross profit margin for the periods indicated:

	Years ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US$
	(in thousands, except for)%			
Reconciliation				
Gross profit	1,436,651	1,635,016	1,349,405	190,060
Non-IFRS adjustment:				
Amortization of intangible assets recognized in cost of revenue	297,406	152,837	118,359	16,671
Depreciation of property and equipment recognized in cost of revenue	3,633	2,750	6,747	950
Share-based compensation expenses recognized in cost of revenue	935	—	3,233	455
Non-IFRS gross profit	**1,738,625**	**1,790,603**	**1,477,744**	**208,136**
Non-IFRS gross profit margin	**42.1 %**	**40.1 %**	**40.3 %**	**40.3 %**

Our non-IFRS gross profit margin decreased from 42.1% in 2021 to 40.1% in 2022, primarily due to changes in the mix of solutions and delay of certain projects which was mainly caused by the pandemic. Our non-IFRS gross profit margin increased to 40.3% in 2023, primarily due to our on-going product standardization efforts.

Taxation

Cayman Islands

We are an exempted company incorporated in the Cayman Islands. The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation, and there is currently no estate duty, inheritance tax or gift tax. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties that may be applicable on instruments executed in, or after execution brought within, the jurisdiction of the Cayman Islands.

Hong Kong

The Hong Kong income tax rate is 16.5%. Hong Kong has an anti-fragmentation measure under which a corporate group must nominate only one company in the group to benefit from the progressive rates. No Hong Kong profit tax has been levied on us as we did not have assessable profit that was earned in or derived from our Hong Kong subsidiary during the periods included in this annual report. Hong Kong does not impose a withholding tax on dividends.

Indonesia

The income tax provision in respect of our operations in Indonesia was calculated at the tax rate of 22% on the taxable profits for the year ended December 31, 2022 and 2023.

Singapore

The income tax provision in respect of our operations in Singapore was calculated at the tax rate of 17% on the taxable profits during the periods presented, based on the existing legislation, interpretations and practices. No Singapore profits tax was provided for as there was no estimated taxable profits that was subject to Singapore profits tax during the years ended December 31, 2021, 2022 and 2023.

Malaysia

The Malaysia income tax rate is 24%. No Malaysia profits tax was provided for as there was no estimated taxable profit that was subject to Malaysia profits tax during the years ended December 31, 2021, 2022 and 2023.

Table of Contents

Philippines

The Philippines income tax rate is 25%. No Philippines profits tax was provided for as there was no estimated taxable profit that was subject to Philippines profits tax during the years ended December 31, 2021, 2022 and 2023.

China

For our operations in the PRC, we are subject to a general PRC corporate income tax rate of 25%. Five of our consolidated operating entities, Shenzhen OneConnect, Vantage Point Technology, Beijing BER, OneConnect Cloud Technology and Shenzhen CA are qualified as high and new technology enterprises and accordingly are entitled to a reduced income tax rate of 15%.

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%. If our intermediary holding companies in Hong Kong satisfy all the requirements under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and its protocols 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. Effective from November 1, 2015, the above-mentioned approval requirement has been abolished, but a Hong Kong entity is still required to file application package with the relevant tax authority, and settle the overdue taxes if the preferential 5% tax rate is denied based on the subsequent review of the application package by the relevant tax authority.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China is deemed to be a “resident enterprise” under the PRC Enterprise Income Tax Law, it will be subject to enterprise income tax on its worldwide income at a rate of 25%.

Pursuant to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We may be subject to adverse tax consequences and our consolidated results of operations may be adversely affected if the PRC tax authorities determine that the contractual arrangements among our PRC subsidiaries and their shareholders are not on an arm’s length basis and constitute favorable transfer pricing.

Table of Contents

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated, both in absolute amount and as a percentage of our revenue for years indicated. 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.

	Year ended December 31,						
	2021		2022		2023		
	(in thousands, except %)						
	RMB	% of revenue	RMB	% of revenue	RMB	US$	% of revenue
Revenue	4,132,357	100.0	4,464,002	100.0	3,667,508	516,558	100.0
Cost of revenue[(1)]	(2,695,706)	(65.2)	(2,828,986)	(63.4)	(2,318,103)	(326,498)	(63.2)
Gross profit	**1,436,651**	**34.8**	**1,635,016**	**36.6**	**1,349,405**	**190,060**	**36.8**
Research and development costs incurred	(1,415,305)	(34.2)	(1,462,641)	(32.8)	(976,910)	(137,595)	(26.6)
Less: capitalized	62,287	1.5	44,950	1.0	21,709	3,058	0.6
Research and development expenses[(1)]	(1,353,018)	(32.7)	(1,417,691)	(31.8)	(955,201)	(134,537)	(26.0)
Selling and marketing expenses[(1)]	(588,380)	(14.2)	(411,356)	(9.2)	(275,351)	(38,782)	(7.5)
General and administrative expenses[(1)]	(841,685)	(20.4)	(824,711)	(18.5)	(504,970)	(71,124)	(13.8)
Net impairment losses on financial and contract assets	(72,229)	(1.7)	(33,639)	(0.8)	(53,950)	(7,599)	(1.5)
Other income, gains or loss-net	13,921	0.3	70,818	1.6	71,855	10,121	(2.0)
Operating loss	**(1,404,740)**	**(34.0)**	**(981,563)**	**(22.0)**	**(368,212)**	**(51,862)**	**(10.0)**
Finance income	28,823	0.7	14,709	0.3	29,580	4,166	(0.8)
Finance costs	(76,637)	(1.9)	(37,173)	(0.8)	(20,532)	(2,892)	(0.6)
Finance (costs)/income-net	(47,814)	(1.2)	(22,464)	(0.5)	9,048	1,274	0.2
Share of gain of associate and joint venture-net	9,946	0.2	24,852	0.6	4,607	649	0.1
Impairment charges on associates	—	—	(10,998)	(0.2)	(7,157)	(1,008)	(0.2)
Loss before income tax	**(1,442,608)**	**(34.9)**	**(990,173)**	**(22.2)**	**(361,714)**	**(50,946)**	**(9.9)**
Income tax benefit/ (expense)	112,095	2.7	62,147	1.4	(9,762)	(1,375)	(0.3)
Loss for the year	**(1,330,513)**	**(32.2)**	**(928,026)**	**(20.8)**	**(371,476)**	**(52,321)**	**(10.1)**

Note:

(1) Share-based compensation expenses were allocated as follows:

	Year ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US$
	(in thousands)			
Cost of revenue	935	—	3,233	455
Research and development expenses	5,185	—	2,975	419
Selling and marketing expenses	2,854	1,002	1,938	273
General and administrative expenses	16,435	12,359	6,351	895
Total	**25,409**	**13,361**	**14,497**	**2,042**

Table of Contents

Segment Information

The table below sets forth certain financial information of our operating segments for the years indicated:

	For the Year Ended December 31, 2021			
	Virtual Bank Business	Technology Solutions	Intersegment eliminations & adjustments	Consolidated
	(RMB in thousands)			
Revenue	34,320	4,098,734	(697)	4,132,357
Cost of revenue	(37,748)	(2,658,655)	697	(2,695,706)
Gross profit	**(3,428)**	**1,440,079**	**—**	**1,436,651**
Research and development expenses	(33,192)	(1,319,826)	—	(1,353,018)
Selling and marketing expenses	(38,042)	(550,338)	—	(588,380)
General and administrative expenses	(99,796)	(741,889)	—	(841,685)
Net impairment losses on financial and contract assets	(1,250)	(70,979)	—	(72,229)
Other income, gains or loss-net	91	13,830	—	13,921
Operating loss	**(175,617)**	**(1,229,123)**	**—**	**(1,404,740)**

	For the Year Ended December 31, 2022			
	Virtual Bank Business	Technology Solutions	Intersegment eliminations & adjustments	Consolidated
	(RMB in thousands)			
Revenue	106,540	4,360,546	(3,084)	4,464,002
Cost of revenue	(56,716)	(2,775,354)	3,084	(2,828,986)
Gross profit	**49,824**	**1,585,192**	**—**	**1,635,016**
Research and development expenses	(18,276)	(1,399,415)	—	(1,417,691)
Selling and marketing expenses	(41,408)	(369,948)	—	(411,356)
General and administrative expenses	(114,546)	(710,165)	—	(824,711)
Net impairment losses on financial and contract assets	(10,616)	(23,023)	—	(33,639)
Other income, gains or loss-net	(544)	71,362	—	70,818
Operating loss	**(135,566)**	**(845,997)**	—	**(981,563)**

	For the Year Ended December 31, 2023							
	Virtual Bank Business		Technology Solutions		Intersegment eliminations & adjustments		Consolidated	
	RMB	US$	RMB	US$	RMB	US$	RMB	US$
	(RMB in thousands)							
Revenue	145,917	20,552	3,533,276	497,652	(11,685)	(1,646)	3,667,508	516,558
Cost of revenue	(134,214)	(18,904)	(2,195,574)	(309,240)	11,685	1,646	(2,318,103)	(326,498)
Gross profit	**11,703**	**1,648**	**1,337,702**	**188,411**	**—**	**—**	**1,349,405**	**190,060**
Research and development expenses	—	—	(955,201)	(134,537)	—	—	(955,201)	(134,537)
Selling and marketing expenses	(33,739)	(4,752)	(241,612)	(34,030)	—	—	(275,351)	(38,782)
General and administrative expenses	(129,842)	(18,288)	(375,128)	(52,836)	—	—	(504,970)	(71,124)
Net impairment losses on financial and contract	(13,406)	(1,888)	(40,544)	(5,711)	—	—	(53,950)	(7,599)

assets								
Other income, gains or loss-net	2,672	376	69,183	9,744	—	—	71,855	10,121
Operating loss	**(162,612)**	**(22,903)**	**(205,600)**	**(28,958)**	**—**	**—**	**(368,212)**	**(51,862)**

Table of Contents

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

The table below presents our revenue by type for the periods indicated and the period-on-period change, in absolute amount and by percentage.

	For the Year ended December 31,					
	2022		2023		Changes	
	RMB	%	RMB	%	RMB	%
	(in thousands, except)%					
Technology Solutions Segment[1]						
Implementation revenue	861,820	19.3	834,620	22.8	(27,200)	(3.2)
Transaction-based and support revenue						
- Operation support services	1,140,727	25.6	861,056	23.5	(279,671)	(24.5)
- Business origination services	383,723	8.6	132,112	3.6	(251,611)	(65.6)
- Risk management services	414,849	9.3	320,462	8.7	(94,387)	(22.8)
- Cloud services platform	1,315,819	29.5	1,245,952	34.0	(69,867)	(5.3)
- Post-implementation support services	50,983	1.1	52,012	1.4	1,029	2.0
- Others	189,541	4.2	75,377	2.1	(114,164)	(60.2)
- Sub-total for transaction-based and support revenue	3,495,642	78.3	2,686,971	73.3	808,671)	(23.1)
Sub-total	**4,357,462**	**78.3**	**3,521,591**	**96.0**	**(835,871)**	**(19.2)**
Virtual Bank Business						
Interest and commission	**106,540**	**2.4**	**145,917**	**4.0**	**39,377**	**37.0**
Total	**4,464,002**	**100.0**	**3,667,508**	**100.0**	**(796,494)**	**(17.8)**

Note:

(1) Intersegment eliminations and adjustments are included under technology solutions segment.

Our revenue decreased by 17.8% to RMB3,667.5 million (US$516.6 million) in 2023 from RMB4,464.0 million in 2022, primarily as a result of decrease in revenue from technology solutions.

Technology Solutions. Our revenue from technology solutions decreased by 19.2% to RMB3,521.6 million (US$496.0 million) in 2023 compared to RMB4,357.5 million in 2022, primarily as a result of the decrease in revenue generated from business origination and operation support services .

- Our implementation revenue decreased by 3.2% to RMB834.7 million (US$117.6 million) in 2023 from RMB861.8 million in 2022, primarily due to the sluggish demands from new customers recovering from the pandemic impact.

- Our transaction-based and support services revenue decreased by 23.1% to RMB2,687.0 million (US$378.5 million) in 2023 compared with RMB3,495.6 million in 2022, primarily due to (i) a decrease of RMB251.6 million in our revenue from business origination services due to declined transaction volumes and our proactive actions of phasing out of lower value products in the digital banking segment ; (ii) a decrease of RMB94.4 million in our revenue from risk management services due to reduced transaction volume in banking loan solutions because of slower-than-expected recovery of banking activities; (iii) a decrease of RMB279.7 million in our revenue from operation support

services primarily caused by reduced demand from insurance and banking customers; (iv) a decrease of RMB69.9 million in our revenue from cloud services platform primarily due to lower demand and (v) a decrease of RMB114.2 million in our revenue from other services due to lower demand for auto-ecosystem related services.

Virtual Bank Business. Our interest and commission revenue increased to RMB145.9 million (US$20.5 million) in 2023 compared with RMB106.5 million in 2022, primarily due to increased customer demand for loans and advances.

Table of Contents

Cost of Revenue

Our cost of revenue decreased by 18.1% to RMB2,318.1 million (US$326.5 million) in 2023 compared with RMB2,829.0 million in 2022, in line with the decrease in revenue.

Technology Solutions. Our cost of revenue of technology solutions decreased by 21.2% to RMB2,183.9 million (US$307.6 million) in 2023 compared with RMB2,775.4 million in 2022. The decrease was primarily driven by (i) a decrease in business service fees (which consist of business service fees under technology service fee, outsourcing labor costs, and other costs) by 41.4% to RMB1,070.0 million in 2023, compared with RMB1,826.3 million in 2022 and (ii) a decrease in amortization of intangible assets recognized in cost of revenue by 29.8% to RMB84.1 million in 2023, compared with RMB119.8 million in 2022, primarily related to amortization of intangible assets regarding internally developed application and platform for revenue generation, most of which had been fully amortized by 2022, offset by an increase in labor related costs (which consist of employee benefit expenses and labor related costs under technology service fee) by 25.1% to RMB1030.0 million in 2023, compared with RMB823.4 million in 2022. The decrease in business service fees was primarily driven by a 30.2% decrease in business service fees under technology service fee to RMB758.6 million in 2023 compared with RMB1,086.9 million in 2022, which was in line with the decrease in the total revenue. Business service fees as a percentage of revenue decreased from 42.0% in 2022 to 30.4% in 2023, which was primarily driven by the optimization of our revenue mix as we focused on products with higher margins. The increase in labor related costs was primarily driven by (i) a 26.3% increase in employee benefit expenses to RMB527.6 million in 2023 compared to RMB417.6 million in 2022, which were primarily related to increased deployment of manpower in implementation projects, and (ii) a 17.6% increase in outsourcing labor costs-labor related costs to RMB213.9 million in 2023 compared to RMB181.9 million in 2022 for enhanced project management and cost optimization effort. Labor related costs as a percentage of revenue increased from 18.9% in 2022 to 29.2% in 2023, which was in relation to increase in implementation revenue, which are more labor intensive compared to other solutions and services we provide.

Virtual Bank Business. Our cost of revenue of virtual bank business increased by 136.6% to RMB134.2 million (US$18.9 million) in 2023 compared with RMB56.7 million in 2022, as a result of the rapid growth of our virtual bank's banking business since September 2020.

Gross Profit

As a result of the foregoing, our overall gross profit decreased by 17.5% to RMB1,349.4 million in 2023 (US$190.1 million) compared to RMB1,635.0 million in 2022. Our gross profit margin increased to 36.8% in 2023 compared to 36.6% in 2022, benefitting from our on-going product standardization efforts. Our non-IFRS gross profit margin increased to 40.3% for the year ended December 31, 2023 compared to 40.1% for the corresponding period of 2022.

Operating Expenses

Research and Development Expenses

Our research and development costs incurred decreased by 33.2% to RMB976.9 million (US$137.6 million) in 2023 compared to RMB1,462.6 million in 2022, primarily due to decreased labor cost and our initiative to invest in research and development at a reasonable pace and selectively invest in profitable projects. The decrease was primarily driven by a 36.9% decrease in technology service fee to RMB597.2 million in 2023 from RMB946.7 million in 2022 due to our initiative to invest in research and development at a reasonable pace and selectively invest in profitable projects, and a 25.1% decrease in employee benefit expenses to RMB351.5 million in 2023 from RMB469.3 million in 2022 due to our employee optimization efforts. Our research and development expenses decreased by 32.6% to RMB955.2 million (US$134.5 million) in 2023 compared to RMB1,417.7 million in 2022. The difference between our research and development costs incurred and our research and development expenses realized was our capitalization of research and development costs of RMB45.0 million and RMB21.7 million (US$3.1 million) related to the development of our products/modules in 2022 and 2023, respectively. We capitalized less research and development costs in 2023 compared to 2022 because more research and development projects reached the point of commercialization in 2022 compared to 2023. Our capitalized research and development costs as a percentage of revenue decreased to 0.6% in 2023 compared to 1.0% in 2022 due to the same reason.

Table of Contents

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 33.1% to RMB275.4 million (US$38.8 million) in 2023 compared to RMB411.4 million in 2022, primarily due to (i) a 38.3% decrease in employee benefit expenses to RMB200.5 million in 2023 from RMB325.3 million in 2022 due to our employee optimization efforts and (ii) a 24.0% decrease in marketing and advertising fee to RMB38.0 million in 2023 from RMB50.0 million in 2022 because we conducted fewer marketing campaigns in 2023, partially offset by a 30.5% increase in travelling expenses to RMB12.8 million in 2023 from RMB9.8 million in 2022 in relation to overseas business expansion and project implementations. Our selling and marketing expenses as a percentage of revenue decreased to 7.5% in 2023 compared to 9.2% in 2022, as we benefited from economies of scale.

General and Administrative Expenses

Our general and administrative expenses decreased by 38.8% to RMB505.0 million (US$71.1 million) in 2023 from RMB824.7 million in 2022, primarily due to (i) a 44.6% decrease in employment benefit expenses to RMB227.1 million in 2023 from RMB409.6 million in 2022 due to our employee optimization efforts, (ii) a 64.5% decrease in professional service fee to RMB49.6 million in 2023 from RMB139.7 million in 2022 as we incurred higher professional service fee in connection with our listing on the Hong Kong Stock Exchange in 2022, and (iii) a 41.8% decrease in depreciation of property, plant and equipment to RMB56.8 million in 2023 from RMB97.6 million in 2022, which is in line with our employee optimization efforts, partially offset by a 77.8% increase in technology service fee which was a result of the increase in virtual bank's technology service fee. Our general and administrative expenses as a percentage of revenue decreased to 13.8% in 2023 compared to 18.5% in 2022, as we benefited from economies of scale.

Net Impairment Losses on Financial and Contract Assets

Our net impairment losses on financial assets increased by 60.7% to RMB54.0 million (US$7.6 million) in 2023 compared to RMB33.6 million in 2022, primarily due to higher impairment of account receivables as a result of increased account receivables days, which in turn was mainly a result of the overall macroeconomic environment in which we operate in.

Other Income, Gain— Net

Our other income, gain-net increased by 1.6% to RMB71.9 million (US$10.1 million) in 2023 from RMB70.8 million in 2022, primarily due to decreased foreign exchange losses offset by a decrease in government subsidies compared to 2022.

Finance Income

Our finance income increased by 101.4% to RMB29.6 million (US$4.2 million) in 2023 compared to RMB14.7 million in 2022, primarily due to higher average cash deposit balances.

Finance Costs

Our finance costs decreased by 44.9% to RMB20.5 million (US$2.9 million) in 2023 compared to RMB37.2 million in 2022, primarily due to our lower level of onshore bank borrowings.

Share of Net Gain (Losses) of Associate and Joint Venture

Our share of gains of associate and joint venture decreased significantly from RMB24.9 million in 2022 to RMB4.6 million (US$0.6 million) in 2023, primarily contributed by less profit share from Ping An Puhui Lixin Asset Management Co., Ltd. ("Puhui Lixin") due to disposal activity which was completed in June 2023.

Impairment charges on Associates

Our impairment charges on associate in 2023 was RMB7.2 million (US$1.0 million) compared with RMB11.0 million in 2022, primarily due to the investment in Puhui Lixin, which was disposed of in June 2023.

Table of Contents

Loss Before Income Tax

As a result of the foregoing, our loss before income tax decreased to RMB361.7 million (US$50.9 million) in 2023 compared to RMB990.2 million in 2022.

Income tax benefit/ (expense)

We incurred income tax expense of RMB9.8 million (US$1.4 million) in 2023, compared with income tax benefit of RMB62.1 million we recorded in 2022. This change was primarily due to increased taxable profits generated by certain of our subsidiaries and less deferred tax assets recognized considering the expected taxable profits of these entities.

Loss for the Year

As a result of the foregoing, our loss decreased to RMB371.5 million (US$52.3million) in 2023 from RMB928.0 million in 2022.

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

Revenue

The table below presents our revenue by type for the periods indicated and the period-on-period change, in absolute amount and by percentage.

	For the Year ended December 31,					
	2021		2022		Changes	
	RMB	%	RMB	%	RMB	%
	(in thousands, except)%					
Technology Solutions Segment[(1)]						
Implementation revenue	733,648	17.8	861,820	19.3	128,172	17.5
Transaction-based and support revenue						
—Operation support services	1,097,719	26.6	1,140,727	25.6	43,008	3.9
—Business origination services	450,597	10.9	383,723	8.6	(66,874)	(14.8)
—Risk management services	534,071	12.9	414,849	9.3	(119,222)	(22.3)
—Cloud services platform	1,050,179	25.4	1,315,819	29.5	265,640	25.3
—Post-implementation support services	49,447	1.2	50,983	1.1	1,536	3.1
—Others	182,376	4.4	189,541	4.2	7,165	3.9
—Sub-total for transaction-based and support revenue	3,364,389	81.4	3,495,642	78.3	131,253	3.9
Sub-total	**4,098,037**	**99.2**	**4,357,462**	**97.6**	**259,425**	**6.3**
Virtual Bank Business						
Interest and commission	**34,320**	**0.8**	**106,540**	**2.4**	**72,220**	**210.4**
Total	**4,132,357**	**100.0**	**4,464,002**	**100.0**	**331,645**	**8.0**

Note:

(1) Intersegment eliminations and adjustments are included under technology solutions segment.

Our revenue increased by 8.0% to RMB4,464.0 million in 2022 from RMB4,132.4 million in 2021, primarily as a result of the increase in revenue from technology solutions.

Table of Contents

Technology Solutions. Our revenue from technology solutions increased by 6.3% to RMB4,357.5 million in 2022 compared to RMB4,098.0 million in 2021, primarily as a result of the increase in revenue generated from our implementation and cloud services platform.

- Our implementation revenue increased by 17.5% to RMB861.8 million in 2022 from RMB733.6 million in 2021, primarily due to an increase in our implementation revenue generated from our insurance solutions and Gamma FinCloud.

- Our transaction-based and support services revenue increased by 3.9% to RMB3,495.6 million in 2022 compared with RMB3,364.4 million in 2021, primarily due to (i) an increase of RMB265.6 million from our revenue from cloud services platform due to an increase in the number of customers using our Gamma FinCloud and (ii) increase from operation support services by 3.9% to RMB1,140.7 million in 2022 from RMB1,097.7 million in 2021. This increase was due to (i) the roll-out of our gamma platform AI customer service and other products; and (ii) increased demands for solutions in cloud services platform, mainly benefitting from on-going digital transformation within Ping An Group. The increase was partially offset by (i) a decrease of RMB119.2 million in our revenue from risk management services primarily due to decreased customer demands affected by the macro-economy headwind; (ii) a decrease of RMB66.9 million in our revenue from business origination services primarily due to our continuous phasing out of low-value solutions and cautions among financial institutions in response to tightened regulations.

Virtual Bank Business. Our interest and commission revenue increased significantly to RMB106.5 million in 2022 compared with RMB34.3 million in 2021, primarily due to the rapid growth in customer demand.

Cost of Revenue

Our cost of revenue increased by 4.9% to RMB2,829.0 million in 2022 compared with RMB2,695.7 million in 2021, primarily as a result of the increase in cost of revenue of technology solutions.

Technology Solutions. Our cost of revenue of technology solutions increased by 4.4% to RMB2,775.4 million in 2022 compared with RMB2,658.7 million in 2021. The increase was primarily driven by (i) an increase in business service fees (which consist of business service fees under technology service fee, outsourcing labor costs, and other costs) by 7.1% to RMB1,826.3 million in 2022, compared with RMB1,704.9 million in 2021 as we continued to expand our business and (ii) an increase in labor related costs (which consist of employee benefit expenses and labor related costs under technology service fee) by 22.9% to RMB823.4 million in 2022, compared with RMB669.9 million in 2021, offset by a 57.0% decrease in amortization of intangible assets recognized in cost of revenue to RMB119.8 million in 2022, compared with RMB278.9 million in 2021, primarily related to amortization of internally developed application and platform relating to revenue generation, most of which had been fully amortized by 2021. The increase in business service fees was primarily driven by an 23.8% increase in business service fees under technology service fee to RMB1,086.9 million in 2022 compared with RMB878.1 million in 2021, primarily related to our Gamma Platform. Business service fees as a percentage of revenue slightly increased from 41.7% in 2021 to 42.0% in 2022, which resulted in higher costs during this initial transition period. The increase in labor related costs was primarily driven by the RMB181.9 million outsourcing labor costs-labor related costs we incurred since 2022 for better project management and cost optimization. Labor related costs as a percentage of revenue increased from 16.3% in 2021 to 18.9% in 2022, which was in relation to increase in implementation revenue, which are more labor intensive compared to other solutions and services we provide.

Virtual Bank Business. Our cost of revenue of virtual bank business increased by 50.2% to RMB56.7 million in 2022 compared with RMB37.7 million in 2021, as a result of the rapid growth of our virtual bank's banking business since September 2020.

Gross Profit

As a result of the foregoing, our overall gross profit increased by 13.8% to RMB1,635.0 million in 2022 compared to RMB1,436.7 million in 2021. Our gross profit margin increased to 36.6% in 2022 compared to 34.8% in 2021, benefitting from on-going product standardization efforts. Our non-IFRS gross profit margin decreased to 40.1% for the year ended December 31, 2022 compared to 42.1% for the corresponding period of 2021.

Table of Contents

Operating Expenses

Research and Development Expenses

Our research and development costs incurred increased by 3.3% to RMB1,462.6 in 2022 compared to RMB1,415.3 million in 2021 primarily due to our investments to enhance our existing solutions as well as for innovations, including upgrades of our platforms and research development of our cloud services platform. The increase was primarily driven by a 10.2% increase in technology service fee to RMB946.7 million in 2022 from RMB859.3 million in 2021, which related to the upgrades of our platforms and research and development of our cloud services platforms and our AI customer service, partially offset by a 8.8% decrease in employee benefit expenses to RMB469.3 million in 2022 from RMB514.5 million in 2021 due to our resource optimization efforts. Our research and development expenses increased by 4.8% to RMB1,417.7 million in 2022 compared to RMB1,353.0 million in 2021. The difference between our research and development costs incurred and our research and development expenses realized was our capitalization of research and development costs of RMB62.3 million and RMB45.0 million related to the development of our products/modules in 2021 and 2022, respectively. We capitalized less research and development costs in 2022 compared to 2021 because more research and development projects reached the point of commercialization in 2021 compared to 2022. Our capitalized research and development costs as a percentage of revenue decreased to 1.0% in 2022 compared to 1.5% in 2021 due to the same reason.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 30.1% to RMB411.4 million in 2022 compared to RMB588.4 million in 2021, primarily due to (i) a 54.9% decrease in marketing and advertising expenses to RMB50.0 million in 2022 from RMB110.8 million in 2021 because we conducted fewer marketing campaigns in 2022, (ii) a 12.1% decrease in employee benefit expenses to RMB325.3 million in 2022 from RMB369.9 million due to our employee-optimization efforts and (iii) a significant decrease in telecommunication expenses to nil in 2022 from RMB36.7 million in 2021 due to tightened regulations related to marketing through text messages. Our selling and marketing expenses as a percentage of revenue decreased to 9.2% in 2022 compared to 14.2% in 2021, as we benefited from economies of scale.

General and Administrative Expenses

Our general and administrative expenses decreased by 2.0% to RMB824.7 million in 2022 from RMB841.7 million in 2021, primarily due to (i) a 45.6% decrease in other expenses to RMB61.3 million in 2022 from RMB112.6 million in 2021 as a result of our cost control efforts, (ii) a 2.4% decrease in employee benefit expenses to RMB409.6 million in 2022 from RMB419.6 million in 2021 due to our employee optimization efforts, and (iii) a 16.3% decrease in depreciation of property, plant and equipment to RMB97.6 million in 2022 from RMB116.6 million in 2021, which is in line with our employee optimization efforts, partially offset by a 84.3% increase in professional service fee which was a result of higher expenses related to the listing on the Hong Kong Stock Exchange. Our general and administrative expenses as a percentage of revenue decreased to 18.5 % in 2022 compared to 20.4% in 2021, as we benefited from economies of scale.

Net Impairment Losses on Financial and Contract Assets

Our net impairment losses on financial assets decreased by 53.4% to RMB33.6 million in 2022 compared to RMB72.2 million in 2021, primarily due to our collection and enhanced account receivable management efforts as well as the improvement in the quality of our accounts receivable.

Other Income, Gain— Net

Our other income, gain-net significantly increased by 408.7% to RMB70.8 million in 2022 from RMB13.9 million in 2021, primarily due to a higher net gain on derivatives and gains from decreased redemption liability related to our acquisition of BER Technology's remaining 20% equity.

Finance Income

Our finance income decreased by 49.0% to RMB14.7 million in 2022 compared to RMB28.8 million in 2021, primarily due to our lower average cash balances as we decreased our onshore bank borrowings, which reduced our need

to retain cash collateral.

Table of Contents

Finance Costs

Our finance costs decreased by 51.5% to RMB37.2 million in 2022 compared to RMB76.6 million in 2021, primarily due to our lower level of onshore bank borrowings.

Share of Net Gain (Losses) of Associate and Joint Venture

Our share of gains of associate and joint venture increased significantly from RMB9.9 million in 2021 to RMB24.9 million in 2022, primarily contributed by improved profitability of Pingan Puhui Lixin Asset Management Co., Ltd, or "Puhui Lixin".

Impairment charges on Associates

Our impairment charges on associate in 2022 was RMB11.0 million compared with nil in 2021, primarily contributed by the disposal of Puhui Lixin.

Loss Before Income Tax

As a result of the foregoing, our loss before income tax decreased to RMB990.2 million in 2022 compared to RMB1,442.6 million in 2021.

Income Tax Benefit

Our income tax benefit decreased by 44.6% to RMB62.1 million in 2022 compared to RMB112.1 million in 2021, primarily due to a decrease in deferred income tax as a result of reduction in loss of entities that recognize tax benefit.

Loss for the Year

As a result of the foregoing, our loss decreased to RMB928.0 million in 2022 from RMB1,330.5 million in 2021.

B. Liquidity and Capital Resources

Liquidity

Our principal sources of liquidity of our technology solutions segment have been cash and cash equivalents, redeemable wealth management products, bank borrowings and cash generated from financing activities. Our principal sources of liquidity of our virtual bank business segment have been customer deposits from our virtual bank operation. As of December 31, 2023, we had cash and cash equivalents of RMB1,379.5 million (US$194.3 million), restricted cash and time deposits over three months of RMB447.6 million (US$63.0 million) and financial assets at fair value through profit or loss of RMB925.2 million (US$130.3 million). Our cash and cash equivalents primarily represent cash at banks, and our restricted cash and time deposits over three months consists primarily of pledged offshore bank deposits for onshore bank borrowings. Out of our cash and cash equivalents as of December 31, 2023, RMB771.5 million (US$108.7 million) was held in U.S. dollar, RMB379.6 million (US$53.5 million) was held in Renminbi, RMB210.5 million (US$29.6 million) was held in Hong Kong dollars, RMB5.8 million (US$0.8 million) was held in Singapore dollars, RMB941 thousand (US$132.5 thousand) was held in Indonesian rupiah, RMB4 thousand (US$0.6 thousand) was held in Malaysian ringgit, and RMB11.1 million (US$1.6 million) was held in Philippine Pesos. We closely monitor our cash balance and future payments obligations by preparing monthly management account and fund requirement reports to provide a timely overview of our overall cash position and liquidity and risk control measurements. Such reports will be reviewed by our chief financial officer and our financial controller. In addition, we have adopted a stringent cash management policy. We also regularly monitor our current and expected liquidity requirements to ensure that we maintain sufficient cash balances to meet our liquidity needs. As of December 31, 2023, the VIEs held RMB324.0 million (US$45.6 million) cash and cash equivalents.

As of the date of this annual report, we had credit facilities from three Chinese banks in the aggregate committed credit of RMB395.0 million (US$55.6 million).

Table of Contents

These banks are China Everbright Bank, Hua Xia Bank and Bank of China. As of the date of this annual report, we had an aggregate drawn-down of RMB145.0 million (US$20.4 million) from these three banks, with maturities ranging from May 2024 to November 2024.

The weighted average annual interest rate under our outstanding borrowings was 4.48% as of December 31, 2023. None of our credit facilities contain a material financial covenant.

We believe that taking into account the financial resources available to us, including our current cash and cash equivalents and available financing facilities, we have sufficient working capital for our present requirements and for at least the next 12 months. We may decide to expand our business 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 we may be subject to certain covenants that restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

Although we consolidate the results of the VIEs and their subsidiaries, we only have access to the assets or earnings of the VIEs and their subsidiaries through our contractual arrangements with the VIEs, their respective subsidiaries and shareholders.

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 operations in China in offshore transactions. However, most of these uses are subject to PRC regulations.

Substantially all of our future revenues are likely to continue to be in the form of 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 regulatory authority may at its discretion restrict access to foreign currencies for current account transactions in the future.

Cash Flows and Working Capital

The following table sets forth selected cash flow statement information for the years indicated:

	2021	2022	2023	
	RMB	RMB	RMB	US$
		(in thousands)		
Net cash used in operating activities	(404,334)	(745,984)	(648,461)	(91,334)
Net cash generated from investing activities	388,435	1,873,169	318,634	44,879
Net cash generated used in financing activities	(1,611,781)	(694,066)	(213,605)	(30,086)
Net (decrease)/increase in cash and cash equivalents	(1,627,680)	433,119	(543,432)	(76,541)
Cash and cash equivalents at the beginning of the year	3,055,194	1,399,370	1,907,776	268,705
Effects of exchange rate changes on cash and cash equivalents	(28,144)	75,287	15,129	2,131
Cash and cash equivalents at the end of year	**1,399,370**	**1,907,776**	**1,379,473**	**194,295**

Table of Contents

Operating Activities

Net cash used in operating activities in 2023 was RMB648.5 million (US$91.3 million), while our loss before income tax for the same period was RMB361.7 million (US$50.9 million). The difference was primarily due to adjustment for non-cash and non-operating items of RMB238.1 million (US$33.5 million) and changes in working capital. The adjustments primarily include depreciation and amortization of RMB201.3 million (US$28.4 million), which was primarily in relation to our software and platform. The changes in working capital primarily reflected (i) a decrease of RMB817.5 million (US$115.1 million) in trade and other payable as we proactively accelerated our settlement cycle with suppliers in 2023; (ii) an increase of RMB332.0 million (US$46.8 million) in customer deposits, which were related to the deposits we received in our virtual bank business; and (iii) an increase of RMB294.6 million (US$41.5 million) in financial assets measured at fair value through other comprehensive income from virtual bank, which was related to the rapid growth of the loan business of our virtual bank operation.

Net cash used in operating activities in 2022 was RMB746.0 million, while our loss before income tax for the same period was RMB990.2 million. The difference was primarily due to adjustment for non-cash and non-operating items of RMB349.3 million and changes in working capital. The adjustments primarily include (i) exchange losses of RMB312.8 million, which was related to the appreciation in U.S. dollar in 2022; and (ii) depreciation and amortization of RMB281.4 million, which was primarily in relation to our software and platform, partially offset by net gain on derivatives of RMB262.8 million, which was related to a forward exchange-rate product we purchased from Ping An Group. The changes in working capital primarily reflected (i) an increase of RMB579.0 million, in our customer deposits, which were related to the deposits we received in our virtual bank business; (ii) an increase of RMB504.9 million in financial assets measured at fair value through other comprehensive income from virtual bank, which was related to the rapid growth of the loan business of our virtual bank operation; and (iii) an increase of RMB335.4 million in prepayments and other receivables as we paid more deposits to our suppliers to support our increased purchase.

Net cash used in operating activities in 2021 was RMB404.3 million, while our loss before income tax for the same period was RMB1,442.6 million. The difference was primarily due to adjustment for non-cash and non-operating items of RMB628.5 million and changes in working capital. The adjustments primarily include (i) depreciation and amortization of RMB438.7 million, which was primarily in relation to our software and platform; and (ii) net loss on derivatives of RMB169.5 million, which was related to a forward exchange-rate product we purchased from Ping An Group. The changes in working capital primarily reflected (i) an increase of RMB1,103.5 million in financial assets at fair value through other comprehensive income, which was related to the loans we extended in our banking operation of virtual bank in 2021; (ii) an increase of RMB944.3 million in our customer deposits, which were related to the deposits we received in our virtual bank business; (iii) a decrease of RMB587.0 million in financial investments measured at amortized cost from banking operations, which was due to repayment of loans we extended in our virtual bank business in 2020; (iv) an increase of RMB530.1 million in our trade and other payable as a result of our good credit standing; and (v) an increase of RMB356.7 million in prepayment and other receivables as we paid more deposits to our suppliers to support our increased purchase.

Investing Activities

Net cash generated from investing activities in 2023 was RMB318.6 million (US$44.9 million), primarily due to (i) our proceeds from the disposal of Puhui Lixin, which was completed in June 2023, of RMB199.2 million (US$28.1 million) and (ii) the net proceeds from sales of financial assets measured at fair value through other comprehensive income of RMB123.5 million (US$17.4 million), which related to our cash management activities, partially offset by the net purchase of financial assets at fair value through profit or loss of RMB227.9 million (US$32.1 million), which was related to our cash management activities.

Net cash generated from investing activities in 2022 was RMB1,873.2 million primarily due to our proceeds from sale of financial assets at fair value through profit or loss, which was related to our cash management activities.

Net cash generated from investing activities in 2021 was RMB388.4 million primarily due to (i) our proceeds from sale of financial assets at fair value through profit or loss of RMB7,020.0 million, which related to our cash management activities; (ii) refund of restricted cash and time deposits over three months, net of RMB1,206.6 million in relation to release of the pledge of offshore proceeds from our previous financings due to the decrease in our onshore bank borrowings. The cash inflows were partially offset by our payment for financial assets at fair value through profit or loss of RMB7,577.7 million, which related to our cash management activities.

Table of Contents

Financing Activities

Net cash used in financing activities 2023 was RMB213.6 million (US$30.1 million), primarily due to repayments of short-term borrowings of RMB273.0 million (US$38.5 million) and lease payments of RMB60.9 million (US$8.6 million) and settlement of a payable for purchase of shares held for the Company's share incentive scheme of RMB88.3 million (US$12.4 million), partially offset by proceeds from short term borrowings of RMB235.0 million (US$33.1 million).

Net cash used from financing activities 2022 was RMB694.1 million, primarily due to repayments of short-term borrowings.

Net cash used in financing activities in 2021 was RMB1,611.8 million, primarily due to repayments of short-term borrowings of RMB2,376.9 million, partially offset by RMB912.9 million for proceeds from short-term borrowings.

Capital Expenditures

Our capital expenditures were RMB128.0 million, RMB67.9 million and RMB37.5 million for 2021, 2022 and 2023. These capital expenditures primarily comprised expenditures for the purchase of property and equipment, intangible assets and other long-term assets. We will continue to make capital expenditures to meet the needs of the expected growth of our business.

Holding Company Structure

OneConnect Financial Technology Co., Ltd. is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiaries and the VIEs in China. We face various restrictions and limitations on foreign exchange; our ability to transfer cash between entities, across borders and to our investors; and our ability to distribute earnings from our subsidiaries and/or the VIEs, to us and holders of our securities as well as the ability to settle amounts owed under the contractual arrangements with the VIEs. If our subsidiaries or any newly formed subsidiaries 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 subsidiaries 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. Pursuant to laws applicable to entities incorporated in the PRC, our subsidiaries in the PRC must make appropriations from after-tax profit to non-distributable reserve funds. In particular, subject to certain cumulative limits, the statutory reserve fund requires an annual appropriation of 10% of after-tax profit (as determined under accounting principles generally accepted in the PRC at each year-end) until the accumulative amount of such reserve fund reaches 50% of a PRC subsidiary's registered capital. These reserve funds can only be used for such specific purposes as provided in PRC laws, and are not distributable as cash dividends. In addition, due to restrictions on the distribution of share capital from our PRC subsidiaries, the share capital of our PRC subsidiaries is considered restricted.

Due to various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we and the VIEs may not be able to obtain the necessary government approvals or complete the necessary government registrations or other procedures on a timely basis, or at all, with respect to future loans by us to our PRC subsidiaries or the VIEs or with respect to future capital contributions by us to our PRC subsidiaries. This may delay or prevent us from using our offshore funds to make loans or capital contribution to our PRC subsidiaries and the VIEs, and thus may restrict our ability to execute our business strategy, and materially and adversely affect our liquidity and our ability to fund and expand our business.

In addition, uncertainties regarding the interpretation and implementation of the contractual arrangements with the VIEs could limit our ability to enforce such agreements. If the PRC authorities determine that the contractual arrangements constituting part of the VIE structure do not comply with PRC regulations, or if current regulations change or are interpreted differently in the future, our ability to settle amount owed by the VIEs under the VIE agreements may be seriously hindered.

Furthermore, due to restrictions on foreign exchange placed on our PRC subsidiaries and the VIEs by the PRC regulatory authority under PRC laws and regulations, to the extent cash is located in the PRC or within a PRC-domiciled entity and may need to be used to fund our operations outside of the PRC, the funds may not be available due to such limitations unless and until related approvals and registrations are obtained. Under regulations of the SAFE, the Renminbi

is not convertible into foreign currencies for capital account items, such as loans, repatriation of investments and investments outside of China, unless the prior approvals and registrations of the SAFE and other competent PRC authorities are obtained.

Table of Contents

C. Research and Development, Patents and Licenses, etc.

Over the past three years, we invest significant resources in research and development—not only to support our existing business and enhance our existing product and service offerings—but also to incubate new technological and business initiatives to enable us to continue to lead our competition.

See "Item 4. Information on the Company—B. Business Overview—Research and Development," 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 2023 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 IFRS as issued by the IASB. Preparing these financial statements in conformity with IFRS as issued by the IASB requires the use of certain critical accounting estimates and also requires us to exercise judgments in the process of applying our accounting policies. We evaluate our estimates and judgments on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results may differ from these estimates. For a detailed discussion of our significant accounting policies and related judgments, see "Notes to Consolidated Financial Statements – Note 3 Summary of accounting policy information and Note 4 Critical accounting estimates and judgements."

Consolidation of VIEs

We exercise control over the VIEs and have the right to recognize and receive substantially all the economic benefits through the Contractual Arrangements. We consider that we control the VIEs notwithstanding the fact that we do not hold direct equity interests in the VIEs, as we have power over the financial and operating policies of the VIEs and receive substantially all the economic benefits from the business activities of the VIEs through Contractual Arrangements. Accordingly, all these VIEs are accounted for as controlled structured entities and their financial statements have also been consolidated by us.

Impairment of Intangible Assets Including Goodwill

We are required to test impairment for goodwill, and intangible assets not ready for use on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Other intangible assets are tested whenever events or changes in circumstances indicate that the carrying amount of those assets exceeds their recoverable amount. Intangible assets are tested for impairment based on the recoverable amount of the cash generating unit (the "CGU") to which these assets are related. The recoverable amount is determined based on the higher of fair value less costs to sell and value in use.

Determination of the value in use is an area involving management judgment in order to assess whether the carrying value of intangible assets can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain areas including management's expectations of (i) revenue growth rates; (ii) long-term growth rate; (iii) pre-tax discount rate; and (iv) profit margin.

Our management has conducted impairment assessments of intangible assets for the years ended December 31, 2021, 2022, and 2023. For detailed impairment test results and the impact of reasonable possible changes in the significant assumptions of goodwill impairment testing, please refer to Note 14 to our audited consolidated financial statements included elsewhere in this annual report.

Table of Contents

Recognition of share-based compensation expenses

Equity-settled share-based compensation schemes were established for the employees. Our directors have used applicable models to determine the grant date fair value of the options or restricted shares granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by our directors in applying relevant models. The values of options or restricted shares are subject to subjectivity and uncertainty relating to the assumptions and limitation of the model used to estimate such values. In addition, we are required to estimate the percentage of grantees that will remain in employment with us and whether the performance conditions for vesting will be met at the end of the vesting period. We only recognize an expense for those share options or restricted shares expected to vest over the vesting period.

Income Taxes

We are subject to income taxes in numerous jurisdictions. Judgement is required in determining the provision for income taxes.

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the deductible temporary difference can be utilized. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary difference is related to losses, relevant tax law is considered to on a jurisdictional basis determine the availability of the losses to offset against the future taxable profits.

Significant items on which we have exercised accounting judgment include recognition of deferred tax assets in respect of tax losses. Recognition of the deferred tax assets involves judgment regarding our future financial performance.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact current income tax and deferred income tax in the period in which such determination is made

Impairment of Financial Assets Measured at Amortized Costs

We apply expected credit losses model in measuring impairment of trade receivables, contract assets, other receivables, loans and advances to customers. The expected loss rates are based on our past loss experiences, existing market conditions as well as forward looking estimates at the end of each reporting periods.

Impact of Recently Issued Accounting Standards

A list of recently issued accounting pronouncements that are relevant to us is included in note 3 to our consolidated financial statements included elsewhere in this annual report.

Table of Contents

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

Directors and Executive Officers	Age	Position/Title
Chongfeng Shen	53	Chairman of the Board of Directors and Chief Executive Officer
Michael Guo	52	Director
Wenwei Dou	58	Director
Wenjun Wang	56	Director
Xin Fu	44	Director
Yaolin Zhang	66	Independent Director
Tianruo Pu	55	Independent Director
Wing Kin Anthony Chow	73	Independent Director
Ernest Ip	63	Independent Director
Runzhong Huang	51	Executive Vice President
Yongtao Luo	49	Chief Financial Officer

Mr. Chongfeng Shen joined us in October 2021 and is currently our chief executive officer and our chairman of the board of directors. Mr. Shen is mainly responsible for our Group's overall management. Prior to joining us, Mr. Shen worked at Kingdee Software (China) Co., Ltd. ("Kingdee China") from November 1998 to October 2021, where he successively served as a department manager of Shenzhen Branch, the general manager of Dongguan Branch, the general manager of Shenzhen Branch, the general manager of South China, and as a senior vice president, the president and the rotating president of Kingdee China. Mr. Shen has rich experience in business management. Before joining Kingdee China, Mr. Shen was a lecturer at Changchun University of Science and Technology, China (now known as Jilin University). Mr. Shen received his bachelor 's degree in engineering from Changchun College of Geology, China (now known as Jilin University) in July 1992 and his master 's degree in engineering from Changchun University of Science and Technology, China (now known as Jilin University) in July 1996.

Mr. Michael Guo joined us in November 2023 as a director, and is mainly responsible for providing professional opinion and judgment to the Board. Mr. Guo is also currently serving as the co-chief executive officer and senior vice president of Ping An Group. Ping An is a company listed on both the Shanghai Stock Exchange (stock code: 601318) and the Hong Kong Stock Exchange (stock code: 2318), and is a controlling shareholder of the Company. Mr. Guo joined Ping An Group in September 2019 and successively served as the special assistant to the chairman and executive vice president of Ping An Property & Casualty Insurance Company of China, Ltd., and as the vice chief human resources officer and the chief human resources officer of Ping An Group. Prior to joining Ping An Group, Mr. Guo served as a partner and a managing director at Boston Consulting Group, and a global co-chief executive officer of capital market businesses at Wills Towers Watson. Mr. Guo obtained his bachelor's degree in information and control engineering from Xi'an Jiaotong University and MBA degree from the University of New South Wales.

Mr. Wenwei Dou joined us in October 2017 as a director. Mr. Dou has also served as a director of Shenzhen OneConnect since December 2017. Mr. Dou is mainly responsible for providing professional opinion and judgment to the Board. Mr. Dou also serves as a director in various entities within the Ping An HealthKonnect group and as a director or supervisor within the Lufax group. Between October 2017 and February 2020, Mr. Dou served as a non-executive director of Ping An Good Doctor. Mr. Dou joined Ping An Group in April 1997, and had served in various legal and compliance positions since then. Mr. Dou received his bachelor's degree and master's degree in law from Jilin University, China in July 1989 and May 1994, respectively.

Table of Contents

Ms. Wenjun Wang has served as our director since November 2021, and is mainly responsible for providing professional opinion and judgment to the Board, after having previously served as our director between October 2017 and June 2019. Ms. Wang joined our Group in September 2017 as a director of Shenzhen OneConnect. Ms. Wang joined Ping An Group in 1996. She served as the general manager of staff service management of the human resources center in Ping An Group from June 1996 to March 2011, the employee representative supervisor from May 2006 to March 2011, the general manager of the party working department of Ping An Bank Co., Ltd ("Ping An Bank"), a company listed on the Shenzhen Stock Exchange (stock code: 000001) from March 2011 to September 2022, and a general manager of the security department of Ping An Bank from April 2013 to November 2016. Ms. Wang received her bachelor 's degree of arts in English from Shanghai International Studies University, China in July 1989 and her master 's degree of public administration from Xi'an Jiaotong University, China in June 2006. Ms. Wang obtained an economics professional qualification (intermediate) from the Shenzhen position management office, China (now known as Shenzhen Human Resources and Social Security Bureau, China) in November 1997.

Ms. Xin Fu has served as our director since November 2022, and is mainly responsible for providing professional opinion and judgement to the Board. She is currently serving as the senior vice president of Ping An Group. She joined Ping An Group in October 2017 as the general manager of its planning department, and successively served as the deputy chief financial officer, the director of the strategic development center and chief operating officer of Ping An Group. Ms. Fu has been serving as a director of Lufax Holding Ltd., a company listed on both the Hong Kong Stock Exchange (stock code: 6623) and the NYSE (stock code: LU), since November 2022, and as a director of Ping An Healthcare and Technology Company Limited, or Ping An Good Doctor, a company listed on the Hong Kong Stock Exchange (stock code: 1833) since March 2023. Ms. Fu has also been serving as a non-executive director of Ping An Life Insurance Company of China, Ltd. and Ping An Asset Management Co., Ltd. since September 2023 and April 2023, respectively. Prior to joining Ping An Group, Ms. Fu served as a partner of Roland Berger Management consulting in financial services practices, and as an executive director of PricewaterhouseCoopers, responsible for coordinating projects such as in finance and fintech services for over 10 years. Ms. Fu received a master's degree in business administration from Shanghai Jiao Tong University, PRC, in June 2012.

Dr. Yaolin Zhang has served as our independent director since February 2019. Dr. Zhang is mainly responsible for providing independent opinion and judgment to the Board. Dr. Zhang has more than 30 years of experience in finance and banking. Dr. Zhang served as chairman of the board of directors and chief executive officer of Shenzhen Ya Zhi Mei Ju Information Technology Co., Ltd. from February 2019 to September 2023, and has been serving as an independent director of the Bank of Ningxia Co., Ltd. since December 2019 and as an independent director of Dongguan Trust Co., Ltd. since August 2019. Dr. Zhang was independent director of Bank of Luoyang Co., Ltd. from August 2017 to May 2022. Dr. Zhang was the person responsible for the establishment of the Shenzhen branch of Shanghai Pudong Development Bank ("SPD Bank"), and served as president of the branch from August 2010 to May 2015. Prior to that, Dr. Zhang served as a vice president of Ping An Bank from November 2008 to August 2010. From June 1998 to October 2008, Dr. Zhang served in various positions in SPD Bank, including as vice president and president of the Guangzhou branch and vice president of SPD Bank. From July 1987 to June 1998, Dr. Zhang served in various management positions at China Construction Bank. Dr. Zhang received his bachelor 's degree of science in physics from Fudan University, China in October 1982, his master 's degree in economics from Wuhan University, China in August 1987, his doctorate degree in law from Wuhan University, China in June 1996, and his executive master of business administration degree from the China Europe International Business School, China in June 2007.

Mr. Tianruo Pu has served as our independent director since September 2019. Mr. Pu is mainly responsible for providing independent opinion and judgment to the Board. Mr. Pu currently serves as an independent director of various listed companies, including Fresh2 Group Limited (formerly known as AnPac Bio-Medical Science Co., Ltd.) (formerly NASDAQ: ANPC; now NASDAQ: FRES) since October 2022, Autohome Inc. listed on the Hong Kong Stock Exchange (stock code: 2518) and the NYSE (stock code: ATHM), since December 2016, and 3SBio Inc. listed on the Hong Kong Stock Exchange (stock code: 1530), since May 2015. Previously, Mr. Pu served as a director of various companies listed on the NYSE or NASDAQ, including Renren Inc. (NYSE: RENN) from December 2016 to July 2020, Kaixin Auto Holdings (NASDAQ: KXIN) from April 2019 to July 2020, Luckin Coffee Inc. (NASDAQ: LK) from March 2020 to June 2020 and JMU Limited (now known as Mercurity Fintech Holding Inc.) (formerly NASDAQ: JMU; now NASDAQ: MFH) from April 2015 to November 2019. Mr. Pu has extensive work experience in finance and accounting in both the United States and China. Mr. Pu served as the chief financial officer of various companies, including Zhaopin Ltd. (formerly NYSE: ZPIN) from 2016 to 2018, UTStarcom Holdings Corp. (NASDAQ: UTSI) from 2012 to 2014 and China Nuokang Bio-Pharmaceutical Inc. (formerly NASDAQ: NKBP) from 2008 to 2012. Mr. Pu received his bachelor's degree of arts in diplomatic English from China Foreign Affairs University, China in July 1991, his master 's degree of

science in accounting from the University of Illinois, United States in May 1996 and his master ’s degree in business administration from the J. L. Kellogg Graduate School of Management at Northwestern University, United States, in June 2000.

Table of Contents

Mr. Wing Kin Anthony Chow has served as our independent director since October 2020. Mr. Chow is mainly responsible for providing independent opinion and judgment to the Board. Mr. Chow has been serving as a non-executive director of Kingmaker Footwear Holdings Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 1170), since May 1994, an independent non-executive director of Ping An Good Doctor since May 2018 and an independent non-executive director of Beijing North Star Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0588), since May 2021. He was also an independent non-executive director of MTR Corporation Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0066), between May 2016 and May 2022, and an independent non–executive director of S.F. Holding Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 2352), between December 2016 and December 2022. Mr. Chow is a solicitor admitted to practice in Hong Kong and England and Wales. He has been a practicing solicitor in Hong Kong for more than 40 years and is the senior consultant of Messrs. Guantao & Chow Solicitors and Notaries and the global chairman of Beijing Guantao Law Firm. Mr. Chow is a China-appointed attesting officer. Mr. Chow was a member of The National Committee of the Chinese People's Political Consultative Conference from 2003 to 2023, the president of The Law Society of Hong Kong from 1997 to 2000, chairman of the Process Review Panel for the SFC from 2006 to 2012 and chairman of Process Review Panel for the Financial Reporting Council from 2015 to 2020. Mr. Chow was awarded the Justice of the Peace in 1998 and the Silver Bauhinia Star medal in 2003 by the Hong Kong Special Administrative Region. He was also awarded the Honorary Fellowship of the Hong Kong Institute of Education in 2010, the Honorary Fellowship of King's College London in July 2013, the Roll of Honor by the Law Society of Hong Kong in 2015, Doctor of Social Science honoris causa of Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong) in December 2018, and Doctor of Laws honoris causa of The Hong Kong University of Science and Technology in November 2021.

Mr. Ernest Ip has served as our independent director since November 2021. Mr. Ip is mainly responsible for providing independent opinion and judgment to the Board. Mr. Ip has over 35 years of experience in accounting and auditing. Mr. Ip has been serving as the group chief financial officer of the Fung Group since 2019, which comprises, among others, Li & Fung Limited, a company formerly listed on the Hong Kong Stock Exchange (stock code: 0494), Fung (1937) Management Limited and Convenience Retail Asia Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0831). Mr. Ip has also been serving an independent director of PAOB since August 2021, and an independent non-executive director of Media Chinese International Limited, a company listed on both the Hong Kong Stock Exchange (stock code: 0685) and Bursa Malaysia Securities Berhad (stock code: 5090), since July 2021. As an independent non-executive director of PAOB, Mr. Ip has the general responsibility of providing independent advice and guidance to the board of PAOB without involvement in its daily operations and management. Additionally, Mr. Ip is a member of the board risk management committee and chairperson of the board audit committee of PAOB, and is responsible for overseeing, monitoring and reviewing PAOB's risk management framework and structure, financial reporting, internal audit function and the work of PAOB's external auditor. Prior to joining the Fung Group, Mr. Ip was a partner at PricewaterhouseCoopers Limited from 1993 until his retirement in 2019. Mr. Ip holds several key positions in regulatory authorities and business associations. Currently, Mr. Ip is a member of the Takeovers & Mergers Panel of the SFC and the Takeovers Appeal Committee of the SFC. He is also a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, the vice president of the Council for the Promotion of Guangdong-Hong Kong-Macao cooperation and a senior advisor of the Accounting Professional Committee for Hong Kong region of the Council for the Promotion of Guangdong-Hong Kong-Macao cooperation. He was the Listing Committee member of the Hong Kong Stock Exchange from 2003 to 2009, a member of the Dual Filing Advisory Group of the SFC from 2008 to 2014 and the president of the Hong Kong Business Accountants Association in 2022. Mr. Ip graduated with a professional diploma in accountancy from the accounting faculty of the Hong Kong Polytechnic, Hong Kong (now known as Hong Kong Polytechnic University) in November 1984. Mr. Ip has been a fellow member of the Association of Chartered Certified Accountants since February 1992, a member of the Hong Kong Institute of Certified Public Accountants since December 1994 and a fellow member of the Certified Practising Accountant Australia since February 2012.

Dr. Runzhong Huang joined our Group in March 2019 and is currently our executive vice president. Dr. Huang is mainly responsible for business development. Dr. Huang has also been serving as the chairman of the supervisory committee of Shenzhen OneConnect since January 2019 and represented Shenzhen OneConnect as the secretary-general of the Internet Finance Association of Small and Medium-sized Banks (Shenzhen) since April 2019. From July 2016 to December 2018, Dr. Huang served as the secretary-general of the China Banking Association. From October 2014 to July 2016, Dr. Huang served as a supervisor on the board of The Export-Import Bank of China. Prior to that, Dr. Huang worked for the National Audit Office of the PRC from August 2011 to October 2014 and the China Banking and Insurance Regulatory Commission from September 2003 to August 2011. Dr. Huang received his bachelor 's degree in law from the China Youth University of Political Studies, China in July 1994, a master 's degree in economics from

Renmin University of China, China in January 2000, and a doctorate degree in economics from Peking University, China in June 2003.

Table of Contents

Mr. Yongtao Luo joined us in April 2021 and is currently our chief financial officer. Mr. Luo is mainly responsible for the Company's finance and planning. Mr. Luo served as a chairman of the board of directors of Ping An Basic Industry Investment Fund Management Company from 2019 to 2021. Prior to joining our Company, Mr. Luo also served in various positions at Ping An Annuity Insurance Company, including as vice president, the chief financial officer, the chief actuary, the board secretary, and as the general manager of the corporate planning actuarial department from February 2010 to April 2021. Mr. Luo received a bachelor 's degree of science in probability and statistics with honors from the School of Mathematics, Peking University, China in July 1997, and a master 's degree of science in actuarial and management sciences with honors from the University of Manitoba, Canada in October 2000. Mr. Luo is a fellow of the Society of Actuaries since August 2004, the Canadian Institute of Actuaries since December 2005, and the China Association of Actuaries since January 2008.

B. Compensation

In 2023, we paid an aggregate of approximately RMB18.7 million (US$2.6 million) in cash to our directors and executive officers. 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, employment injury insurance, maternity insurance and other statutory benefits and a housing provident fund.

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct. If the executive officer otherwise fails to perform agreed duties, we may terminate employment upon one-week to 30-day advance written notice. We may also terminate an executive officer's employment upon mutual agreement or 30-day advance written notice. In such case of termination by us, we will provide severance payments to the executive officer as expressly required by applicable law of the jurisdiction where the executive officer is based. Our executive officer may resign at any time upon mutual agreement or 30-day advance written notice.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any of our confidential information or trade secrets, any confidential information or trade secrets of our clients or prospective clients, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all information with economic value, including but not limited to inventions, works and software, which they conceive, develop or reduce to practice during the executive officer's employment with us and one year following the last date of employment, and to assign all right, title and interest in them to us, and assist us in obtaining and enforcing patents, copyrights and other legal rights for information with economic value.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and under certain circumstances, for certain additional periods as we shall determine upon the termination of the employment. Specifically, each executive officer has agreed not to (i) assume employment with or provide services to any of our competitors, whether as full-time or part-time, or engage in, whether as principal, partner, shareholder or otherwise, any business competing with us; or (ii) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer's termination, or in the year preceding such termination.

We have entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we may agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.

Table of Contents

Share Incentive Plan

We adopted a share incentive plan in November 2017, which was amended and restated in September 2019, the 2019 Plan.

In September 2020, we purchased at par value of the 66,171,600 ordinary shares indirectly held by Xin Ding Heng through Sen Rong and deposited these shares to the depositary of our ADS program for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our 2019 Plan, or the ESOP Platform Restructuring, to facilitate employees' exercise of share incentive awards. Along with the ESOP Platform Restructuring, we further amended and restated our 2019 Plan in September 2020, which we refer to as the 2020 Plan. The 2020 Plan was further amended and restated prior to our Hong Kong listing to increase the number of ordinary shares available for award grant purpose and to comply with Hong Kong listing rules.

After these amendments and restatement, the ordinary shares that can be issued under the 2020 Plan is 101,271,020. As of March 31, 2024, there were 37,062,027 ordinary shares underlying the outstanding grants under the 2020 Plan. For the avoidance of doubt, awards granted pursuant to the 2020 Plan prior to the Hong Kong listing date will not be subject to the provisions of the Hong Kong Listing Rules.

The following is a summary of the principal terms of the 2020 Plan currently in effective.

Purpose. The purpose of the Stock Incentive Plan is to attract and retain the best available personnel to promote our long-term sustainable development, maximize shareholder value, and to achieve to a win-win outcome for our Company, our shareholders and our employees.

Type of Awards. The 2020 Plan permits the award of options, performance share units or any other types of share-based awards to purchase our ordinary shares. At the discretion of Board or any other person designated by the Board as administrator, ADSs in an amount equivalent to the number of ordinary shares which would otherwise be distributed pursuant to an award under the 2020 Plan, may be distributed in lieu of ordinary shares in settlement of any award.

Award Agreement. Awards granted under the 2020 Plan are 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 of the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award. We will also comply with the requirements under Chapter 14A of the Hong Kong Listing Rules and any other provisions under the Hong Kong Listing Rules (to the extent applicable) with respect to the grant of options, performance share units or other types of share-based awards (including the grant of awards with respect to the ordinary shares issued to the depositary for bulk issuance of ADSs) to connected persons after the listing on the Hong Kong Stock Exchange.

Eligible Participants. Our employees or any other individual as determined by the plan administrator, in its sole discretion, is eligible to participate in the 2020 Plan.

Exercise of Options. Vested options will become exercisable after twelve months after an initial public offering of our ordinary shares.

Vesting Schedule. Except as otherwise approved by the board of directors and subject to forfeiture and arrangement on termination of employment or service, awards granted will be vested in four years and up to 25% of the awards will become vested in any given year, provided that the vesting of performance share units shall be further subject to the termination of the lock-up period of the initial public offering of our ordinary shares. The first vesting date shall be the first anniversary date of the grant date (or the next day if there is no anniversary date). The number of awards vested each year is subject to adjustment based on a performance index each year. For the first three vestings, any unvested portion of awards due to adjustment of the performance index can be, and can only be, carried over to the next vesting. For the fourth vesting, any unvested portion due to adjustment of the performance index will be forfeited. In addition, awards that can be vested in a year will be forfeited if certain performance index is not met.

Administration. The 2020 Plan is administered by our board of directors, or any director, committee or such person designated by our board for this purpose. Our board of directors, in its sole discretion, has the right to: (i) construct and interpret the provisions of the 2020 Plan, (ii) determine persons who receive awards, and the terms and conditions on which the award is granted, and when the awards granted may be vested or exercised (iii) make appropriate and fair

adjustments to the terms of the award granted whenever it thinks necessary, and (iv) make such other decisions and determinations as it thinks appropriate in the course of administration of the 2020 Plan.

Table of Contents

Lapse of Awards. An award issued under the 2020 Plan shall lapse automatically under certain circumstances, including but not limited to, the expiration of awards period, termination of employment for cause, operation of competing business with us during employment and within three years after termination of employment, and the tenth anniversary of the grant date of such award.

Amendment and Termination. Our board of directors may amend or discontinue the 2020 Plan. In particular, the specific provisions which relate to the matters set out in Rule 17.03 of the Hong Kong Listing Rules cannot be altered to the advantage of the grantees. Changes to the authority of directors or the administrator of the 2020 Plan in relation to any alteration to the terms of the 2020 Plan cannot be made without the prior approval of our shareholders in general meeting.

Unless terminated earlier, the 2020 Plan has a term of ten years. Termination of the 2020 Plan prior to its expiry will not materially and adversely affect any option previously granted but not yet exercised at the time of termination, unless mutually agreed otherwise between the grantee and the administrator of the 2020 Plan, which agreement must be in writing and signed by the grantee and us.

Transfer Restrictions. Unless otherwise provided by law and agreed by the administrator of the 2020 Plan, an option is personal to the grantee and may not be assigned or transferred or disposed of in any manner.

The following table summarizes, as of March 31, 2024, the awards issued under the 2020 Plan to our directors, executive officers and other grantees.

Name	Ordinary Shares Underlying Outstanding Options/Performance Share	Exercise Price (RMB/Share)	Date of Grant	Date of Expiration
Chongfeng Shen	*(1)	NA	January 2, 2022	January 1, 2032
	*(1)	NA	December 16, 2022	December 15, 2032
Runzhong Huang	*	52.00	June 1, 2019	May 31, 2029
	*(1)	NA	June 21, 2021	June 20, 2031
	*(1)	NA	October 12, 2021	October 11, 2031
	*(1)	NA	December 16, 2022	December 15, 2032
Yongtao Luo	*(1)	NA	October 12, 2021	October 11, 2031
	*(1)	NA	December 16, 2022	December 15, 2032
Other grantees	*	From 1.33 to 52.00	From November 7, 2017 to July 26, 2019	From November 6, 2027 to July 25, 2029
	25,161,498(1)	NA	From September 10, 2019 to January 2, 2023	From September 9, 2029 to January 1, 2033

* Less than 1% of our total outstanding shares.
(1) Performance share units.

C. Board Practices

Board of Directors

Our board of directors consists of nine directors, including four independent directors, namely Yaolin Zhang, Tianruo Pu, Wing Kin Anthony Chow and Ernest Ip. A director is not required to hold any shares in our company by way of qualification. The Corporate Governance Rules of the New York Stock Exchange generally require that a majority of an issuer's board of directors must consist of independent directors. However, the Corporate Governance Rules of the New York Stock Exchange permit foreign private issuers like us to follow "home country practice" in certain corporate governance matters. We rely on this "home country practice" exemption and do not have a majority of independent directors serving on our board of directors.

Table of Contents

A director may vote with respect to any contract, proposed contract or arrangement in which he is materially interested, provided that (a) such director, if his or her interest in such contract or arrangement is material, has declared the nature of his or her interest at the earliest meeting of the board at which it is practicable for him or her to do so, either specifically or by way of a general notice and (b) if such contract or arrangement is a transaction with a related party, such transaction has been approved by the audit committee. The directors may exercise all the powers of the company to borrow money, mortgage its undertaking, 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. None of our directors has a service contract with us that provides for benefits upon termination of service as a director.

Committees of the Board of Directors

We have established an audit committee and a compensation and nomination committee. We have adopted a charter for each of these committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Tianruo Pu, Wing Kin Anthony Chow and Ernest Ip. Tianruo Pu is the chairman of our audit committee. We have determined that Tianruo Pu, Wing Kin Anthony Chow and Ernest Ip each satisfies the "independence" requirements of Section 303A of the Corporate Governance Rules of the NYSE and meets the independence standards under Rule 10A-3 under the Exchange Act, as amended. We have determined that Tianruo Pu and Ernest Ip 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:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Compensation and Nomination Committee. Our compensation and nomination committee consists of Yaolin Zhang, Michael Guo and Wing Kin Anthony Chow. Yaolin Zhang is the chairman of our compensation and nomination committee. We have determined that Yaolin Zhang and Wing Kin Anthony Chow each satisfies the "independence" requirements of Section 303A of the Corporate Governance Rules of the NYSE. The compensation and nomination committee assists the board in (i) reviewing and approving the compensation plan, including all forms of compensation, relating to our directors and executive officers, (ii) selecting individuals qualified to become our directors, and (iii) determining the composition of the board and its committees. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation and nomination committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements;

Table of Contents

- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person's independence from management;
- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Duties of Directors

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also have a duty to exercise skills they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than what may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care, and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time, and the class rights vested thereunder in the holders of the shares. Our company has the right to seek damages if a duty owed by our directors is breached. A shareholder may in certain circumstances have rights to damages if a duty owed by the directors is breached.

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of the officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares in our company, including the registration of such shares in our share register.

Terms of Directors and Officers

Our directors may be elected by an ordinary resolution of our shareholders and the appointment of such directors should first be approved by the board of directors or any committee of the board. Alternatively, our board of directors may, by the affirmative vote of a simple majority of the directors present and voting at a board meeting appoint any person as a director to fill a casual vacancy on our board or as an addition to the existing board. Our directors are not automatically subject to a term of office and hold office until such time as they are removed from office by an ordinary resolution of our shareholders. In addition, a director will cease to be a director if he (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found to be or becomes of unsound mind; (iii) resigns his office by notice in writing; (iv) without special leave of absence from our board, is absent from meetings of our board for three consecutive meetings and our board resolves that his office be vacated; or (v) is removed from office pursuant to any other provision of our articles of association.

Our officers are appointed by and serve at the discretion of the board of directors, and may be removed by our board of directors.

Table of Contents

D. Employees

The following table sets forth the number of our employees by function as of December 31, 2023.

Function	
Research and Development	1,359
Business Operations	301
Sales and Marketing	523
General Administration	257
Total	**2,440**

As of December 31, 2021, 2022 and 2023, we had 3,842, 2,832 and 2,440 employees, respectively. Among these employees, as of December 31, 2023, 224 employees were based outside of China. A large number of our employees had prior experience in technology companies or financial institutions.

We enter into standard labor contracts with our full-time employees. We also enter into non-compete and confidentiality agreements with certain employees. These non-compete provisions are applied based on the importance of the positions and other relevant factors.

Our success depends on our ability to attract, retain and motivate qualified personnel. We primarily recruit our employees in China through recruitment agencies, on-campus job fairs and online channels including our corporate website and social media platforms. We have adopted a training policy, pursuant to which management, technology and other training is regularly provided to our employees by internal speakers and external consultants. We believe our training culture has contributed to our ability to recruit and retain qualified employees.

As required under Chinese law and regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, maternity, work-related injury and unemployment benefit plans. We are required under Chinese laws to make contributions to employee benefit plans at specified percentages of salaries, bonuses, and certain allowance of our employees, up to a maximum amount specified by the local government.

During the years ended 2021, 2022 and 2023, we had not experienced any strikes or major disputes with our employees. We believe that we have maintained a good working relationships with our employees.

E. Share Ownership

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our ordinary shares as of March 31, 2024:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our ordinary shares.

The calculations in the table below are based on 1,169,980,653 ordinary shares issued and outstanding as of the date of March 31, 2024.

Table of Contents

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 as of March 31, 2024, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Ordinary Shares Beneficially Owned	
	Number	%
Directors and Executive Officers*:		
Chongfeng Shen	*	*
Michael Guo	—	—
Wenwei Dou	—	—
Wenjun Wang	—	—
Xin Fu	—	—
Yaolin Zhang	—	—
Tianruo Pu	—	—
Wing Kin Anthony Chow	—	—
Ernest Ip	—	—
Runzhong Huang	*	*
Yongtao Luo	*	*
All Directors and Executive Officers as a Group	*	*
Principal Shareholders:		
Rong Chang Limited(1)	385,077,588	32.9 %
Bo Yu Limited(2)	375,764,724	32.1 %
Sen Rong Limited(3)	188,061,642	16.1 %

* Less than 1% of our total outstanding ordinary shares.

** Except as otherwise indicated below, the business address of our directors and executive officers is 21/24F, Ping An Finance Center, No. 5033 Yitian Road, Futian District, Shenzhen, Guangdong, People's Republic of China. For each person and group included in this column, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of the total number of shares issued and outstanding and the number of shares such person or group has the right to acquire upon exercise of an option, warrant or other right within 60 days from March 31, 2024. The total number of ordinary shares issued and outstanding as of March 31, 2024 is 1,169,980,653.

(1) The number of ordinary shares beneficially owned represents (i) 197,015,946 ordinary shares held of record by Rong Chang Limited, or Rong Chang, and (ii) 188,061,642 ordinary shares held of record by Sen Rong Limited, or Sen Rong, as reported in the Schedule 13G filed by Rong Chang, among others, on February 13, 2023.

On August 3, 2020, Rong Chang Limited and Sen Rong Limited entered into an acting-in-concert agreement (the "Acting-in-Concert Agreement"), which was subsequently amended on May 12, 2021 and on October 17, 2022. Pursuant to the Acting-in-Concert Agreement, as amended, Sen Rong Limited agreed to act together with Rong Chang Limited for purpose of exercising Sen Rong Limited's shareholders' rights in the Company, including in relation to the voting and disposition of the Company's shares it holds, and Sen Rong Limited agreed to appoint Rong Chang Limited as its proxy to attend and vote its shares in the Company's shareholders' meetings. As a result, (i) Rong Chang and Sen Rong may be deemed to have formed a group, which may be deemed to beneficially own all the Company's ordinary shares held of record by Rong Chang and Sen Rong, collectively, and (ii) Rong Chang may be deemed to beneficially own all the Company's ordinary shares held of record by Sen Rong, as well as all the Company's ordinary shares of which it is a record holder. Rong Chang Limited disclaims beneficial ownership of these shares, except to the extent of its pecuniary interests therein.

Table of Contents

Rong Chang is a company incorporated in the BVI, and established as an investment vehicle for a diverse base of over 100 senior employees of Ping An and its subsidiaries or associates (the "RC Beneficiaries"). Rong Chang is directly held by two of our directors, Mr. Wenwei Dou and Ms. Wenjun Wang, as to 50% each as nominees on behalf of the RC Beneficiaries, who are only entitled to economic interests in our Company held through Rong Chang. The RC Beneficiaries include certain directors of Ping An Group and four of our directors, namely Ms. Rong Chen, Ms. Sin Yin Tan, Mr. Wenwei Dou and Ms. Wenjun Wang. None of the RC Beneficiaries has more than 2% economic interest in the Company. The nominee shareholders act upon, and vote and pass resolutions in relation to the matters of Rong Chang, in accordance with the instructions from a five-person management committee (the "RC Management Committee"). As of the date of this annual report, the five members of the RC Management Committee represent the RC Beneficiaries in making investment decisions for and supervise the management and operation of Rong Chang. The RC Management Committee consists of Mr. Jun Yao, the chairman of the labor union of Ping An Group, Mr. Jianrong Xiao, the general manager of the division of party and masses' affairs and the vice chairman of the labor union of Ping An Group, Mr. Peng Gao, the head of organization and human resources department and the general manager of remuneration planning department of Ping An Group, and two of our directors, Mr. Wenwei Dou and Ms. Wenjun Wang.

(2) The number of ordinary shares beneficially owned represents (i) 353,077,356 ordinary shares held of record by Bo Yu Limited (463,942,341 ordinary shares if including up to 88,177,617 ordinary shares that Bo Yu Limited has the right to acquire upon the exercise of the Offshore Call Options (as defined below) within 60 days), a company incorporated in the British Virgin Islands, and (ii) 22,687,368 ordinary shares, represented by 758,245.6 ADSs that China Ping An Insurance Overseas (Holding) Limited, or Ping An Overseas, a limited liability company incorporated in Hong Kong, as reported in the Schedule 13G filed by Bo Yu Limited, among others, on February 13, 2023. The registered business address of Bo Yu Limited is Maples Corporate Services (BVI) Limited, Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. The registered business address of Ping An Overseas is Suite 2318, 23rd Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. Ping An Insurance (Group) Company of China, Ltd., a company incorporated under the laws of the PRC whose shares are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, ultimately wholly owns Ping An Overseas and Bo Yu. As a result of this arrangement, Ping An Insurance (Group) Company of China, Ltd. may be deemed to be the beneficial owner of the ordinary shares owned by Ping An Overseas and Bo Yu.

Pursuant to the amended and restated option agreement dated May 12, 2021, or the Amended and Restated Option Agreement, each shareholder of Yi Chuan Jin Limited—Mr. Jie Li and Ms. Liang Xu—has granted call options, or the Offshore Call Options, to Bo Yu over their respective 5,000 ordinary shares in the issued share capital of Yi Chuan Jin (representing 100% of his/her shares in Yi Chuan Jin), and all securities in Yi Chuan Jin which are derived from such shares after the date of the Amended and Restated Option Agreement and of which he/she is the beneficial owner or to which he/she is entitled from time to time, or the Option Shares. Bo Yu may exercise the Offshore Call Options, in whole or in part, according to the following schedule: (a) up to 50% of the Offshore Call Options may be exercised from the date of the Amended and Restated Option Agreement until the third anniversary thereof; and (b) 100% of the Offshore Call Options may be exercised, during the period commencing immediately after the third anniversary of the date of the Amended and Restated Option Agreement and ending on the tenth anniversary of the first day of such period, or such other period as extended by Bo Yu. In exercising the Offshore Call Options, in lieu of receiving the Option Shares, Bo Yu may elect to receive all or part of the ordinary shares held by Sen Rong and therefore indirectly owned by Mr. Jie Li and Ms. Liang Xu through their holding of the Option Shares, and all securities in our Company which are derived from such ordinary shares after the date of the Amended and Restated Option Agreement and of which he/she is the beneficial owner or to which he/she is entitled from time to time, in lieu of the Option Shares. Mr. Jie Li and Ms. Liang Xu are each entitled to his/her voting rights in Yi Chuan Jin prior to Bo Yu's exercise of the Offshore Call Options. The exercise price per Option Share is calculated pursuant to a formula, which is based upon a predetermined value, as adjusted by, among other things, (a) the volume weighted average price of the ordinary shares of the Company during a defined period and (b) dividends, distributions and certain dilutive events.

Table of Contents

Pursuant to the amended and restated option agreement dated January 29, 2018, or the Amended and Restated Onshore Option Agreement, each of Mr. Jie Li and Ms. Liang Xu has also granted call options to Ping An Financial Technology, the parent company of Bo Yu, or the Onshore Call Options, over their respective 50% equity interest in Shenzhen Lanxin Enterprise Management Co., Ltd., or the Shenzhen Lanxin, representing 100% of his/her equity interest in Shenzhen Lanxin, and all equity interests in Shenzhen Lanxin which are derived from such equity interests after the date of the Amended and Restated Onshore Option Agreement and of which he/she is the beneficial owner or to which he/she is entitled from time to time. Mr. Jie Li and Ms. Liang Xu are each entitled to his/her voting rights in Shenzhen Lanxin prior to Bo Yu's exercise of the Offshore Call Options. The Onshore Call Options are exercisable, in whole or in part, during the ten year period beginning one year after the date of our initial public offering on the NYSE, or such other period as extended by Ping An Financial Technology by written notice. The exercise price of the Onshore Call Options is calculated pursuant to a formula, which is, among others things, based upon a predetermined value and a multiple of 6.8% per annum, net of any amount previously made in respect of such rate.

(3) The number of ordinary shares beneficially owned represents 188,061,642 ordinary shares held of record by Sen Rong Limited, a company incorporated in the British Virgin Islands. As a result of the Acting-in-Concert Agreement, Sen Rong and Rong Chang may be deemed to have formed a group, which may be deemed to beneficially own all the Company's ordinary shares held of record by Sen Rong and Rong Chang, collectively. Please refer to note 1 above for more details. The registered business address of Sen Rong is the office of Maples Corporate Services (BVI) Limited, Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. Yi Chuan Jin, incorporated in the British Virgin Islands, holds 100% of the shares of Sen Rong. The registered business address of Yi Chuan Jin is the office of Maples Corporate Services (BVI) Limited, Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands.

To our knowledge, as of March 31, 2024, 364,966,410 ordinary shares, representing approximately 31.2% of our total issued and outstanding ordinary shares, were held by one record shareholder with registered addresses in the United States, which was the depositary 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 the record holders of our ordinary shares in the United States.

Except as described hereof, we are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation

We have adopted a policy relating to recovery of erroneously awarded compensation, or Clawback Policy, a form of which is included as Exhibit 97.1 attached herein.

During or after the fiscal year of 2023, we were not required to prepare an accounting restatement that required recovery of erroneously awarded compensation pursuant to the Clawback Policy. As of December 31, 2023, there was no outstanding balance of erroneously awarded compensation to be recovered from the application of the Clawback Policy to a prior restatement.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

See "Item 6. Directors, Senior Management and Employees—E. Share Ownership."

B. Related Party Transactions Contractual Arrangements with Our Variable Interest Entities and Their Shareholders

See "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements."

Registration Rights Agreement

We entered into a registration rights agreement on October 17, 2019 with our shareholders to specify the customary registration rights under the shareholders agreement dated April 2018.

Table of Contents

Under the registration rights agreement, we have granted certain registration rights to our shareholders. Such registration rights would terminate upon the earlier of the date on which (i) all registrable securities held by the holders may be sold under Rule 144 of the Securities Act, or (ii) 5 years following the consummation of our initial public offering.

Set forth below is a description of the registration rights granted under the agreement.

Demand Registration Rights. At or after the termination of lock-up period of the initial public offering or other similar contractual restriction on the sale of registrable securities, holder(s) together holding at least thirty percent (30%) of the outstanding registrable securities may request in writing that we effect a registration with the SEC (i) on Form F-1, or (ii) on Form F-3, if applicable. Upon receipt of such a request, we shall file promptly with the SEC such registration statement relating to such demand registration, and use our best efforts to cause the registration statement to become effective. However, we should not be obligated to take any action to effect any underwritten offering for demand registration unless holders propose to sell registrable securities in such underwritten offering having a reasonably anticipated net aggregate price of at least US$1.0 million, after deduction of underwriting commission and offering expenses. We shall be obligated to effect no more than two (2) F-1 registration statements that have been declared and ordered effective. We shall be obligated to effect no more than three (3) shelf take-downs pursuant to F-3 registration statements that have been declared and ordered effective. In the event of any cutback of an underwritten demand registration offering, the securities to be included in such demand registration shall be allocated among all holders that have requested to participate in such demand registration, in proportion to the amount of our registrable securities held by each holder, and provided that if the reduction reduces the total amount of registrable securities included in such underwriting to less than thirty percent (30%) of the registrable securities initially requested, such offering shall not be counted as a demand registration for purpose of the two (2) F-1 demand registration limit.

Piggyback Registration Rights. At or after the termination of lock-up period of the initial public offering or other similar contractual restriction on the sale of registrable securities, if we propose to file a registration statement under the Securities Act for purposes of effecting a public offering for our own account or for the account of any other persons, we must afford holders of registrable securities an opportunity to include in that registration all or any part of their registrable securities then held. There shall be no limit on the number of times the holders may request registration of registrable securities pursuant to such piggyback registration rights.

Right of Deferral. We have the right to defer filing of a registration statement for up to one hundred and twenty (120) days for a F-1 registration or ninety (90) days for a F-3 registration if the filing of a registration statement would be materially detrimental to us and our shareholders, but we cannot exercise this right and/or the deferral right more than twice in any 12-month period for a F-1 registration and more than twice in any 12-month period for a F-3 registration.

Expenses of Registration. We will pay all expenses incurred by us in complying with any demand registration or piggyback registration. We are not obligated to pay any underwriting discounts and selling commissions applicable to the sale of a holder's registrable securities or any fees and expenses of any counsel representing holders of registrable securities.

Employment Agreements and Indemnification Agreements

See "Item 6. Directors, Senior Management and Employees—B. Compensation—Employment Agreements and Indemnification Agreements."

Share Incentive Plan

See "Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plan."

Transactions with Ping An Group and Its Associates

In 2023, we provided a series of products and services, primarily consisting of banking, investment and insurance related solutions, for RMB2,091.0 million (US$294.5 million) to Ping An Group and certain of its associates, respectively. As of December 31, 2023, we had RMB299.1 million (US$42.1 million) due from Ping An Group and certain of its associates.

In 2023, we purchased services, primarily consisting of technology support, customer acquisition service and human resource support, for RMB1,423.4 million (US$200.5 million) from Ping An Group, respectively. As of December 31, 2023, we had RMB864.0 million (US$121.7 million) due to Ping An Group in relation to the purchase of services.

Table of Contents

In 2023, we incurred net loss on disposal of property and equipment of RMB1.2 million (US$0.2 million) in relation to lease terminations with Ping An Group.

In 2023, we received RMB13.0 million (US$1.8 million) net gain from wealth management products issued by Ping An Group. As of December 31, 2023, we had RMB418.0 million (US$58.9 million) wealth management products purchased from Ping An Group.

In 2023, we incurred RMB12.1 million (US$1.7 million) leasing expenses to Ping An Group.

In 2023, we incurred RMB30.6 million (US$4.3 million) net gain on derivatives in relation to a forward exchange-rate product we purchased from Ping An Group. As of December 31, 2023, we had nil derivative financial liabilities and RMB38.0 million (US$5.4 million) derivative financial assets, which were in relation to fluctuation of exchange rate of U.S. dollar.

In 2023, we received RMB17.7 million (US$2.5 million) interest income from our deposit in Ping An Group. As of December 31, 2023, we had RMB784.8 million (US$110.5 million) cash and restricted cash and time deposits over three months deposit in Ping An Group, consisting of bank deposit and guarantee deposit to secure our obligation under the loan facility granted by Ping An Group.

Participation in Our Initial Public Offering

Ping An Overseas, a subsidiary of Ping An Group, our principal shareholder, has subscribed for, and has been allocated 1,000,000 ADSs being offered in our initial public offering in 2019, at the initial public offering price and on the same terms as the other ADSs being offered.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal Proceedings

We are currently not a party to any material legal, arbitration, or administrative proceedings. We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

Dividend Policy

Our board of directors has discretion on whether to distribute dividends, subject to certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or share premium, and provided always that in no circumstances may a dividend 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. 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. We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. 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 may rely on dividends from our subsidiaries in China 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.

Table of Contents

If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the ordinary shares underlying our ADSs to the depositary, as the registered holder of such ordinary shares, and the depositary then will pay such amounts to our ADS holders in proportion to the ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

Our ADSs, each representing thirty of our ordinary shares, have been listed on the New York Stock Exchange since December 13, 2019. Our ADSs trade under the symbol "OCFT." In 2021, 2022 and 2023, no significant trading suspensions occurred.

Our ordinary shares have been listed on the Hong Kong Stock Exchange since July 4, 2022 under the stock code "6638."

B. Plan of Distribution

Not applicable.

C. Markets

The principal trading market for our ADSs is the New York Stock Exchange. Our ordinary shares are also traded on the Hong Kong Stock Exchange under the stock code "6638."

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 with limited liability and our corporate affairs are governed by our amended and restated memorandum and articles of association, as amended from time to time and the Companies Act (As Revised) of the Cayman Islands, which we refer to as the Companies Act below.

Table of Contents

The following are summaries of material provisions of our currently effective memorandum and articles of association and of the Companies Act, insofar as they relate to the material terms of our ordinary shares.

Objects of Our Company

Under our currently effective memorandum of association, the objects for which our company is established are unrestricted and we have the full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

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 transfer their ordinary shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. Our currently effective articles of association provide that dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our board of directors determine is no longer needed. Dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Act.

Voting Rights. 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 a majority of the directors or any one or more shareholders who together hold not less than ten percent of the votes attaching to the total issued voting shares of our company present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than three-fourths of the votes cast attaching to the outstanding ordinary shares at a meeting. A special resolution will be required for important matters such as a change of name or making changes to our currently effective memorandum and articles of association.

Transfer of Ordinary Shares. Subject to the restrictions contained in our currently effective articles of association, 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 in a form prescribed by the New York Stock Exchange or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the 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;
- 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
- a fee of such maximum sum as the New York Stock Exchange may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer, they shall, within two calendar months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

Table of Contents

The registration of transfers may, after compliance with any notice required by the New York Stock Exchange, be suspended and the register of members closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register of members closed for more than 30 calendar days in any calendar year.

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 shall 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.

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 in a notice served to such shareholders at least 14 calendar days prior to the specified time of payment. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption of Ordinary Shares. The Companies Act and our currently effective articles of association permit us to purchase our own shares. In accordance with our currently effective articles of association and provided the necessary shareholders or board approval have been obtained, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner, including out of capital, as may be determined by our board of directors.

Variations of Rights of Shares. All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Act, be varied with the consent in writing of all of the holders of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares *ranking pari passu* with or subsequent to the shares of that class or the redemption or purchase of any shares of any class by the Company.

General Meetings of Shareholders

Shareholders' meetings may be convened by a majority of our board of directors or our chairman. Advance notice of at least twenty-one days is required for the convening of our annual general shareholders' meeting and advance notice of at least fourteen days is required for the convening of any other general meeting of our shareholders. A quorum required for and throughout a meeting of shareholders consists of at least one shareholder entitled to vote and present in person or by proxy or (in the case of a shareholder being a corporation) by its duly authorized representative representing not less than one-third of all voting power of our share capital in issue.

Inspection of Books and Records

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records (other than copies of our memorandum and articles of association and register of mortgages and charges, and any special resolutions passed by our shareholders). Under Cayman Islands law, the names of our current directors can be obtained from a search conducted at the Registrar of Companies. However, we will in our articles provide our shareholders with the right to inspect our list of shareholders and to receive annual audited financial statements. See "—H. Documents on Display."

Changes in Capital

We 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;

- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;

Table of Contents

- subdivide our shares, or any of them, into shares of an amount smaller than that fixed by the our currently effective memorandum and articles of association, 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.

We may by special resolution, subject to any confirmation or consent required by the Companies Act, 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 incorporated under the Companies Act. 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 open to inspection;

- an exempted company does not have to hold an annual general meeting;

- an exempted company may issue no par value 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 the shares of the company. We are subject to reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers. We currently intend to follow home country practices and rely on certain exemptions in lieu of the New York Stock Exchange rules. The New York Stock Exchange rules require that every company listed on the New York Stock Exchange holds an annual general meeting of shareholders. In addition, our currently effective articles of association allow directors to call special meeting of shareholders pursuant to the procedures set forth in our articles.

Differences in Corporate Law

The Companies Act is modelled after that of England and Wales but does not follow recent statutory enactments in 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 State of Delaware.

Table of Contents

Mergers and Similar Arrangements

A merger of two or more constituent companies under Cayman Islands law requires a plan of merger or consolidation to be approved by the directors of each constituent company and authorization by a special resolution of the members of each constituent company.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders. For this purpose a subsidiary is a company of which at least ninety percent (90%) of the issued shares entitled to vote are owned by the parent company.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain circumstances, a dissentient shareholder of a Cayman constituent company is entitled to payment of the fair value of his shares upon dissenting to a merger or consolidation. The exercise of appraisal rights will preclude the exercise of any other rights save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

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 and creditors with whom the arrangement is to be made, and who must, in addition, represent three-fourths 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 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, there are exceptions to the foregoing principle, including when:

- a company acts or proposes to act illegally or ultra vires;

Table of Contents

- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and

- those who control the company are perpetrating a "fraud on the minority."

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 currently effective memorandum and articles of association permit indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty or fraud which may attach to such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we 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 currently effective 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 currently effective 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 currently effective memorandum and articles of association, as amended and restated from time to time, 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.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act *bona fide* in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him to do so) and 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. 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.

Table of Contents

Shareholder Action by Written Consent

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Our currently effective articles of association provide that shareholders may not approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Act 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 currently effective articles of association allow our shareholders holding in aggregate no less than one-third of all votes of the issued and outstanding shares of our company which are entitled to vote at general meetings to requisition an extraordinary general meeting of our shareholders, in which case our board is obliged to convene an extraordinary general meeting and to put the resolutions so requisitioned for vote at such meeting. Other than this right to requisition a general meeting, our currently effective articles of association do not provide our shareholders with any other right to put proposals before annual general meetings or any extraordinary general meeting not requisitioned 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. As permitted under Cayman Islands law, our currently effective 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 currently effective articles of association, directors may be removed by an ordinary resolution of shareholders.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting 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.

Table of Contents

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.

Under the Companies Act and our currently effective articles of association, our company may be dissolved, liquidated or wound up by the vote of holders of three-fourths of our shares voting at a meeting

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 currently effective articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class only with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. As permitted by Cayman Islands law, our currently effective memorandum and articles of association may only be amended by a special resolution of shareholders.

Rights of Non-Resident or Foreign Shareholders

There are no limitations imposed by our currently effective 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 currently effective memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

Directors' Power to Issue Shares

Subject to applicable law, 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.

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," "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions," or elsewhere in this annual report on Form 20-F.

Table of Contents

D. Exchange Controls

See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Foreign Exchange."

E. Taxation

The following summary of the material Cayman Islands, PRC and U.S. federal income tax consequences of an investment in our ADSs or ordinary shares is based upon laws and 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 consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under U.S. state and local tax laws or under the tax laws of jurisdictions other than the Cayman Islands, China and the United States.

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 us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of, the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our ADSs or ordinary shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our ADSs or ordinary shares, nor will gains derived from the disposal of our ADSs or ordinary shares be subject to Cayman Islands income or corporation tax.

No stamp duty is payable in respect of the issue of our ADSs or ordinary shares or on an instrument of transfer in respect of our ADSs or ordinary shares.

PRC Taxation

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside China with a "de facto management body" within China is considered as a resident enterprise. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation issued the Circular Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, known as Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the State Administration of Taxation's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and (iv) at least 50% of voting board members or senior executives habitually reside in China. In 2011, the State Administration of Taxation issued the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Overseas Incorporated Resident Enterprises (Trial Version), or Bulletin No. 45, which 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.

Table of Contents

We believe that OneConnect Financial Technology Co., Ltd. is not a PRC resident enterprise for PRC tax purposes. OneConnect Financial Technology Co., Ltd. is not controlled by a PRC enterprise or PRC enterprise group and we do not believe that OneConnect Financial Technology Co., Ltd. meets all of the conditions above. OneConnect Financial Technology Co., Ltd. is a company incorporated outside China and its records (including the minutes and resolutions of its board of directors and the resolutions of its shareholders) are maintained outside China. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body."

If the PRC tax authorities determine that OneConnect Financial Technology Co., Ltd. is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our ADSs. In addition, non-resident enterprise shareholders (including our ADS holders) may be subject to a 10% PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within China. It is unclear whether our non-PRC individual shareholders (including our ADS holders) would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether non-PRC shareholders of OneConnect Financial Technology Co., Ltd. would be able to claim the benefits of any tax treaties between their country of tax residence and China in the event that OneConnect Financial Technology Co., Ltd. is treated as a PRC resident enterprise. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in the PRC—You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our ADSs."

United States Federal Income Tax Considerations

The following is a summary of material U.S. federal income tax considerations that are likely to be relevant to the purchase, ownership and disposition of our ordinary shares or ADSs by a U.S. Holder (as defined below).

This summary is based on provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial interpretations thereof, in force as of the date hereof, and the Agreement Between the Government of the United States of America and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income, in force as of November 21, 1986 (as amended by any subsequent protocols, including the protocol in force as of November 21, 1986) (the "Treaty"). Those authorities may be changed at any time, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below.

This summary is not a comprehensive discussion of all of the tax considerations that may be relevant to a particular investor's decision to purchase, hold, or dispose of ordinary shares or ADSs. In particular, this summary is directed only to U.S. Holders that hold ordinary shares or ADSs as capital assets and does not address all of the tax consequences to U.S. Holders who may be subject to special tax rules, such as banks, brokers or dealers in securities or currencies, traders in securities electing to mark to market, financial institutions, insurance companies, tax exempt entities, partnerships (including any entities or arrangements treated as partnerships for U.S. federal income tax purposes) and the partners therein, holders that own or are treated as owning 10% or more of our shares (measured by vote or value), persons holding ordinary shares or ADSs as part of a hedging or conversion transaction or a straddle, or persons whose functional currency is not the U.S. dollar. Moreover, this summary does not address state, local or non-U.S. taxes, the U.S. federal estate and gift taxes, the Medicare contribution tax applicable to net investment income of certain non-corporate U.S. Holders, or any alternative minimum tax consequences of acquiring, holding or disposing of ordinary shares or ADSs.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of ordinary shares or ADSs that is a citizen or individual resident of the United States or a U.S. domestic corporation or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of such ordinary shares or ADSs.

Table of Contents

You should consult your own tax advisors about the consequences of the acquisition, ownership and disposition of the ordinary shares or ADSs, including the relevance to your particular situation of the considerations discussed below and any consequences arising under non-U.S., state, local or other tax laws.

ADSs

In general, if you are a U.S. Holder of ADSs, you will be treated, for U.S. federal income tax purposes, as the beneficial owner of the underlying ordinary shares that are represented by those ADSs.

Taxation of Dividends

Subject to the discussion below under "Passive Foreign Investment Company Rules," the gross amount of any distribution of cash or property with respect to our ordinary shares or ADSs (including amounts, if any, withheld in respect of PRC taxes) that is paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) will generally be includible in your taxable income as ordinary dividend income on the day on which you receive the dividend, in the case of ordinary shares, or the date the depositary receives the dividends, in the case of ADSs, and will not be eligible for the dividends-received deduction allowed to U.S. corporations under the Code.

We do not expect to maintain calculations of our earnings and profits in accordance with U.S. federal income tax principles. U.S. Holders therefore should expect that distributions generally will be treated as dividends for U.S. federal income tax purposes.

Subject to certain exceptions for short-term and hedged positions, the dividends received by a non-corporate U.S. Holder with respect to the ordinary shares or ADSs will be subject to taxation at a preferential rate if the dividends are "qualified dividends." Dividends paid on the ordinary shares or ADSs will be treated as qualified dividends if:

- the ordinary shares or ADSs on which the dividend is paid are readily tradable on an established securities market in the United States or we are eligible for the benefits of a comprehensive tax treaty with the United States that the U.S. Treasury determines is satisfactory for purposes of these rules and that includes an exchange of information program; and

- we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company (a "PFIC").

Our ADSs are listed on the New York Stock Exchange, and the ADSs will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on our audited financial statements, the manner in which we conduct our business, relevant market data and our current expectations regarding the value and nature of our assets and the sources and nature of our income, there is a significant risk that we were a PFIC for our prior taxable year. Additionally, because the value of our assets generally is determined by reference to the price of our stock, the decline in the price of our stock has increased the risk that we might be treated as a PFIC for our current taxable year. The final determination of whether we may be classified a PFIC for the current taxable year, however, will not be able to be made until after the end of the year and will depend on all of the relevant facts and circumstances available at that time, including the composition and value of our assets (as implied by our stock price) throughout the remainder of the year.

Because the ordinary shares are not themselves listed on a U.S. exchange, dividends received with respect to the ordinary shares that are not represented by ADSs may not be treated as qualified dividends. U.S. Holders of ordinary shares or ADSs should consult their own tax advisors regarding the potential availability of the reduced dividend tax rate in light of their own particular circumstances.

In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law (see "—PRC Taxation"), a U.S. Holder may be subject to PRC withholding taxes on dividends paid on our ADSs or ordinary shares. In that case, we may, however, be eligible for the benefits of the Treaty. If we are eligible for such benefits, dividends we pay on our ordinary shares, regardless of whether such shares are represented by the ADSs, would be eligible for the reduced rates of taxation described above (assuming we are not a PFIC in the year the dividend is paid or the prior year).

Table of Contents

Subject to generally applicable limitations and conditions, PRC dividend withholding tax paid at the appropriate rate applicable to the U.S. Holder may be eligible for a credit against such U.S. Holder's U.S. federal income tax liability. These generally applicable limitations and conditions include new requirements adopted by the U.S. Internal Revenue Service ("IRS") in regulations promulgated in December 2021, and any PRC tax will need to satisfy these requirements in order to be eligible to be a creditable tax for a U.S. Holder. In the case of a U.S. Holder that either (i) is eligible for, and properly elects, the benefits of the Treaty, or (ii) consistently elects to apply a modified version of these rules under recently issued temporary guidance and complies with specific requirements set forth in such guidance, the PRC tax on dividends will be treated as meeting the new requirements and therefore as a creditable tax. In the case of all other U.S. Holders, the application of these requirements to the PRC tax on dividends is uncertain, and we have not determined whether these requirements have been met. If the PRC dividend tax is not a creditable tax for a U.S. Holder or the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued in the same taxable year, the U.S. Holder may be able to deduct the PRC tax in computing such U.S. Holder's taxable income for U.S. federal income tax purposes. Dividend distributions will constitute income from sources without the United States and, for U.S. Holders that elect to claim foreign tax credits, generally will constitute "passive category income" for foreign tax credit purposes.

The availability and calculation of foreign tax credits and deductions for foreign taxes depend on a U.S. Holder's particular circumstances and involve the application of complex rules to those circumstances. The temporary guidance discussed above also indicates that the Treasury and the IRS are considering proposing amendments to the December 2021 regulations and that the temporary guidance can be relied upon until additional guidance is issued that withdraws or modifies the temporary guidance. U.S. Holders are urged to consult their tax advisors regarding the application of these rules to their particular situations.

U.S. Holders that receive distributions of additional ADSs or ordinary shares or rights to subscribe for ADSs or ordinary shares as part of a pro rata distribution to all our shareholders generally will not be subject to U.S. federal income tax in respect of the distributions.

Taxation of Dispositions of ADSs or Ordinary Shares

Subject to the discussion below under "Passive Foreign Investment Company Rules," upon a sale, exchange or other taxable disposition of the ADSs or ordinary shares, U.S. Holders will realize gain or loss for U.S. federal income tax purposes in the amount equal to the difference between the amount realized on the disposition and the U.S. Holder's adjusted tax basis in the ADSs or ordinary shares. Such gain or loss will be capital gain or loss and generally will be long-term capital gain or loss if the ADS or ordinary shares have been held for more than one year. Long-term capital gain realized by a non-corporate U.S. Holder generally is subject to taxation at a preferential rate. The deductibility of capital losses is subject to limitations.

Under the new foreign tax credit requirements adopted by the IRS in regulations promulgated in December 2021, a U.S. holder generally will not be entitled to a foreign tax credit for any PRC tax imposed on the sale or other taxable disposition of ADSs or ordinary shares, except in the case of either (i) a U.S. Holder that is eligible for, and properly elects to claim, the benefits of the Treaty or (ii) a U.S. Holder that consistently elects to apply a modified version of the U.S. foreign tax credit rules under recently issued temporary guidance, and complies with specific requirements set forth in such guidance. Additionally, capital gain or loss recognized by a U.S. Holder on the sale or other disposition of the ADSs or ordinary shares generally will be U.S.-source gain or loss for U.S. foreign tax credit purposes (except to the extent that the U.S. holder establishes the right to treat any gain as foreign source income under the Treaty). Consequently, even if the withholding tax qualifies as a creditable tax, a U.S. Holder who is not able to treat any gain (upon which the tax is imposed) as foreign source income under the Treaty may not be able to credit the tax against its U.S. federal income tax liability unless such credit can be applied (subject to generally applicable conditions and limitations) against tax due on other income treated as derived from foreign sources. If the PRC tax is not a creditable tax or claimed as a credit by the U.S. Holder pursuant to the Treaty, the tax would reduce the amount realized on the sale or other disposition of the shares even if the U.S. Holder has elected to claim a foreign tax credit for other taxes in the same year. The temporary guidance discussed above also indicates that the Treasury and the IRS are considering proposing amendments to the December 2021 regulations and that the temporary guidance can be relied upon until additional guidance is issued that withdraws or modifies the temporary guidance. U.S. Holders should consult their own tax advisors regarding the application of the foreign tax credit rules to a sale or other disposition of the ADSs or ordinary shares and any PRC tax imposed on such sale or disposition.

Deposits and withdrawals of ordinary shares by U.S. Holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Table of Contents

Passive Foreign Investment Company Rules

Special U.S. tax rules apply to companies that are considered to be PFICs. We will be classified as a PFIC in a particular taxable year if either

- 75 percent or more of our gross income for the taxable year is passive income; or
- the percentage of the value of our assets that is attributable to assets that produce or are held for the production of passive income (generally determined on the basis of a quarterly average) is at least 50 percent (the "asset test").

For this purpose, passive income generally includes dividends, interest, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person). If we own at least 25% (by value) of the stock of another corporation, for purposes of determining whether we are a PFIC, we will be treated as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income. Although the law in this regard is not entirely clear, we treat the VIEs as being owned by us for U.S. federal income tax purposes because we control their management decisions and are entitled to substantially all of the economic benefits associated with them.

Based on our audited financial statements, the manner in which we conduct our business, relevant market data and our current expectations regarding the value and nature of our assets and the sources and nature of our income, there is a significant risk that we were a PFIC for our prior taxable year. , Additionally, because the PFIC tests must be applied each year, and the composition of our income and assets and the value of our assets may change, and because the treatment of the VIEs for U.S. federal income tax purposes is not entirely clear, it is possible that we may become a PFIC in the current or a future year. In particular, because the value of our assets generally is determined by reference to the price of our stock and ADSs, the decline in the price of our stock and ADSs has increased the risk that we might be treated as a PFIC for our current taxable year. The final determination of whether we may be classified a PFIC for the current taxable year, however, will not be able to be made until after the end of the year and will depend on all of the relevant facts and circumstances available at that time, including the composition and value of our assets (as implied by our stock price) throughout the remainder of the year.

In the event that we are classified as a PFIC in any year during which a U.S. Holder holds our ordinary shares or ADSs and such U.S. Holder does not make a mark-to-market election, as described in the following paragraph, the U.S. Holder will be subject to a special tax at ordinary income tax rates on "excess distributions," including certain distributions by us (generally, distributions that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or the U.S. Holder's holding period for the ordinary shares or ADSs) and gain that the U.S. Holder recognizes on the sale or other disposition of our ordinary shares or ADSs. The amount of income tax on any excess distributions will be increased by an interest charge to compensate for tax deferral, calculated as if the excess distributions were earned ratably over the period that the U.S. Holder holds its ordinary shares or ADSs. Further, if we are a PFIC for any year during which a U.S. Holder holds our ordinary shares or ADSs, we generally will continue to be treated as a PFIC with respect to such U.S. Holder for all subsequent years during which such U.S. Holder holds our ordinary shares or ADSs unless we cease to be a PFIC and the U.S. Holder makes a special "purging" election on Internal Revenue Service, or IRS, Form 8621. Classification as a PFIC may also have other adverse tax consequences, including, in the case of individuals, the denial of a step-up in the basis of his or her ordinary shares or ADSs at death.

Table of Contents

A U.S. Holder may be able to avoid the unfavorable rules described in the preceding paragraph by electing to mark its ADSs to market, provided the ADSs are treated as "marketable stock." The ADSs generally will be treated as marketable stock if the ADSs are "regularly traded" on a "qualified exchange or other market" (which includes the New York Stock Exchange). It should also be noted that only the ADSs and not the ordinary shares are listed on the New York Stock Exchange. Consequently, a U.S. Holder that holds ordinary shares that are not represented by ADSs may not be eligible to make a mark-to-market election. If the U.S. Holder makes a mark-to-market election, (i) the U.S. Holder will be required in any year in which we are a PFIC to include as ordinary income the excess of the fair market value of its ADSs at year-end over the U.S. Holder's basis in those ADSs and (ii) the U.S. Holder will be entitled to deduct as an ordinary loss in each such year the excess of the U.S. Holder's basis in its ADSs over their fair market value at year-end, 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 its ADSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. In addition, any gain the U.S. Holder recognizes upon the sale of the U.S. Holder's ADSs in a year in which we are a PFIC will be taxed as ordinary income in the year of sale, and any loss the U.S. Holder recognizes upon the sale will be treated as ordinary loss, but only to the extent of the net amount of previously included income as a result of the mark-to-marked election. Further, a U.S. Holder generally cannot make a mark-to-market election with respect to the stock of any subsidiary PFIC. Accordingly, if we are a PFIC for any year that a U.S. Holder holds our shares or ADSs, a mark-to-market election may not be available to mitigate adverse tax consequences in respect of any subsidiary of ours that is treated as a PFIC.

The unfavorable rules described above may also be avoided if a U.S. Holder is eligible for and makes a valid qualified electing fund election, or QEF election. If a QEF election is made, such U.S. Holder generally will be required to include in income on a current basis its pro rata share of the PFIC's ordinary income and net capital gains. We do not intend, however, to prepare or provide the information that would enable U.S. Holders to make QEF elections.

A U.S. Holder that owns an equity interest in a PFIC must annually file IRS Form 8621. A failure to file one or more of these forms as required may toll the running of the statute of limitations in respect of each of the U.S. Holder's taxable years for which such form is required to be filed. As a result, the taxable years with respect to which the U.S. Holder fails to file the form may remain open to assessment by the IRS indefinitely, until the form is filed.

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 non-U.S. subsidiaries 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 for purposes of the application of the PFIC rules. U.S. Holders should consult their own tax advisors about the possible application of the PFIC rules to any of our subsidiaries.

U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax considerations discussed above and the desirability of making a mark-to-market election.

Foreign Financial Asset Reporting

Certain U.S. Holders who are individuals that own "specified foreign financial assets" with an aggregate value in excess of US$50,000 on the last day of the taxable year or US$75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on IRS Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include the ordinary shares and the ADSs) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. Holders that fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the ordinary shares or the ADSs, including the application of the rules to their particular circumstances.

Table of Contents

Backup Withholding and Information Reporting

Dividends paid on, and proceeds from the sale or other disposition of, the ADSs or ordinary shares to a U.S. Holder generally may be subject to the information reporting requirements of the Code and may be subject to backup withholding unless the U.S. Holder provides an accurate taxpayer identification number and makes any other required certification or otherwise establishes an exemption. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a refund or credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is furnished to the IRS in a timely manner.

A holder that is a foreign corporation or a non-resident alien individual may be required to comply with certification and identification procedures in order to establish its exemption from information reporting and backup withholding.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We have filed this annual report on Form 20-F, including exhibits, with the SEC. As allowed by the SEC, in Item 19 of this annual report, we incorporate by reference certain information we filed with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report.

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we are required to file reports, including annual reports on Form 20-F, and other information with the SEC. 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 under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we intend to furnish the depositary with our annual reports, which will include a review of operations and annual audited consolidated combined financial statements prepared in conformity with IFRS, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, if we so request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

I. Subsidiary Information

Not applicable.

Table of Contents

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the we conduct business may affect our financial position and results of operations. The foreign currency risk assumed by the us mainly comes from movements in the USD/RMB exchange rates.

We and our overseas intermediate holding companies' functional currency is USD. They are mainly exposed to foreign exchange risk arising from their cash and cash equivalents and loans to group companies dominated in RMB. We have entered into spot-forward USD/RMB derivative financial instruments to hedge certain portion of its exposure to foreign currency risk arising from loans to group companies denominated in RMB. We monitor the size of foreign currency position, and manages foreign currency risk by utilizing hedging strategy.

Our subsidiaries are mainly operated in mainland China with most of the transactions settled in RMB. We consider that the business in mainland China is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of these subsidiaries denominated in the currencies other than the respective functional currency.

Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose us to cash flow interest rate risk, whereas fixed rate instruments expose us to fair value interest risk.

We are exposed to interest rate risk primarily in relation to term deposits and short-term borrowings, all of which mature in one year. We generally assume borrowings to fund working capital requirements. The risk is managed by the us by matching the terms of interest rates of term deposits and short-term borrowings.

Credit risk

Our credit risk is mainly associated with cash and cash equivalents, restricted cash and time deposits over three months, trade receivables, contract assets, other receivables, financial assets measured at amortized cost from Virtual Bank and financial guarantee contracts. The carrying amounts of each class of the above financial assets represent our maximum exposure to credit risk in relation to financial assets.

To manage this risk arising from cash and cash equivalents and restricted cash and time deposits over three months, we mainly transact with state-owned or reputable financial institutions in the PRC including related parties and reputable international financial institution outside the PRC. We consider that there is no significant credit risk and we will not suffer any material losses due to the default of these financial institutions.

Our trade receivables and contract assets mainly arise from transactions undertaken with customers. We mitigates the credit risk by assessing the credit quality, setting a shorter credit period or arranging the instalment payment and prepayment method.

For other receivables (except for financial guarantee fee receivables), management make periodic collective assessments as well as individual assessment on the recoverability based on historical settlement records and forward looking information.

For financial assets measured at amortized cost from virtual bank, management developed independent and regular procedures to review the approvals of credit applications, structure levels of credit risk by setting limits on the exposure of risk, and review the ability of borrowers to meet repayment obligations, with monitoring on a revolving basis and performing periodic reviews. The credit programmes are managed on portfolio basis, and the limits on the level of credit risk by sectors are approved annually by the management. The exposure to credit risk is mitigated by obtaining relevant financial guarantees. For debt securities and interbank exposure under treasury portfolio, external ratings are used, which are continuously monitored and updated.

Table of Contents

Liquidity risk

We manage liquidity risk by maintaining adequate cash and cash equivalents and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Our management believe that our current cash and cash equivalents and anticipated cash flows from operations, investment and financing activities will be sufficient to meet our anticipated working capital requirements and capital expenditures for the next 12 months from December 31, 2023.

The liquidity risk of the foreign exchange swap is managed by aligning the critical terms of such swaps with the hedged items.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Expenses

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are cancelled or reduced for any other reason, $5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, or upon which a share distribution or elective distribution is made or offered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The following additional charges shall also be incurred by the ADR holders, the beneficial owners, by any party depositing or withdrawing shares or by any party surrendering ADSs and/or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADSs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of U.S.$1.50 per ADR or ADRs for transfers of certificated or direct registration ADRs;
- a fee of U.S.$0.05 or less per ADS held for any cash distribution made, or for any elective cash/stock dividend offered, pursuant to the deposit agreement;
- an aggregate fee of U.S.$0.05 or less per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);

Table of Contents

- a fee for the reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of its agents (including, without limitation, the custodian and expenses incurred on behalf of ADR holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares or other deposited securities, the sale of securities (including, without limitation, deposited securities), the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which fees and charges shall be assessed on a proportionate basis against ADR holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such ADR holders or by deducting such charge from one or more cash dividends or other cash distributions);

- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the $0.05 per ADS issuance fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those ADR holders entitled thereto;

- stock transfer or other taxes and other regulatory charges;

- cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares, ADRs or deposited securities;

- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and

- fees of any division, branch or affiliate of the depositary utilized by the depositary to direct, manage and/or execute any public and/or private sale of securities under the deposit agreement.

To facilitate the administration of various depositary receipt transactions, including disbursement of dividends or other cash distributions and other corporate actions, the depositary may engage the foreign exchange desk within JPMorgan Chase Bank, N.A. (the "Bank") and/or its affiliates in order to enter into spot foreign exchange transactions to convert foreign currency into U.S. dollars. For certain currencies, foreign exchange transactions are entered into with the Bank or an affiliate, as the case may be, acting in a principal capacity. For other currencies, foreign exchange transactions are routed directly to and managed by an unaffiliated local custodian (or other third party local liquidity provider), and neither the Bank nor any of its affiliates is a party to such foreign exchange transactions.

The foreign exchange rate applied to an foreign exchange transaction will be either (a) a published benchmark rate, or (b) a rate determined by a third party local liquidity provider, in each case plus or minus a spread, as applicable. The depositary will disclose which foreign exchange rate and spread, if any, apply to such currency on the "Disclosure" page (or successor page) of *www.adr.com*. Such applicable foreign exchange rate and spread may (and neither the depositary, the Bank nor any of their affiliates is under any obligation to ensure that such rate does not) differ from rates and spreads at which comparable transactions are entered into with other customers or the range of foreign exchange rates and spreads at which the Bank or any of its affiliates enters into foreign exchange transactions in the relevant currency pair on the date of the foreign exchange transaction. Additionally, the timing of execution of an foreign exchange transaction varies according to local market dynamics, which may include regulatory requirements, market hours and liquidity in the foreign exchange market or other factors. Furthermore, the Bank and its affiliates may manage the associated risks of their position in the market in a manner they deem appropriate without regard to the impact of such activities on the depositary, us, holders or beneficial owners. The spread applied does not reflect any gains or losses that may be earned or incurred by the Bank and its affiliates as a result of risk management or other hedging related activity.

Notwithstanding the foregoing, to the extent we provide U.S. dollars to the depositary, neither the Bank nor any of its affiliates will execute a foreign exchange transaction as set forth herein. In such case, the depositary will distribute the U.S. dollars received from us.

Further details relating to the applicable foreign exchange rate, the applicable spread and the execution of foreign exchange transactions will be provided by the depositary on ADR.com. Each holder and beneficial owner by holding or owning an ADR or ADS or an interest therein, and we, each acknowledge and agree that the terms applicable

to foreign exchange transactions disclosed from time to time on ADR.com will apply to any foreign exchange transaction executed pursuant to the deposit agreement.

Table of Contents

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary.

The right of the depositary to receive payment of fees, charges and expenses survives the termination of the deposit agreement, and shall extend for those fees, charges and expenses incurred prior to the effectiveness of any resignation or removal of the depositary.

The fees and charges described above may be amended from time to time by agreement between us and the depositary.

The depositary may make available to us a set amount or a portion of the depositary fees charged in respect of the ADR program or otherwise upon such terms and conditions as we and the depositary may agree from time to time. The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary will generally set off the amounts owing from distributions made to holders of ADSs. If, however, no distribution exists and payment owing is not timely received by the depositary, the depositary may refuse to provide any further services to ADR holders that have not paid those fees and expenses owing until such fees and expenses have been paid. At the discretion of the depositary, all fees and charges owing under the deposit agreement are due in advance and/or when declared owing by the depositary. For the year ended December 31, 2023, we did not receive any distribution from the depositary.

Payment of Taxes

ADR holders or beneficial owners must pay any tax or other regulatory charge payable by the custodian or the depositary on any ADS or ADR, deposited security or distribution. If any taxes or other regulatory charges (including any penalties and/or interest) shall become payable by or on behalf of the custodian or the depositary with respect to any ADR, any deposited securities represented by the ADSs evidenced thereby or any distribution thereon, including, without limitation, any Chinese Enterprise Income Tax owing if any law, regulation, circular, edict, order or ruling, as issued and as from time to time amended, is applied or otherwise, such tax or other regulatory charge shall be paid by the ADR holder thereof to the depositary and by holding or owning, or having held or owned, an ADR or any ADSs evidenced thereby, the ADR holder and all beneficial owners thereof, and all prior ADR holders and beneficial owners thereof, jointly and severally, agree to indemnify, defend and save harmless each of the depositary and its agents in respect of such tax or other regulatory charge. Notwithstanding the depositary's right to seek payment from current and former beneficial owners, by holding or owning, or having held or owned, an ADR, the ADR holder thereof (and prior ADR holder thereof) acknowledges and agrees that the depositary has no obligation to seek payment of amounts owing from any current or former beneficial owner. If an ADR holder owes any tax or other regulatory charge, the depositary may (i) deduct the amount thereof from any cash distributions, or (ii) sell deposited securities (by public or private sale) and deduct the amount owing from the net proceeds of such sale. In either case the ADR holder remains liable for any shortfall. If any tax or regulatory charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of deposited securities or withdrawal of deposited securities until such payment is made. If any tax or regulatory charge is required to be withheld on any cash distribution, the depositary may deduct the amount required to be withheld from any cash distribution or, in the case of a non-cash distribution, sell the distributed property or securities (by public or private sale) in such amounts and in such manner as the depositary deems necessary and practicable to pay such taxes and distribute any remaining net proceeds or the balance of any such property after deduction of such taxes to the ADR holders entitled thereto.

As an ADR holder or beneficial owner, you will be agreeing to indemnify us, the depositary, its custodian and any of our or their respective officers, directors, employees, agents and affiliates against, and hold each of them harmless from, any claims by any regulatory authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained.

Table of Contents

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" for a description of the rights of securities holders, which remain unchanged.

Use of Proceeds

The following "Use of Proceeds" information relates to the registration statement on Form F-1, as amended (File No. 333-234666) in relation to our initial public offering, which was declared effective by the SEC on December 12, 2019 and to the registration statement on Form F-1, as amended (File No. 333-243710) in relation to our follow-on offering, which was declared effective by the SEC on August 12, 2020.

In December 2019, we completed our initial public offering in which we issued and sold an aggregate of 31,200,000 ADSs (excluding ADSs offered in the exercise of the over-allotment options), representing 93,600,000 ordinary shares. In January 2020, the underwriters for our initial public offering partially exercised their over-allotment options to purchase an addition of 3,520,000 ADSs. The net proceeds we received from the initial public offering and the partial exercise of over-allotment options totaled approximately US$311.0 million. Morgan Stanley & Co. LLC, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities LLC, Ping An of China Securities (Hong Kong) Company Limited, BofA Securities, Inc. and HSBC Securities (USA) Inc. were the representatives of the underwriters for our initial public offering. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates.

In August 2020, we completed our follow-on offering of 20,700,000 ADSs (included the exercise in full of the underwriters' option to purchase additional ADSs), representing an aggregate of 62,100,000 ordinary shares. The net proceeds raised from the follow-on public offering were US$372.6 million (included the exercise in full of the underwriters' option to purchase additional ADSs), after deducting underwriting discounts and commissions and before deducting the offering expenses payable by us. Morgan Stanley & Co. LLC, Goldman Sachs (Asia) L.L.C. and Ping An of China Securities (Hong Kong) Company Limited were the representatives of the underwriters for our follow-on offering. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates.

For the period from December 12, 2019, the date that the registration statement on Form F-1 of our initial public offering was declared effective by the SEC, to December 31, 2023, we have used approximately (i) RMB589.4 million (US$83.0 million) for enhancement of our platform and technology capabilities; (ii) RMB139.2 million (US$19.6 million) for international expansion and strategic investments; and (iii) RMB1,706.0 million (US$240.3 million) for general corporate purposes, including sales and marketing activities to enhance the Company's brand and acquire customers. We still intend to use the remainder of the proceeds from our initial public offering and follow-on offering as disclosed in our registration statements.

None of the net proceeds from our public offerings have been paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates.

Table of Contents

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management with the participation of our chief executive officer and chief financial officer has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based on that evaluation, our management has concluded that, as of December 31, 2023, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file and furnish under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. As required by Rule 13a-15(c) of the Exchange Act, our management conducted an evaluation of our company's internal control over financial reporting as of December 31, 2023 based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2023.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Attestation Report of the Registered Public Accounting Firm

Our independent registered public accounting firm, PricewaterhouseCoopers Zhong Tian LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2023, as stated in its report, which appears on page F-2 of this annual report.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Tianruo Pu and Ernest Ip qualifies as an "audit committee financial expert," and that Tianruo Pu, Wing Kin Anthony Chow and Ernest Ip each satisfies the "independence" requirements of Section 303A of the Corporate Governance Rules of the NYSE and meets the independence standards under Rule 10A-3 under the Exchange Act, as amended.

ITEM 16B. CODE OF ETHICS

Our board of directors adopted a code of business conduct and ethics that applies to our directors, officers and employees in September 2019. We have posted a copy of our code of business conduct and ethics on our website at: http://ir.ocft.com/home/, where you can obtain a copy without charge.

Table of Contents

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers Zhong Tian LLP, our principal external auditors, for the periods indicated.

	Year Ended December 31,		
	2022	2023	
	RMB	RMB	US$
		(in thousands)	
Audit fees[(1)]	16,501	16,374	2,325
Audit-related fees[(2)]	8,100	1,587	225
Tax fees[(3)]	1,023	631	90
All other fees[(4)]	2,127	1,062	150
Total	27,751	19,654	2,790

Note

(1) Audit fees include the aggregate fees billed in each of the fiscal period listed for professional services rendered by our independent public accountant in relation to the audit of our annual financial statements.

(2) Audit-related fees include fees billed in each of the fiscal years listed for the issue of comfort letter, rendering of listing advice and other audit-related services to the company, including its consolidated subsidiaries.

(3) Tax fees include the aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning.

(4) All other fees include the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors associated with certain permissible services to review and comment on internal control design over financial reporting and other advisory services.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by PricewaterhouseCoopers Zhong Tian LLP, including audit services, audit-related services, tax services and other services as described above, other than those for *de minimis* services which are approved by the audit committee prior to the completion of the audit.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

We did not repurchase any ADSs in 2023.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

Table of Contents

ITEM 16G. CORPORATE GOVERNANCE

We are a "foreign private issuer" (as such term is defined in Rule 3b-4 under the Exchange Act), and our ADSs, each representing thirty ordinary shares, are listed on the New York Stock Exchange. Under Section 303A of the New York Stock Exchange Listed Company Manual, New York Stock Exchange listed companies that are foreign private issuers are permitted to follow home country practice in lieu of the corporate governance provisions specified by the New York Stock Exchange with limited exceptions. 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. We currently follow our home country practices and rely on certain exemptions provided by the Corporate Governance Rules of the New York Stock Exchange to a foreign private issuer, including exemptions from the requirements to have:

- majority of independent directors on our board of directors;
- only independent directors being involved in the selection of director nominees and determination of executive officer compensation; and
- regularly scheduled executive sessions of independent directors.

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

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

ITEM 16J. INSIDER TRADING POLICIES

Not applicable.

Table of Contents

ITEM 16K. CYBERSECURITY

Risk Management and Strategy

We have implemented comprehensive cybersecurity risk assessment procedures to ensure effectiveness in cybersecurity management, strategy and governance and reporting cybersecurity risks, ranging from the management of personnel, physical environment, network, access control, security events, business continuity and compliance.

We have also implemented a series of technical measures to detect, discover and block potential cybersecurity risks. We deploy security devices including denial-of-service (DDoS), web application firewall (WAF), intrusion prevention system (IPS), endpoint detection and response (EDR), and firewall in the network perimeter, and establish a security baseline for the network, hosts, middleware, and databases. We conduct regular vulnerability scanning and fix vulnerabilities. We have also established a security monitoring platform to deal with all kinds of security events in a timely manner.

As part of the aforementioned cybersecurity management processes, we engage a third-party professional institution to assess cybersecurity risks annually, to ensure that the risks can be detected and eliminated in a timely manner.

As of the date of this annual report, we have not experienced any material cybersecurity incidents or identified any material cybersecurity threats that have affected or are reasonably likely to materially affect us, our business strategy, results of operations or financial condition.

Governance

Our board of directors is responsible for the oversight of risks from cybersecurity threats, including full authority in monitoring, resolving, disclosing and otherwise handling matters related to or arising out of any cybersecurity incidents.

Our board of directors delegates its authorities and powers in managing risks associated with cybersecurity threats to our audit committee and our risk management committee, which is responsible for monitoring the risk management process and leading the process, respectively. Our risk management committee will report such risk to audit committee.

We have established an information security committee under the risk management committee. Our information security committee is chaired by our chief technology officer, who has over 20 years of industrial experience in security risk management and leads the overall assessment, identification and management of cybersecurity related threats. Our information security committee is responsible for (i) coordinating internal information security management and reviewing internal information security risks on a regular basis; (ii) reviewing internal information security policy and strategy; (iii) providing necessary resources to guarantee the implementation of our internal information security management work; (iv) making decision on the risks identified and eliminate such risks. At the same time, we have appointed specialized personnel responsible for promoting the specific work of information security.

Table of Contents

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

Our consolidated financial statements are included at the end of this annual report.

ITEM 19. EXHIBITS

Exhibit Number	Description of Document
1.1	Form of Fourth Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 1.1 of our Annual Report on Form 20-F (file No. 001-39147) as filed with the Securities and Exchange Commission on April 24, 2023)
2.1	Registrant's Specimen American Depositary Receipt (included in Exhibit 2.4)
2.2	Registrant's Specimen Certificate for Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
2.3	Form of Amendment No. 1 to Deposit Agreement among the Registrant, the depositary and the holders and beneficial owners of American Depositary Shares issued thereunder. (incorporated by reference to Exhibits (a)(2) from the post-effective amendment No. 1 to Form F-6 (file no. 333-244148) as filed with the Securities and Exchange Commission on November 30, 2022)
2.4	Post-effective Amendment No.1 to Form F-6 Registration Statement under the Securities Act of 1933 for Depositary Shares Evidenced by American Depositary Receipts (file no. 333-244148) as filed with the Securities and Exchange Commission on November 30, 2022)
2.5	Registration Rights Agreement between Registrant and other parties thereto date October 17, 2019 (incorporated herein by reference to Exhibit 4.4 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
2.6	Description of Securities (incorporated herein by reference to Exhibit 2.6 of our Annual Report on Form 20-F (file No. 001-39147) as filed with the Securities and Exchange Commission on April 24, 2023)
4.1	Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
4.2	English translation of the Form of Employment Agreement between the Registrant and its executive officers (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
4.3	English translation of the executed amended and restated equity pledge agreement entered into by and among Shenzhen OneConnect Technology, Shenzhen OneConnect, shareholders of Shenzhen OneConnect, Jie Li, Liang Xu, Wenjun Wang and Wenwei Dou dated September 16, 2019 (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
4.4	English translation of the executed amended and restated shareholder voting proxy agreement entered into by and among Shenzhen OneConnect Technology, Shenzhen OneConnect, subsidiaries of Shenzhen OneConnect, shareholders of Shenzhen OneConnect, Jie Li, Liang Xu, Wenjun Wang and Wenwei Dou dated September 16, 2019 (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13 2019)
4.5	English translation of the form letter of undertakings (incorporated herein by reference to Exhibit 10.5 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)

Table of Contents

4.6	English translation of the form spousal consent letters issued by the spouses of Jie Li, Liang Xu, Wenjun Wang and Wenwei Dou (incorporated herein by reference to Exhibit 10.6 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
4.7	English translation of the executed amended and restated exclusive business cooperation agreement entered into by and between Shenzhen OneConnect Technology and Shenzhen OneConnect dated September 16, 2019 (incorporated herein by reference to Exhibit 10.7 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
4.8	English translation of the executed amended and restated exclusive equity option agreement entered into by and among Shenzhen OneConnect Technology, Shenzhen OneConnect, shareholders of Shenzhen OneConnect, Jie Li, Liang Xu, Wenjun Wang and Wenwei Dou dated September 16, 2019 (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form F-1 (File No. 333234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
4.9	English translation of the executed amended and restated exclusive asset purchase option agreement entered into by and among Shenzhen OneConnect Technology, Shenzhen OneConnect, shareholders of Shenzhen OneConnect, Jie Li, Liang Xu, Wenjun Wang and Wenwei Dou dated September 16, 2019 (incorporated herein by reference to Exhibit 10.9 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
4.10	English translation of Strategic Cooperation Agreement between the Registrant and Ping An Insurance (Group) Company of China, Ltd. dated July 11, 2019 (incorporated herein by reference to Exhibit 10.14 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
4.11	English translation of 2017 Stock Incentive Plan (amended and restated on September 10, 2019 and September 28, 2020 and further amended and restated on June 24, 2022 with effect from the date of the Hong Kong Listing) of the Registrant (incorporated herein by reference to Exhibit 4.11 of our Annual Report on Form 20-F (file No. 001-39147) as filed with the Securities and Exchange Commission on April 24, 2023)
8.1*	Significant Subsidiaries and VIE of the Registrant
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
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 Haiwen & Partners
15.2*	Consent of PricewaterhouseCoopers Zhong Tian LLP, an independent registered public accounting firm
97.1*	Policy for the Recovery of Erroneously Awarded Compensation of the Registrant
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Scheme 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 (embedded within the Inline XBRL document)

* Filed herewith

** Furnished herewith

† Certain portions of these exhibits have been omitted as confidential

Table of Contents

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.

OneConnect Financial Technology Co., Ltd.

By: /s/ Mr. Yongtao Luo
Name: Mr. Yongtao Luo
Title: Chief Financial Officer

Date: April 23, 2024

Table of Contents

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

OneConnect Financial Technology Co., Ltd.

	Page
Report of Independent Registered Public Accounting Firm (PCAOB ID: 1424)	F-2
Consolidated Statements of Comprehensive Income for the years ended December 31, 2021, 2022 and 2023	F-6
Consolidated Balance Sheets as of December 31, 2022 and 2023	F-7
Consolidated Statements of Changes in Equity for the years ended December 31, 2021, 2022 and 2023	F-8
Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2022 and 2023	F-11
Notes to the Consolidated Financial Statements	F-12

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of OneConnect Financial Technology Co., Ltd.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of OneConnect Financial Technology Co., Ltd. and its subsidiaries (the "Company") as of December 31, 2023 and 2022 and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Table of Contents

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill Impairment Assessment

As described in Notes 4(d) and 14 to the consolidated financial statements, the Company's consolidated goodwill balance was RMB 289,161 thousands as of December 31, 2023. Goodwill impairment reviews are undertaken by management at least annually or more frequently if events or changes in circumstances indicate a potential impairment. As a result of the impairment test performed by management at the end of 2023, it was determined that the recoverable amount of the cash generating unit, to which the goodwill was allocated, exceeded its carrying value and therefore no impairment was recorded. The recoverable amount of cash generating unit was determined based on value-in-use using cash flow projections. The significant assumptions used in the goodwill impairment assessment included revenue growth rates, long-term growth rate, profit margin and pre-tax discount rate.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment is a critical audit matter are there were significant estimations and judgments by management when developing the value-in-use calculation of the cash generating unit. This in turn led to a high degree of auditor judgment, effort, and subjectivity in performing procedures, and in evaluating the related audit evidence over management's cash flow projections and significant assumptions related to the revenue growth rates, long-term growth rate, profit margin and pre-tax discount rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Table of Contents

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's evaluation of the recoverability of goodwill, including controls over the valuation of the recoverable amount of cash generating unit to which the goodwill was allocated. These procedures also included, among others, testing management's process for the goodwill impairment assessment; evaluating the appropriateness of the goodwill impairment assessment method; testing the completeness, accuracy and relevance of underlying data used in, and evaluating the reasonableness of significant assumptions used by management, including revenue growth rates, long-term growth rate, profit margin and pre-tax discount rate. Evaluating management's assumptions related to revenue growth rates, long-term growth rate and profit margin involved assessing their reasonableness by considering the (i) the current and historical business performance of the cash generating unit; (ii) the management's future business plan and market development and (iii) the consistency with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's goodwill impairment assessment method, long-term growth rate and pre-tax discount rate.

Impairment loss allowance for trade receivables and contract assets

As described in Notes 4(a), 5.1(b)(ii), 6.2(c) and 19 to the consolidated financial statements, as of December 31, 2023, the gross balance of trade receivables and contract assets were RMB 779,458 thousands and RMB 153,204 thousands, respectively, and the impairment loss allowances for these assets were RMB 68,789 thousands and RMB 57,379 thousands, respectively. The impairment loss allowances were determined using the expected credit loss ("ECL") model. Management applied the simplified approach in determining ECL which used a lifetime expected impairment loss allowance for all trade receivables and contract assets. Management grouped trade receivables and contract assets based on their shared credit risk characteristics and the age of the underlying receivables, and then determined the impairment loss allowance on the basis of exposure at default and ECL rates, which considered historical credit loss experience adjusted to reflect current and forward-looking information.

The principal considerations for our determination that performing procedures relating to impairment loss allowance for trade receivables and contract assets is a critical audit matter are the significant judgment by management in developing the ECL model. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to management's assumptions, related to the grouping of trade receivables and contract assets, and the determination of ECL rates.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included understanding, evaluating and testing the effectiveness of controls relating to the impairment loss allowance for trade receivables and contract assets, including the grouping of trade receivables and contract assets and the determination of ECL rates. These procedures also included, among others (i) testing the completeness, accuracy, and relevance of underlying data used, (ii) testing the mathematical accuracy of the ECL model, (iii) evaluating the appropriateness of the model, and (iv) evaluating the reasonableness of significant assumptions used by management, relating to the grouping of trade receivables and contract assets, and determination of the ECL rates. Evaluating the reasonableness of management's assumptions relating to grouping of trade receivables and contract assets involved considering the credit risk characteristics and the age of the underlying assets. Evaluating the reasonableness of management's assumptions relating to ECL rates involved considering (i) the appropriateness of historical period selection, historical credit loss experience, current status of the assets and other relevant information; and (ii) the appropriateness of forward-looking information and macroeconomic factors affecting the expected ability of customers to settle receivables.

Table of Contents

Recognition of deferred tax assets

As described in Notes 4(b) and 34 to the consolidated financial statements, the Company's deferred tax assets were RMB 768,276 thousands as of December 31, 2023. The recognition of deferred tax assets was based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in future periods, against which existing deductible temporary differences can be utilized. To determine the future taxable profits, reference was made to the latest available profit forecasts. Where the temporary difference is related to the carry-forward of operating losses, relevant tax law was considered on a jurisdictional basis to determine the availability of such losses to offset future taxable profits.

The principal considerations for our determination that performing procedures relating to the recognition of deferred tax assets is a critical audit matter are the significant judgment by management in determining the amount of deferred tax assets that can be recognized. This in turn led to significant auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to management's estimate of sufficient future taxable profits.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating the deferred tax assets recognition process, including controls over the forecast of future taxable profits used to support the recognition of the deferred tax assets. These procedures also included, among others, evaluating the reasonableness of the forecasted future taxable profits used to support the recognition of the deferred income assets by (i) considering the results of a retrospective comparison of forecasted taxable profits in prior year to actual results in the current year; (ii) comparison of revenue growth rate and profit margin in the current year forecast to historical results and industry trends; and (iii) comparing whether the forecast was consistent with evidence obtained in other areas of the audit.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Shenzhen, the People's Republic of China
April 23, 2024

We have served as the Company's auditor since 2018

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31,		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
Revenue	6	**4,132,357**	**4,464,002**	**3,667,508**
-Technology Solutions		4,098,037	4,357,462	3,521,591
-Virtual Bank Business		34,320	106,540	145,917
Cost of revenue	7	(2,695,706)	(2,828,986)	(2,318,103)
Gross profit		**1,436,651**	**1,635,016**	**1,349,405**
Research and development expenses	7	(1,353,018)	(1,417,691)	(955,201)
Selling and marketing expenses	7	(588,380)	(411,356)	(275,351)
General and administrative expenses	7	(841,685)	(824,711)	(504,970)
Net impairment losses on financial and contract assets	5.1(b)	(72,229)	(33,639)	(53,950)
Other income, gains or loss-net	9	13,921	70,818	71,855
Operating loss		**(1,404,740)**	**(981,563)**	**(368,212)**
Finance income	10	28,823	14,709	29,580
Finance costs	10	(76,637)	(37,173)	(20,532)
Finance (costs)/income – net	10	(47,814)	(22,464)	9,048
Share of gain of associate and joint venture - net	15	9,946	24,852	4,607
Impairment charges on associate	15	—	(10,998)	(7,157)
Loss before income tax		**(1,442,608)**	**(990,173)**	**(361,714)**
Income tax benefit/ (expense)	11	112,095	62,147	(9,762)
Loss for the year		**(1,330,513)**	**(928,026)**	**(371,476)**
Loss attributable to:				
- Owners of the Company		(1,281,699)	(872,274)	(362,715)
- Non-controlling interests		(48,814)	(55,752)	(8,761)
		(1,330,513)	**(928,026)**	**(371,476)**
Other comprehensive income, net of tax				
Items that may be subsequently reclassified to profit or loss				
- Foreign currency translation differences		(152,542)	69,454	3,880
- Changes in the fair value of debt instruments measured at fair value through other comprehensive income		(16)	5,324	500
Items that will not be subsequently reclassified to profit or loss				
- Foreign currency translation differences		—	356,691	22,336
- Changes in the fair value of equity investments measured at fair value through other comprehensive income		(1,796)	—	—
		(154,354)	431,469	26,716
Total comprehensive loss for the year		**(1,484,867)**	**(496,557)**	**(344,760)**
Total comprehensive loss attributable to:				
- Owners of the Company		(1,436,053)	(440,805)	(335,999)
- Non-controlling interests		(48,814)	(55,752)	(8,761)
		(1,484,867)	**(496,557)**	**(344,760)**
Loss per share attributable to owners of the Company (expressed in RMB per share)				
- Basic and diluted	12	(1.16)	(0.80)	(0.33)
Loss per ADS attributable to owners of the Company (expressed in RMB per share)				
- Basic and diluted	12	(34.69)	(23.90)	(9.99)

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

CONSOLIDATED BALANCE SHEETS

	Note	As at December 31, 2022 RMB'000	As at December 31, 2023 RMB'000
ASSETS			
Non-current assets			
Property and equipment	13	151,401	85,076
Intangible assets	14	570,436	471,371
Deferred tax assets	34	765,959	768,276
Investments accounted for using the equity method	15	199,200	—
Financial assets measured at fair value through other comprehensive income	17	821,110	1,372,685
Restricted cash and time deposits over three months	23	—	5,319
Prepayments and other receivables	20	—	6,663
Total non-current assets		**2,508,106**	**2,709,390**
Current assets			
Trade receivables	19	940,989	710,669
Contract assets	6	122,628	95,825
Prepayments and other receivables	20	1,078,604	905,691
Financial assets measured at amortized cost from virtual bank	21	44	3,081
Financial assets measured at fair value through other comprehensive income	17	1,233,431	853,453
Financial assets at fair value through profit or loss	22	690,627	925,204
Derivative financial assets	32	56,363	38,008
Restricted cash and time deposits over three months	23	343,814	447,564
Cash and cash equivalents	24	1,907,776	1,379,473
Total current assets		**6,374,276**	**5,358,968**
Total assets		**8,882,382**	**8,068,358**
EQUITY AND LIABILITIES			
Equity			
Share capital	25	78	78
Shares held for share incentive scheme	27	(149,544)	(149,544)
Other reserves	26	10,953,072	10,989,851
Accumulated losses		(7,510,899)	(7,873,614)
Equity attributable to equity owners of the Company		**3,292,707**	**2,966,771**
Non-controlling interests		(14,652)	(18,979)
Total equity		**3,278,055**	**2,947,792**
LIABILITIES			
Non-current liabilities			
Trade and other payables	28	132,833	28,283
Contract liabilities	6	19,977	17,126
Deferred tax liabilities	34	5,196	2,079
Total non-current liabilities		**158,006**	**47,488**
Current liabilities			
Trade and other payables	28	2,531,273	1,981,288
Payroll and welfare payables		431,258	385,908
Contract liabilities	6	166,650	138,563
Short-term borrowings	29	289,062	251,732
Customer deposits	30	1,929,183	2,261,214
Other financial liabilities from virtual bank	31	89,327	54,373
Derivative financial liabilities	32	9,568	—
Total current liabilities		**5,446,321**	**5,073,078**
Total liabilities		**5,604,327**	**5,120,566**
Total equity and liabilities		**8,882,382**	**8,068,358**

The accompanying notes are an integral part of these consolidated financial statements.

The financial information on pages F6 to F95 were approved by the Board of Directors on April 23, 2024 and were signed on its behalf.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company						
	Note	Share capital	Shares held for share incentive scheme	Other reserves	Accumulated losses	Total	Non-controlling interest	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2021		**78**	**(87,714)**	**10,639,931**	**(5,356,926)**	**5,195,369**	**89,914**	**5,285,283**
Loss for the year		—	—	—	(1,281,699)	(1,281,699)	(48,814)	(1,330,513)
Other comprehensive income, net of tax								
- Foreign currency translation differences	26	—	—	(152,542)	—	(152,542)	—	(152,542)
- Fair value changes on financial assets measured at fair value through other comprehensive income		—	—	(1,812)	—	(1,812)	—	(1,812)
Total comprehensive loss for the year		—	—	(154,354)	(1,281,699)	(1,436,053)	(48,814)	(1,484,867)
Transactions with equity holders:								
Share-based payments:								
- Value of employee services and business cooperation arrangements	27	—	—	25,409	—	25,409	—	25,409
- Vesting of shares under Restricted Share Unit Scheme		—	700	(700)	—	—	—	—
- Exercise of shares under Share Option Scheme		—	6,912	2,345	—	9,257	—	9,257
Total transactions with equity holders at their capacity as equity holders for the year		—	7,612	27,054	—	34,666	—	34,666
As at December 31, 2021		**78**	**(80,102)**	**10,512,631**	**(6,638,625)**	**3,793,982**	**41,100**	**3,835,082**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

		Attributable to owners of the Company						
	Note	Share capital	Shares held for share incentive scheme	Other reserves	Accumulated losses	Total	Non-controlling interest	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2022		**78**	**(80,102)**	**10,512,631**	**(6,638,625)**	**3,793,982**	**41,100**	**3,835,082**
Loss for the year		—	—	—	(872,274)	(872,274)	(55,752)	(928,026)
Other comprehensive income, net of tax								
- Foreign currency translation differences	26	—	—	426,145	—	426,145	—	426,145
- Fair value changes on financial assets measured at fair value through other comprehensive income		—	—	5,324	—	5,324	—	5,324
Total comprehensive loss for the year		—	—	431,469	(872,274)	(440,805)	(55,752)	(496,557)
Transactions with equity holders:								
Share-based payments:								
- Value of employee services and business cooperation arrangements	27	—	—	13,361	—	13,361	—	13,361
- Vesting of shares under Restricted Share Unit Scheme		—	4,720	(4,720)	—	—	—	—
- Exercise of shares under Share Option Scheme		—	830	331	—	1,161	—	1,161
- Repurchase of shares		—	(74,992)	—	—	(74,992)	—	(74,992)
Total transactions with equity holders at their capacity as equity holders for the year		—	(69,442)	8,972	—	(60,470)	—	(60,470)
As at December 31, 2022		**78**	**(149,544)**	**10,953,072**	**(7,510,899)**	**3,292,707**	**(14,652)**	**3,278,055**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

		Attributable to owners of the Company						
	Note	Share capital RMB'000	Shares held for share incentive scheme RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
As at January 1, 2023		**78**	**(149,544)**	**10,953,072**	**(7,510,899)**	**3,292,707**	**(14,652)**	**3,278,055**
Loss for the year		—	—	—	(362,715)	(362,715)	(8,761)	(371,476)
Other comprehensive income, net of tax								
- Foreign currency translation differences	26	—	—	26,216	—	26,216	—	26,216
- Fair value changes on financial assets measured at fair value through other comprehensive income		—	—	500	—	500	—	500
Total comprehensive loss for the year		—	—	26,716	(362,715)	(335,999)	(8,761)	(344,760)
Transactions with equity holders:								
Share-based payments:								
- Value of employee services and business cooperation arrangements	27	—	—	14,497	—	14,497	—	14,497
- Transactions with non-controlling interests	28(ii)	—	—	(4,434)	—	(4,434)	4,434	—
Total transactions with equity holders at their capacity as equity holders for the year		—	—	10,063	—	10,063	4,434	14,497
As at December 31, 2023		**78**	**(149,544)**	**10,989,851**	**(7,873,614)**	**2,966,771**	**(18,979)**	**2,947,792**

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31, 2021 RMB'000	2022 RMB'000	2023 RMB'000
Cash flows from operating activities				
Cash used in operations	35(a)	(383,704)	(720,786)	(637,746)
Income tax paid		(20,630)	(25,198)	(10,715)
Net cash used in operating activities		**(404,334)**	**(745,984)**	**(648,461)**
Cash flows from investing activities				
Payment for acquisition of subsidiaries, net of cash acquired		(11,060)	—	—
Payments for property and equipment		(45,553)	(22,066)	(5,981)
Payments for intangible assets		(82,463)	(45,877)	(31,488)
Payment for loans to related parties		(3,515)	—	—
Payments for financial assets measured at fair value through other comprehensive income		(16,661)	(614,772)	(1,867,657)
Payments for Investment in Jointly controlled entities	15	—	—	(2,550)
Payments for financial assets at fair value through profit or loss		(7,577,741)	(2,706,721)	(914,500)
(Payments)/Proceeds for settlement of derivatives		(138,634)	16,491	40,342
Release of restricted cash and time deposits over three months, net		1,206,607	922,818	207,896
Proceeds from sales of property and equipment		1,019	9,467	699
Receipts of loans to related parties		—	1,900	1,600
Proceeds from sales of financial assets measured at fair value through other comprehensive income		16,833	193,495	1,991,143
Proceeds from disposal of investment in associate	15	—	—	199,200
Proceeds from sales of financial assets at fair value through profit or loss		7,019,968	4,092,407	686,626
Interest received on financial assets at fair value through profit or loss		19,635	26,027	13,304
Net cash generated from investing activities		**388,435**	**1,873,169**	**318,634**
Cash flows from financing activities				
Proceeds from short-term borrowings	35(c)	912,900	313,000	235,000
Proceeds from exercise of shares under share incentive scheme		9,257	1,161	—
Payments for lease liabilities	35(c)	(96,139)	(76,734)	(60,922)
Repayments of short-term borrowings	35(c)	(2,376,945)	(836,429)	(273,000)
Interest paid	35(c)	(60,854)	(20,072)	(11,403)
Transactions with non-controlling interests		—	—	(15,000)
Payments for shares held for share incentive scheme		—	—	(88,280)
Payments for shares repurchase	27	—	(74,992)	—
Net cash used in financing activities		**(1,611,781)**	**(694,066)**	**(213,605)**
Net (decrease)/increase in cash and cash equivalents		**(1,627,680)**	**433,119**	**(543,432)**
Cash and cash equivalents at the beginning of the year		3,055,194	1,399,370	1,907,776
Effects of exchange rate changes on cash and cash equivalents		(28,144)	75,287	15,129
Cash and cash equivalents at the end of year		**1,399,370**	**1,907,776**	**1,379,473**

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information and basis of presentation

1.1 General information

OneConnect Financial Technology Co., Ltd. (the "Company") was incorporated in the Cayman Islands on October 30, 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company completed its initial public offering ("IPO") on December 13, 2019 on the New York Stock Exchange. The Company has listed by way of introduction its ordinary shares on the Main Board of the Stock Exchange of Hong Kong Limited on July 4, 2022.

On November 30, 2022, the Company announced its plans to change the ratio of its American Depositary Share ("ADS") to its ordinary shares (the "ADS Ratio") from the current ADS Ratio of one ADS to three ordinary shares to a new ADS Ratio of one ADS to thirty ordinary shares. The change in the ADS Ratio became effective on December 12, 2022. For all the periods presented, basic and diluted loss per ADS have been revised assuming the change of ADS ratio from a ratio of one ADS to three ordinary share to a new Ratio of one ADSs to thirty ordinary shares occurred at the beginning of the earliest period presented.

The Company, its subsidiaries, its controlled structured entities ("Structured Entities", "Variable Interest Entities" or "VIEs") and their subsidiaries ("Subsidiaries of VIEs") are collectively referred to as the "Group". The Group is principally engaged in providing cloud-platform-based Fintech solutions, online information service and operating support service to financial institutions (the "Listing Business") mainly in the People's Republic of China (the "PRC"). The Company does not conduct any substantive operations of its own but conducts its primary business operations through its subsidiaries, VIEs and subsidiaries of VIEs in the PRC. Further details of the VIEs are set out in Note 1.2 below.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

1.2 Organization and principal activities

As at December 31, 2023, the Company had direct or indirect interests in the following major subsidiaries(which are all corporations) including consolidated structured entities.

Company name	Place and date of incorporation/ establishment	Principal activities and place of operations	Issued and paid-in capital/ Registered capital	Equity interest held by the Group As at December 31 2022	2023	Note
Subsidiaries						
Jin Tai Yuan Limited	British Virgin Islands /October 27, 2017	Investment holding, BVI	USD747,940,498	100 %	100 %	
Jin Cheng Long Limited	Hong Kong /October 30, 2017	Investment holding, Hong Kong, the PRC.	USD747,940,498	100 %	100 %	
OneConnect Financial Technology (Hong Kong) Limited	Hong Kong /March 15, 2018	Software and technology service, information transmission, Hong Kong, the PRC.	USD1	100 %	100 %	
OneConnect Financial Technology (Singapore) Co., Pte. Ltd.	Singapore /March 26, 2018	Software and technology service, information transmission, Singapore.	SGD47,900,000	100 %	100 %	
PT OneConnect Financial Technology Indonesia	Indonesia/December 04, 2018	Software and technology service, information transmission, Indonesia.	IDR10,000,000,000	100 %	100 %	
Ping An OneConnect Bank (Hong Kong) Limited ("OneConnect Bank")	Hong Kong/December 07, 2018	Banking service, Hong Kong, the PRC.	USD38,216,561 and HKD 1,200,000,000	100 %	100 %	
Shenzhen OneConnect Technology Services Co.,Ltd("Shenzhen OneConnect Technology")	the PRC /January 04, 2018	Technology promotion and computer application services, Shenzhen, the PRC.	RMB4,903,181,996/RMB4,960,000,000	100 %	100 %	

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information and basis of presentation (Continued)

1.2 Organization and principal activities (Continued)

Company name	Place and date of incorporation/ establishment	Principal activities and place of operations	Issued and paid-in capital/ Registered capital	Equity interest held by the Group As at December 31 2022	2023	Note
Subsidiaries (Continued)						
Beijing Vantage Point Technology Co., Ltd. ("Vantage Point Technology")	the PRC /July 18, 2008	Software and technology service, information transmission, Beijing, the PRC.	RMB13,333,529	51.67 %	51.67 %	(i)
Shenzhen OneConnect Information Technology Service Company Limited ("Shenzhen OneConnect Information Technology")	the PRC/January 31, 2019	Software and technology service, information transmission, Shenzhen, the PRC.	RMB100,000,000	51 %	51 %	
Beijing BER Technology Company Ltd. ("BER Technology")	the PRC/March 30,2006	Software and technology service, information transmission, Shenzhen, the PRC.	RMB22,950,000	80 %	100 %	(i)
Zhang Tong Shun (Guangzhou) Technology Co., Ltd. ("Zhang Tong Shun")	the PRC/May 9, 2019	Information technology advisory services, Guangzhou, the PRC.	RMB10,000,000	100 %	100 %	(i)
VIEs						
OneConnect Smart Technology Co., Ltd. (Shenzhen) ("Shenzhen OneConnect")	the PRC / September 15, 2017	Software and technology service, information transmission, Shenzhen, the PRC.	RMB1,200,000,000	100 %	100 %	
Shenzhen E-Commerce Safety Certificates Administration Co., Ltd. ("Shenzhen CA")	the PRC/August 11, 2000	E-commerce security certificate administration, Shenzhen, the PRC.	RMB543,500,000	98.9 %	98.9 %	(i)
Subsidiaries of the VIEs						
Shanghai OneConnect Financial Technology Co., Ltd. ("Shanghai OneConnect") *	the PRC / December 29, 2015	Software and technology service, asset management and consulting, Shanghai, the PRC.	RMB1,200,000,000	100 %	100 %	
Shenzhen Kechuang Insurance Assessment Co., Ltd. ("Kechuang") *	the PRC / August 27, 2001	Insurance survey and loss adjustment, Shenzhen, the PRC.	RMB4,000,000	100 %	100 %	
Shenzhen OneConnect Chuangpei Technology Co., Ltd. ("Chuangpei") *	the PRC / June 1, 2016	Software and technology service, information transmission, Shenzhen, the PRC.	RMB10,000,000	100 %	100 %	
Zhuhai Yirongtong Asset Management Co., Ltd. ("Yirongtong") *	the PRC / June 21, 2016	Asset management and consulting, Zhuhai, the PRC.	RMB12,000,000	100 %	100 %	
Ping An OneConnect Cloud Technology Co., Ltd. ("OneConnect Cloud Technology")	the PRC / June 27, 2016	Software and technology service, information transmission, Shenzhen, the PRC.	RMB500,000,000	100 %	100 %	

* Subsidiaries of Shenzhen OneConnect

Note:

(i) The subsidiaries were acquired by the Group through business combination.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information and basis of presentation (Continued)

1.2 Organization and principal activities (Continued)

PRC laws and regulations prohibit or restrict foreign ownership of companies that provide internet-based business, which include activities and services provided by the Group. The Group operates its business operations in the PRC through a series of contractual arrangements entered into among a wholly-owned subsidiary of the Company and VIEs that legally owned by equity holders ("Nominee Shareholders") authorized by the Group (collectively, "Contractual Arrangements"). The Contractual Arrangements include Exclusive Equity Purchase Option Agreement, Exclusive Business Cooperation Agreement, Exclusive Asset Option Agreement, Equity Pledge Agreement, Shareholder Voting Proxy Agreement, Letters of Undertakings and Spousal Consent Letters.

Under the Contractual Arrangements, the Company has the power to control the management, and financial and operating policies of the VIEs, has exposure or rights to variable returns from its involvement with the VIEs, and has the ability to use its power over the VIEs to affect the amount of the returns. As a result, all these VIEs are accounted for as consolidated structured entities of the Company and their financial statements have also been consolidated by the Company.

The principal terms of the Contractual Arrangements are further described below:

(a) Contractual agreements with Shenzhen OneConnect

- Exclusive Equity Purchase Option Agreement

Pursuant to the exclusive equity purchase option agreement entered into between Shenzhen OneConnect Technology, Shenzhen OneConnect, the direct shareholders of Shenzhen OneConnect, and the shareholders of the direct shareholders of Shenzhen OneConnect, (each refer to as the "Indirect Shareholder", together with the direct shareholders of Shenzhen OneConnect, "the Shenzhen OneConnect Shareholders") (the "Exclusive Equity Purchase Option Agreement"), Shenzhen OneConnect Technology has the irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from Shenzhen OneConnect Shareholders all or any part of their equity interests in Shenzhen OneConnect at any time and from time to time in Shenzhen OneConnect Technology's absolute discretion to the extent permitted by PRC laws. Unless terminated upon the parties' agreement, this agreement will remain effective for ten years, and will be automatically renewed for another five years, unless Shenzhen OneConnect Technology objects to the renewal in writing thirty days prior this agreement's expiry.

- Exclusive Business Cooperation Agreement

Pursuant to the exclusive business cooperation agreement entered into between Shenzhen OneConnect Technology and Shenzhen OneConnect, Shenzhen OneConnect agreed to engage Shenzhen OneConnect Technology as its exclusive provider of business support, technical and consulting services. In exchange for these services, Shenzhen OneConnect shall pay a service fee, which is equal to Shenzhen OneConnect's profit before tax, after deducting any accumulated losses of Shenzhen OneConnect and its subsidiaries from the preceding fiscal year, working capital, costs, expenses, tax and other statutory contribution in relation to the respective fiscal year. The service fee shall be paid annually and shall be wired to the designated bank account of Shenzhen OneConnect Technology upon issuance of invoice by Shenzhen OneConnect Technology. The effective term of this agreement is the same as that of the Exclusive Equity Purchase Option Agreement described above.

- Exclusive Asset Option Agreement

Pursuant to the exclusive asset option agreement entered into between Shenzhen OneConnect Technology, Shenzhen OneConnect and the Shenzhen OneConnect Shareholders (the "Exclusive Asset Option Agreement"), Shenzhen OneConnect Technology has the irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from Shenzhen OneConnect all or any part of its assets at any time at Shenzhen OneConnect Technology's absolute discretion and to the extent permitted by PRC laws. The consideration shall be the higher of (a) a nominal

price or (b) the lowest price as permitted under applicable PRC laws. The effective term of this agreement is the same as that of the Exclusive Equity Purchase Option Agreement described above.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information and basis of presentation (Continued)

1.2 Organization and principal activities (Continued)

(a) Contractual agreements with Shenzhen OneConnect (Continued)

- Equity Pledge Agreement

Pursuant to the equity pledge agreement entered into between Shenzhen OneConnect Technology, Shenzhen OneConnect and the Shenzhen OneConnect Shareholders (the "Equity Pledge Agreement"), the Registered Shareholders agreed to pledge as first charge all of their equity interests in Shenzhen OneConnect to Shenzhen OneConnect Technology as collateral security for any and all of the guaranteed debt under the Contractual Arrangements and to secure the performance of their obligations under the Contractual Arrangements. During the pledge period, Shenzhen OneConnect Technology is entitled to receive any dividends or other distributable benefits arising from the equity.

The pledge in favor of Shenzhen OneConnect Technology takes effect upon the completion of registration with the relevant administration for industry and commerce of China and shall remain valid until Shenzhen OneConnect Shareholders and Shenzhen OneConnect have discharged all their obligations and fully paid all the amounts payable under the Contractual Arrangements.

- Shareholder Voting Proxy Agreement

Shenzhen OneConnect Technology, Shenzhen OneConnect, the Shenzhen OneConnect Shareholders and the subsidiaries of Shenzhen OneConnect entered into a shareholder voting proxy agreement. Pursuant to this agreement, each shareholder of Shenzhen OneConnect and its subsidiaries irrevocably authorizes the persons designated by Shenzhen OneConnect Technology to act on its behalf to exercise all of such shareholder's voting and other rights associated with the shareholder's equity interest in Shenzhen OneConnect and the subsidiaries of Shenzhen OneConnect, such as the right to appoint or designate directors, supervisors and officers, as well as the right to sell, transfer, pledge or dispose of all or any portion of the shares held by such shareholder. The effective term of this agreement is the same as that of the Exclusive Equity Purchase Option Agreement described above.

- Letters of Undertakings

Each Indirect Shareholder signed a letter of undertakings to the Company. Under these letters, the signing Indirect Shareholder has separately irrevocably undertaken, in the event of his or her death or loss of capacity or any other events that could possibly affect his or her capacity to fulfil his or her obligations under the contractual arrangement of Shenzhen OneConnect, that he or she will unconditionally transfer his or her equity interest in Shenzhen OneConnect to any person designated by Shenzhen OneConnect Technology and the transferee will be deemed to be a party to the contractual arrangements and will assume all of his or her rights and obligations as such under the contractual arrangements. Each signing Indirect Shareholder represents that his or her spouse has no ownership interest in his or her equity interests in Shenzhen OneConnect. Each signing Indirect Shareholder further represents that in any circumstances, he or she will not, directly or indirectly, commit any conduct, measure, action or omission that is contrary to the purpose and intention of the contractual arrangements, that leads or may lead to any conflict of interest between Shenzhen OneConnect and OneConnect Financial Technology Co., Ltd. and/or its subsidiaries, and that if, during his or her performance of the contractual arrangements, there is a conflict of interest between the signing Indirect Shareholder and OneConnect Financial Technology Co., Ltd. and/or its subsidiaries, the signing Indirect Shareholder will protect the legal interests of Shenzhen OneConnect Technology under the contractual arrangements and follow the instructions of the Company.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information and basis of presentation (Continued)

1.2 Organization and principal activities (Continued)

(a) Contractual agreements with Shenzhen OneConnect (Continued)

- Spousal Consent Letters

Under the spousal consent letters, each signing spouse respectively agreed that he or she was aware of the equity interest beneficially owned by his or her spouse in Shenzhen OneConnect and the relevant Contractual Arrangements in connection with such equity interest. The signing spouse unconditionally and irrevocably confirmed that he or she does not have any equity interest in Shenzhen OneConnect and committed not to impose any adverse assertions upon his or her spouse's respective equity interest. Each signing spouse further confirmed that such equity interest may be disposed of pursuant to the relevant Contractual Arrangements, and committed that he or she will take all necessary measures for the performance of those arrangements.

(b) Contractual agreements with Shenzhen CA

Shenzhen CA and certain of its shareholders holding in the aggregate 98.9% of the equity interest in Shenzhen CA entered into a series of contractual agreements with Zhang Tong Shun. These agreements contain terms substantially similar to the contractual arrangements among Shenzhen OneConnect, Shenzhen OneConnect Shareholders and Shenzhen OneConnect Technology described above.

(c) Risks in relation to the VIEs

In the opinion of the Company's management, the Contractual Arrangements discussed above have resulted in the Company, Shenzhen OneConnect Technology and Zhang Tong Shun having the power to direct activities that most significantly impact the VIEs, including appointing key management, setting up operating policies, exerting financial controls and transferring profit or assets out of the VIEs at its discretion. The Company has the power to direct activities of the VIEs and can have assets transferred out of the VIEs under its control. Therefore, the Company considers that there is no asset in any of the VIEs that can be used only to settle obligations of the VIEs, except for registered capital, capital reserve and PRC statutory reserves of the VIEs totalling RMB1,774 million and RMB 1,782 million as of December 31, 2022 and 2023, respectively. Currently there is no contractual arrangement that could require the Company to provide additional financial support to the VIEs. As the Company is conducting its Internet-related business mainly through the VIEs, the Company may provide such support on a discretional basis in the future, which could expose the Company to a loss. As the VIEs organized in the PRC were established as limited liability companies under PRC law, their creditors do not have recourse to the general credit of Shenzhen OneConnect Technology and Zhang Tong Shun for the liabilities of the VIEs, and Shenzhen OneConnect Technology and Zhang Tong Shun do not have the obligation to assume the liabilities of these VIEs.

In the opinion of the Company's management, the contractual arrangements among its subsidiaries, the VIE and their respective Nominee Shareholders are in compliance with current PRC laws and are legally binding and enforceable. However, uncertainties in the interpretation and enforcement of the PRC laws, regulations and policies could limit the Company's ability to enforce these contractual arrangements. In addition, the enforceability of the contractual agreements between the Company, the VIE and its shareholders depends on whether the Company's shareholders or their PRC holding entities will fulfil these contractual agreements. As a result, the Company may be unable to consolidate the VIE and VIE' subsidiaries in the consolidated financial statements.

On March 15, 2019, the Foreign Investment Law was formally passed by the thirteenth National People's Congress and it became effective on January 1, 2020. The Foreign Investment Law replaced the Law on Sino Foreign Equity Joint Ventures, the Law on Sino Foreign Cooperative Joint Ventures and the Law on Foreign Capital Enterprises and became the legal foundation for foreign investment in the PRC. The Implementation Regulations for the Foreign Investment Law was promulgated by the State Council on December 26, 2019, became effective on January 1, 2020, and replaced the corresponding implementation rules of the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Cooperative Joint Ventures and the Law on Foreign-Capital Enterprises.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information and basis of presentation (Continued)

1.2 Organization and principal activities (Continued)

(c) Risks in relation to the VIEs (Continued)

The Foreign Investment Law stipulates certain forms of foreign investment. However, the Foreign Investment Law does not explicitly stipulate contractual arrangements such as those we rely on as a form of foreign investment. Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors investing through any other methods under laws, administrative regulations or provisions prescribed by the State Council.'' Future laws, administrative regulations or provisions prescribed by the State Council may possibly regard Contractual Arrangements as a form of foreign investment. If this happens, it is uncertain whether the Contractual Arrangements with the VIE and its shareholders would be recognized as foreign investment, or whether the Contractual Arrangements would be deemed to be in violation of the foreign investment access requirements. As well as the uncertainty on how the Contractual Arrangements will be handled, there is substantial uncertainty regarding the interpretation and the implementation of the Foreign Investment Law. The relevant government authorities have broad discretion in interpreting the law. Therefore, there is no guarantee that the Contractual Arrangements, the business of the VIEs and financial conditions of the Company will not be materially and adversely affected.

The Company's ability to control VIEs also depends on rights provided to Shenzhen OneConnect Technology and Zhang Tong Shun, under the Shareholder Voting Proxy Agreement, to vote on all matters requiring shareholder approval. As noted above, the Company believes Shareholder Voting Proxy Agreement is legally enforceable, but they may not be as effective as direct equity ownership. In addition, if the corporate structure of the Group or the Contractual Arrangements between the Shenzhen OneConnect Technology, and Zhang Tong Shun, the VIEs and their respective shareholders and subsidiaries were found to be in violation of any existing PRC laws and regulations, the relevant PRC regulatory authorities could:

- revoke the Group's business and operating licenses;
- require the Group to discontinue or restrict its operations;
- impose fines or confiscate any of the Group's income that they deem to have been obtained through illegal operations;
- require the Group to restructure the ownership structure or operations, re-apply for the necessary licenses or relocate its businesses, staff and assets;
- impose additional conditions or requirements with which the Group may not be able to comply; or
- restrict or prohibit the Group's use of the proceeds from public offerings or other of the Group's financing activities to finance the business and operations of the VIEs and their subsidiaries; or
- take other regulatory or enforcement actions against the Group that could be harmful to the Group's business.

The imposition of any of these restrictions or actions may result in a material adverse effect on the Company's ability to conduct its business. In addition, if the imposition of any of these restrictions causes the Company to lose the right to direct the activities of the VIEs or the right to receive their economic benefits, the Company would no longer be able to consolidate the financial statements of the VIEs. In the opinion of management, the likelihood of losing the benefits in respect of the Company's current ownership structure or the contractual arrangements with its VIEs is remote.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information and basis of presentation (Continued)

1.2 Organization and principal activities (Continued)

(c) Risks in relation to the VIEs (Continued)

The following are major financial statements amounts and balances of the Group's VIEs and subsidiaries of VIEs (i.e. Shenzhen OneConnect, Shenzhen CA and their subsidiaries) of December 31, 2022 and 2023 and for the years ended December 31, 2021, 2022 and 2023.

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Total current assets	3,865,127	3,058,529
Total non-current assets	906,455	603,914
Total assets	4,771,582	3,662,443
Total current liabilities	7,645,984	6,676,641
Total non-current liabilities	27,902	24,291
Total liabilities	7,673,886	6,700,932

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Total revenue	3,723,306	4,064,707	3,261,285
Net loss	(708,699)	(195,819)	(68,079)
Net cash used in operating activities	(439,174)	(618,574)	(149,778)
Net cash generated from investing activities	3,633	918,498	75,598
Net cash generated from/ (used in) financing activities	108,564	368,778	(508,121)
Net (decrease)/increase in cash and cash equivalents	(326,977)	668,702	(582,301)
Cash and cash equivalents, beginning of the year	564,527	237,550	906,252
Cash and cash equivalents, end of the year	237,550	906,252	323,951

The above financial statements amounts and balances have included intercompany transactions which have been eliminated on the Company's consolidated financial statements.

As of December 31, 2022 and 2023, the total assets of Group's VIEs were mainly consisting of cash and cash equivalents, trade receivable, contract assets, prepayments and other receivables, financial assets at fair value through profit or loss, property and equipment, intangible assets and deferred tax assets. As of December 31, 2022 and 2023, the total liabilities of VIEs were mainly consisting of trade and other payables, payroll and welfare payables, contract liabilities and short-term borrowings.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Basis of preparation and changes in accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets measured at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial assets and liabilities, which are carried at fair value and subsequent changes are recognized in the statement of comprehensive income.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

2.2 Recent accounting pronouncements

(a) New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2023:

- IFRS 17 Insurance Contracts
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendment to IAS 12 – International tax reform – pillar two model rules

The amendments listed above did not have material impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Basis of preparation and changes in accounting policies (Continued)

2.2 Recent accounting pronouncements (Continued)

(b) New standards and amendments to standards and interpretations not yet adopted

Several new standards and amendments to standards and interpretations have been issued but not effective during the year 2023 and have not been early adopted by the Group in preparing these consolidated financial statements:

	Effective for annual periods beginning on or after
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1 – Non-current liabilities with covenants	January 1, 2024
Amendments to IFRS 16 – Lease liability in sale and leaseback	January 1, 2024
Amendments to IAS 7 and IFRS 7 – Supplier finance arrangements	January 1, 2024
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IAS 21 – Lack of Exchangeability	January 1, 2025

The above new standards, new interpretations and amended standards are not expected to have a material impact on the consolidated financial statements of the Group.

3 Summary of accounting policy information

3.1 Material accounting policies

3.1.1 Revenue recognition

Revenue represents the amount of consideration the Group is entitled to upon the transfer of promised goods or services in the ordinary course of the Group's activities and is recorded net of value-added tax ("VAT"). Revenues are recognized when or as control of the asset or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.1 Revenue recognition (Continued)

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer. If the value ascribed to the services rendered by the Group exceed the payment, a contract asset is recognized. Judgement is required in determining whether a right to consideration is unconditional and thus qualifies as a receivable.

A receivable is recorded when the Group has an unconditional right to consideration on the date the payment is due even if it has not yet performed under the contract.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or the payment is due (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract liability is recognized as revenue upon transfer of control to the customers of the promised license, products and services.

Some of the Group's contracts with customers contain multiple performance obligations. For these contracts, the Group accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. Although each of the performance obligations sometimes has a separate contractual price agreed in the contract, the management compares the contractual price with observable standalone market price, if any, or cost plus a margin price to assess the reasonableness of the pricing. If the contractual price for each performance obligation is assessed to be on market price basis, the Group uses the contractual price to measure and recognize revenue for each performance obligation. If the contractual price for each performance obligation is assessed to be not on market price basis, the Group reallocates the total contract price to the identified performance obligations based on its best estimated standalone selling price of each performance obligation.

Only the contracts for business origination services (Note 3.1.1(b)) contain significant financing components. As a practical expedient, the Group does not account for financing components if the period between when the Group transfers the promised goods or services to the customer and when the customer pays for those goods or services is one year or less.

Incremental costs of obtaining customer contract primarily consist of sales commissions and are capitalized as an asset. The Group amortizes assets recognized from capitalizing costs to obtain a contract on a systematic basis to profit or loss, consistent with the pattern of revenue recognition to which the asset relates. As a practical expedient, the Group recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Group otherwise would have recognized is one year or less.

The following is a description of the accounting policy for the principal revenue streams of the Group.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.1 Revenue recognition (Continued)

(a) Implementation and post-implementation support services

Implementation services represent customer-specific software development or customization services provided to customers for the use of the Group's software in cloud offerings or on-premise IT environment. The implementation contract is either on a time and material basis or fixed-fee basis. The Group invoices fees for implementation services based on actual time and materials incurred to date or according to pre-agreed payment schedules. After development, license to use the software is granted to the customer with an indefinite life. The customer cannot benefit from the implementation service on its own without the license. The perpetual license is a result of the implementation service. The implementation service and the perpetual license are highly interrelated and within the context of the contract, the promise of the Group is to transfer the implementation service together with the perpetual license as one output to its customers. Both the implementation service and the perpetual license to use the software are not distinct and thus should be combined together as one performance obligation. And there is no sales/usage-based royalty for the license to use the software in the arrangement.

The Group's customer contracts often include both implementation services and post-implementation support services. Customers can benefit from implementation service and post-implementation support service on their own, and those services are clearly stated in the contract and are separately identifiable, they are not integrated or interrelated with each other, and do not significantly affect each other.

For implementation services, revenue is recognized over time if the Group's performance (i) provides all of the benefits received and consumed simultaneously by the customer, (ii) creates and enhances an asset that the customer controls as the Group performs, or (iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Accordingly, revenue for implementation contracts is recognized over the contract terms by reference to the progress of work performed, which is measured based on costs incurred toward satisfying the performance obligation, relative to total costs expected to be incurred to the complete satisfaction of the performance obligation. Otherwise revenue is recognized at a point in time when control of the promised services is transferred to the customer.

For post-implementation support services, the performance obligation is to stand ready to provide technical support and unspecified updates and upgrades on a when-and-if-available basis. The customers simultaneously receive and consume the benefits of these support services as the Group performs and revenue is recognized based on time elapsed and thus ratably over the term of the support arrangement.

(b) Transaction based service

The Group derives its transaction based service revenue primarily from business origination services, risk management services, operation support services and other services.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.1 Revenue recognition (Continued)

(b) Transaction based service (Continued)

Business origination services

The Group provides business origination services by assisting financial institutions in customer acquisition for their products including loans, wealth management products and insurance policies etc.

In order to satisfy its performance obligations (that is generating customer leads for financial institutions), the Group designs marketing plans, sources leads and analyzes the leads. The Group generates customer leads for financial institutions through its own platform or from channel partners. The leads, which are sourced from the Group's own platform or from the channel partners, are grouped together and are screened and analyzed by the Group to ensure that they meet customers' criteria. When the leads are sourced from the channel partners, the Group determined that it is the principal in providing the business origination services to the financial institutions because the Group controls the leads sourced from channel partners, screens and analyzes the leads before delivering those leads to customers. For business origination services, the Group is primarily responsible for fulfilling the promise to generate customer leads to financial institutions and has full discretion in establishing the price for the business origination services provided to financial institutions, as well as the selection of and determination of prices paid to the channel partners. Accordingly, the Group records revenue based on the gross amount payable by the financial institutions and records the amount payable to the channel partners as cost of revenue. The Group normally charges its customers based on successful referrals at fixed charge rates.The revenue for business origination services is recognized when a referral is successfully accepted by financial institutions.

The Group determined that it is not the legal lender and legal borrower (or receiver of deposits from investors) in the loan origination and repayment process. Therefore, the Group does not record loans receivable and payable arising from the loans between lenders and borrowers. The Group acts as an agent to facilitate such loans.

Operation support services

Operation support services mainly represent calling services and insurance loss assessment services, digital certification and related services and solutions, service management platforms to participants around auto aftermarket scenarios, asset monitoring services and consulting services provided to financial institutions.

For contracts which the Group charges its customers based on usage of the services at fixed charge rates, and invoices the fees on periodical basis, the revenue from these services is recognized at a point in time when the customers receive and consume the benefits of these services each time the Group performs, based on the amount charged for such services.

For contracts which the Group charges its customers based on the term of services and invoices the fee on periodical basis, and the performance obligation is to stand ready to provide operation support, the customers simultaneously receive and consume the benefits of these support services as the Group performs and revenue is recognized over time based on time elapsed and thus ratably over the term of the support arrangement.

When the consideration receivable is different from the revenue recognized, a "contract asset" or "contract liability" shall be recognized in the consolidated statement of financial position.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.1 Revenue recognition (Continued)

(b) Transaction based service (Continued)

Risk management services

Risk management services mainly represent credit risk assessment, identity verification service, risk management services used in insurance loss assessment and anti-fraud services provided to financial institutions.

For risk management services contracts, the Group normally charges its customers based on usage of the services at fixed charge rates, and invoices the fees on periodical basis. The revenue from these services is recognized at a point in time when the customers receive and consume the benefits of these services each time the Group performs, based on the amount charged for such services.

Cloud platform services

Cloud platform services mainly represent providing financial institutions with value-added services including computing, storage, database and backup services on a variety of cloud infrastructures. For cloud platform contracts, the Group normally charges its customers based on usage of the services at fixed charge rates, and invoices the fees on periodical basis. The revenue from these services is recognized over time based on time elapsed and thus ratably over the contract terms when the customers receive and consume the benefits of these services.

Others

Other revenue mainly represents sales of products, asset management services and revenue from virtual bank.

For sales of products, the Group recognizes revenue net of discounts and return allowances upon the time when the products are delivered to customers.

(c) Interest and commission income

For virtual bank, interest income from debt instruments measured at amortized cost and debt instruments measured at fair value through other comprehensive income is recognized in revenue using the effective interest rate method. Fees and commissions are recognized on an accrual basis when the service has been provided or significant act performed.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.2 Intangible assets

The Group's intangible assets include application and platforms, purchased software, development costs in progress, goodwill, business licenses and others.

Intangible assets can be recognized only when future economic benefits expected to be obtained from the use of the item will flow into the Group and its cost can be measured reliably. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Costs associated with maintaining application and platform are recognized as an expense as incurred. Development costs that are directly attributable to the development and testing of identifiable application and platform controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the application and platform so that it will be available for use
- management intends to complete the application and platform and use or sell it
- there is an ability to use or sell
- it can be demonstrated how the application and platform will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the application and platform are available, and
- the expenditure attributable to the application and platform during its development can be reliably measured.

Directly attributable costs that are capitalized mainly include employee costs and technology service fees.

Research expenditure and development expenditure that do not meet the criteria above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

The useful lives of intangible assets are assessed by the period of bringing economic benefits for the Group.

The useful lives of intangible assets excluding development cost in progress are set as follows:

	Expected useful life
● Application and platform	3 - 10 years
● Purchased software	3 - 10 years
● Business licenses	3 - 5 years

Intangible assets with finite lives are subsequently amortized on the straight-line basis over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed, and adjusted if appropriate, at least at each year end.

Intangible assets with indefinite useful lives and development costs in progress are not amortized, but are subject to annual impairment assessment.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.3 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset other than deferred tax assets may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, the Group makes an estimate of the asset's recoverable amount. A non-financial asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where the carrying amount of a non-financial asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For non-financial assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statement of comprehensive income.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. The recoverable amount is the higher of its fair value less costs of disposal and its value-in-use, determined on an individual asset (or cash-generating unit) basis, unless the individual asset (or cash-generating unit) does not generate cash flows that are largely independent from those of other assets or groups of assets (or groups of cash-generating units). Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Intangible assets with indefinite useful lives and development costs in progress are tested for impairment annually at each year end either individually or at the cash-generating unit level, as appropriate.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.4 Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held and the cash flow characteristics of the asset. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment measured at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income, gains or loss together with foreign exchange gains and losses. Impairment losses are presented in the consolidated statements of comprehensive income.

- Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other income, gains or loss. Interest income from these financial assets is included in other gain using the effective interest rate method. Foreign exchange gains and losses are presented in other income, gains or loss and impairment expenses are presented in the statement of profit or loss.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.4 Financial assets (Continued)

Recognition and measurement (Continued)

(a) Debt instruments (Continued)

- Fair value through profit or loss ("FVPL"): Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other income, gains or loss in the period in which it arises.

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss. Changes in the fair value of financial assets at fair value through profit or loss are recognized in profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Expected credit loss refers to the weighted average amount of credit loss of financial instruments based on the probability of default. Credit loss refers to the difference between all contractual cash flows receivable and all cash flows that the entity expects to receive, discounted at the original effective interest rate. The Group recognizes or reverses the impairment provision through profit or loss.

For debt instruments measured at FVOCI, impairment gains or losses are included in the net impairment losses on financial instruments and correspondingly reduce the accumulated changes in fair value included in the OCI reserves of equity.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The impairment matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Impairment on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.5 Share-based payments

An equity-settled share-based compensation plan was granted to the employees and non-employees, under which the entity receives services from employees and non-employees as consideration for equity instruments (options) of the Group. The fair value of the services received in exchange for the grant of the options is recognized as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance;
- excluding the impact of any service and non-market performance vesting conditions;
- including the impact of any non-vesting conditions

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

If the terms of an equity-settled award are modified, at a minimum an expense is recognized as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

3.1.6 Tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income, or in other comprehensive income or in equity if it relates to items that are recognized in the same or a different period directly in other comprehensive income or in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.6 Tax (Continued)

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Conversely, previously unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.2 Summary of other accounting policies

3.2.1 Principles of consolidation and equity accounting

3.2.1.1 Subsidiaries

Subsidiaries are all entities (including structured entities or VIEs as stated in Note 1.2 above) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet, respectively.

For the parent company's separate financial statements, investments in subsidiaries are accounted for using the equity method.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.2 Summary of other accounting policies (Continued)

3.2.1 Principles of consolidation and equity accounting (Continued)

3.2.1.2 Investments accounted for using the equity method

(i) Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence could be demonstrated for an investment of less than 20%, for example, by representation on the board of directors or equivalent governing body of the investee. Investments in associates are accounted for using the equity method of accounting.

(ii) Joint ventures

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment accounted for using the equity method include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate or a joint venture, any difference between the cost of the investment accounted for using the equity method and the Group's share of the net fair value of the investment's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate or a joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in investment accounted for using the equity method equals or exceeds its interest in the investment, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment accounted for using the equity method is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognizes the amount adjacent to "share of loss of associate and joint venture" in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its investment accounted for using the equity method are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the investment. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in the investment accounted for using the equity method are recognized in the consolidated statement of comprehensive income.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.2 Summary of other accounting policies (Continued)

3.2.2 Structured Entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual or related arrangements.

The Group determines whether it is an agent or a principal in relation to those structured entities in which the Group acts as an asset manager on management's judgement. If an asset manager is agent, it acts primarily on behalf of others and so does not control the structured entity. It may be principal if it acts primarily for itself, and therefore controls the structured entity. The unconsolidated structured entities in which the Group acts as an asset manager is set out in Note 37.

3.2.3 Business combination

Except for business combinations under common control, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

3.2.4 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is the United States dollar ("US$"). RMB is the functional currency of the subsidiaries in PRC. As the major operations of the Group are within the PRC, the directors of the Company have chosen to present the Group's financial statements in RMB (the presentation currency).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the consolidated statements of comprehensive income.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.2 Summary of other accounting policies (Continued)

3.2.4 Foreign currency translation (Continued)

Transactions and balances (Continued)

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income on a net basis within other income, gains or loss - net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

3.2.5 Derivative financial instruments

The Group’s derivative financial instruments are initially recognized at fair value on the date of which the related derivative contracts are entered into and are subsequently measured at fair value. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. The gains or losses arisen from fair value changes of derivatives are recognized in profit or loss. No derivative financial instruments are designated as hedging instrument.

3.2.6 Trade receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using

the effective interest method. See Note 19 for further information about the Group's accounting for trade receivables and Note 5 and Note 3.1.4 for a description of the Group's impairment policies.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.2 Summary of other accounting policies (Continued)

3.2.7 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.2.8 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.2.9 Leases

The Group leases various properties. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group’s incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets related to lease of properties are recorded under property and equipment (Note 13). Lease liabilities are recorded under trade and other payables (Note 28).

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.2 Summary of other accounting policies (Continued)

3.2.10 Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attribute to the acquisition of the items.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or, in case of a leasehold improvements, the shorter lease term as follows:

Category	Expected useful life
Office and telecommunication equipment	3-5 years
Leasehold improvements	5 years

The assets' residual values and useful lives are reviewed, and adjusted quarterly if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other income, gains or loss - net' in the consolidated statements of comprehensive income.

3.2.11 Financial liabilities

The Group, at initial recognition, classifies financial liabilities as either financial liabilities subsequently measured at amortised cost or financial liabilities at fair value through profit or loss.

Except for derivative financial instruments (Note 3.2.5), the Group's financial liabilities are mainly financial liabilities measured at amortised cost, including trade and other payables, short-term borrowings, customer deposits and other financial liabilities from virtual bank, etc. These financial liabilities are initially measured at the amount of their fair value after deducting transaction costs and use the effective interest rate method for subsequent measurement.

Where the present obligations of financial liabilities are discharged, cancelled or when they are expired, the Group derecognizes these financial liabilities. The differences between the carrying amounts and the consideration received are recognized in profit or loss.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.2 Summary of other accounting policies (Continued)

3.2.12 Employee benefits

(a) Pension obligations

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with group life insurance but the amounts involved are insignificant.

(b) Housing benefits

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Medical benefits

The Group makes monthly contributions for medical benefits to the local authorities in accordance with relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

3.2.13 Interest income

Interest income from virtual bank is included in the revenue (Note 6).

Interest income from financial assets that are held for cash management purposes is included in finance income, see finance income (Note 10) below.

Interest income from financial assets at FVPL and any other interest income is included in the net gains/(losses), see other income (Note 9) below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3.2.14 Dividend income

Dividend income is recognized when the right to receive payment is established.

3.2.15 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgments

The Group makes estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities in these financial statements. Estimates and judgments are continually assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management has made the following judgments and accounting estimation, which have the most significant effect on the amounts recognized in the financial statements.

(a) Impairment of financial assets measured at amortized costs

The Group applies expected credit losses model in measuring impairment of trade receivables, contract assets, other receivables, loans and advances to customers. The expected loss rates are based on the Group's past loss experiences, existing market conditions as well as forward looking estimates at the end of each reporting period.

Details of the methodology and key inputs used are disclosed in Note 5.1(b)(ii).

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the provision for income taxes.

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the deductible temporary difference can be utilized. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary difference is related to losses, relevant tax law is considered to on a jurisdictional basis determine the availability of the losses to offset against the future taxable profits.

Significant items on which the Group has exercised accounting judgment include recognition of deferred tax assets in respect of tax losses. Recognition of the deferred tax assets involves judgment regarding the future financial performance of the Group.

The deferred tax assets recognized as at December 31, 2022, 2023 were mainly attributable to major operating companies in Mainland China, which are eligible for preferential tax policies applicable for the qualification of "High and New Technology Enterprise" , and being entitled to a preferential income tax rate of 15% and the number of years that deductible tax losses can be utilized is extended to 10 years.

The carrying amount and reliability of deferred tax assets were reviewed periodically at the end of each reporting period by comparing forecasted taxable profits in prior period to actual results in the current period and comparing revenue growth rate and profit margin in the current year forecast to historical results and industry trends.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact current income tax and deferred income tax in the period in which such determination is made.

(c) Recognition of share-based compensation expenses

As mentioned in Note 27, equity-settled share-based compensation schemes were established for the employees. The directors have used applicable models to determine the grant date fair value of the options or restricted shares granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the directors in applying the relevant models. The values of options or restricted shares are subject to subjectivity and uncertainty relating to the assumptions and limitation of the model used to estimate such values. In addition, The Group is required to estimate the percentage of grantees that will remain in employment with the Group and whether

the performance conditions for vesting will be met at the end of the vesting period. The Group only recognizes an expense for those share options or restricted shares expected to vest over the vesting period.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgments (Continued)

(d) Impairment of intangible assets including goodwill

The Group is required to test impairment for goodwill, and intangible assets not ready for use on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Other intangible assets are tested whenever events or changes in circumstances indicate that the carrying amount of those assets exceeds its recoverable amount. Intangible assets are tested for impairment based on the recoverable amount of the cash generating unit ("CGU") to which these assets are related. The recoverable amount is determined based on the higher of fair value less costs to sell and value in use.

Determination of the value in use is an area involving management judgment in order to assess whether the carrying value of intangible assets can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain areas including management's expectations of (i) revenue growth rates; (ii) long-term growth rate; (iii) pre-tax discount rate; and (iv) profit margin.

Details of the methodology and key inputs used are disclosed in Note 14.

(e) Consolidation of VIEs

As disclosed in Note 1.2, the Group exercises control over the VIEs and has the right to recognize and receive substantially all the economic benefits through the Contractual Arrangements. The Group considers that it controls the VIEs notwithstanding the fact that it does not hold direct equity interests in the VIEs, as it has power over the financial and operating policies of the VIEs and receive substantially all the economic benefits from the business activities of the VIEs through the Contractual Arrangements. Accordingly, all these VIEs are accounted for as controlled structured entities and their financial statements have also been consolidated by the Company.

5 Management of financial risk

The Group's activities expose it to a variety of financial risks: market risk (comprising currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

5.1 Financial risk factors

(a) Market risk

Currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk assumed by the Group mainly comes from movements in the USD/RMB exchange rates.

The Company and overseas intermediate holding companies' functional currency is USD. They are mainly exposed to foreign exchange risk arising from their cash and cash equivalents and loans to group companies denominated in RMB. The Group has entered into spot-forward USD/RMB derivative financial instruments to hedge certain portion of its exposure to foreign currency risk arising from loans to group companies denominated in RMB. The Group monitors the size of foreign currency position, and manages foreign currency risk by utilizing hedging strategy.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.1 Financial risk factors (Continued)

(a) Market risk (Continued)

Currency risk (Continued)

The subsidiaries of the Group are mainly operated in mainland China with most of the transactions settled in RMB. The Group considers that the business in mainland China is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of these subsidiaries denominated in the currencies other than the respective functional currency.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the post-tax impact on profit and equity, after considering hedging strategy.

	At December 31,		
	2021	2022	2023
	Impact on post tax profit		
	RMB'000	RMB'000	RMB'000
USD+5%	(4,028)	1,752	(16,596)
USD -5%	4,028	(1,752)	16,596

Interest rate risk

Interest rate risk is the risk of an adverse impact to earnings or capital due to changes in market interest rates. Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk.

Interest rate risk of the Group is mainly from mismatches in the interest rate profiles of assets, liabilities and capital instruments in Virtual Bank Business. The sensitivity analysis on earnings and economic value is described as follows:

	As at December 31, 2023		
RMB million	HKD	USD	RMB
Impact on earnings over the next 12 months if interest rates rise by 200 basis points	(15)	3	—
Impact on economic value if interest rates rise by 200 basis points	(43)	(3)	—

	As at December 31, 2022		
RMB million	HKD	USD	RMB
Impact on earnings over the next 12 months if interest rates rise by 200 basis points	(9)	9	1
Impact on economic value if interest rates rise by 200 basis points	(25)	(1)	—

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk

(i) Credit risk management

The Group's credit risk is mainly associated with cash and cash equivalents, restricted cash and time deposits over three months, trade receivables, contract assets, other receivables, financial assets measured at amortized cost from Virtual Bank and financial guarantee contracts. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets as disclosed in Note 5.1 (b) (ii).

To manage this risk arising from cash and cash equivalents and restricted cash and time deposits over three months, the Group mainly transacts with state-owned or reputable financial institutions in the PRC including related parties (Note 36(d)) and reputable international financial institution outside the PRC. The Group considers that there is no significant credit risk and the Group will not suffer any material losses due to the default of these financial institutions.

The Group's trade receivables and contract assets mainly arise from transactions undertaken with customers. The Group mitigates the credit risk by assessing the credit quality, setting a shorter credit period or arranging the instalment payment and prepayment method. The impairment loss allowance for trade receivables and contract assets are disclosed in Note 19 and Note 6.

For other receivables, management make periodic collective assessments as well as individual assessment on the recoverability based on historical settlement records and forward looking information.

For financial assets measured at amortized cost from virtual bank, management developed independent and regular procedures to review the approvals of credit applications, structure levels of credit risk by setting limits on the exposure of risk, and review the ability of borrowers to meet repayment obligations, with monitoring made on a revolving basis and performing periodic reviews. The credit programmes are managed on a portfolio basis, and the limits on the level of credit risk by sectors are approved annually by the management. The exposure to credit risk is mitigated by obtaining relevant financial guarantees. For debt securities and interbank exposure under treasury portfolio, external ratings are used, which are continuously monitored and updated.

(ii) ECL measurement

For financial assets whose impairment losses are measured using expected credit loss ("ECL") model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

– Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1.

– Stage 2: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is included in stage 2. The description of how the Group determines when a significant increase in credit risk has occurred is disclosed in the following section of "judgement of significant increase in credit risk".

– Stage 3: If the financial instruments are credit-impaired, the financial instrument is included in stage 3. The definition of credit-impaired financial assets is disclosed in the following section of "the definition of credit-impaired assets".

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) ECL measurement (Continued)

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime expected credit losses are provided respectively. The expected credit loss is the result of discounting the product of Exposure at Default, Probabilities of Default and Loss given Default.

According to whether the credit risk has increased significantly or whether the assets have been impaired, the Group measures the impairment loss allowance with the expected credit losses of 12-month or the lifetime due to the credit risk characteristics of different assets.

The Group applies the IFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected impairment loss allowance for all trade receivables and contract assets.

Judgement of significant increase in credit risk ("SICR")

Under IFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period.

The Group set quantitative and qualitative criteria to judge whether there has been a SICR after initial recognition. The judgement criteria mainly includes the Probabilities of Default changes of the debtors, changes of credit risk categories and other indicators of SICR, etc.. In the judgement of whether there has been a SICR after initial recognition, the Group has not rebutted the 30 days past due as presumption of SICR.

The definition of credit-impaired assets

Under IFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets while considering quantitative and qualitative indicators. When the Group assesses whether the debtor has credit impairment, the following factors are mainly considered:

- The debtor has overdue more than 90 days after the contract payment date
- The debtor has significant financial difficulties
- The debtor is likely to go bankrupt or other financial restructuring
- The lender gives the debtor concessions for economic or contractual reasons due to the debtor's financial difficulties, where such concessions are normally reluctant to be made by the lender

The credit impairment of financial assets may be caused by the joint effects of multiple events and may not be caused by separately identifiable event.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) ECL measurement (Continued)

Forward-looking information

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors that affect the ability of the debtors to settle the receivables. The Group has developed macroeconomic forward-looking adjustment model by establishing a pool of macro-economic indicators, preparing data, filtering model factors and adjusting forward-looking elements, and the indicators include country Gross Domestic Product(GDP), Consumer Price Index(CPI), Producer Price Index(PPI), Investment in Fixed Assets, and Total Retail Sales of Consumer Goods, etc. based on the statistical analysis of historical data. The Group has identified the CPI to be the most relevant factor for evaluating expected credit losses on 31 December 2023, and has also taken into account of the Hong Kong GDP and the unemployment rate in Virtual Bank operations, and accordingly adjusts the historical loss rates based on the expected changes in these factors.

Credit risk exposure

Without considering the impact of collateral and other credit enhancement, for on-balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the consolidated financial statements.

(1) Trade receivables and contract assets

	As at December 31, 2022		
	RMB'000	RMB'000	RMB'000
	Trade receivables	Contract assets	Total
Gross carrying amount			
Applying simplified approach	998,036	182,480	1,180,516
Loss allowance			
Applying simplified approach	57,047	59,852	116,899

	As at December 31, 2023		
	RMB'000	RMB'000	RMB'000
	Trade receivables	Contract assets	Total
Gross carrying amount			
Applying simplified approach	779,458	153,204	932,662
Loss allowance			
Applying simplified approach	68,789	57,379	126,168

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) ECL measurement (Continued)

Credit risk exposure (Continued)

(1) Trade receivables and contract assets (Continued)

To measure the expected credit losses, all trade receivables and contract assets have been grouped based on shared credit risk characteristics and the aging analysis. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The impairment loss allowance of trade receivables and contract assets applying simplified approach was determined as follows:

	As at December 31, 2022					
	Related parties	Up to 1 year	1 year to 2 year	2 year to 3 year	Above 3 years	Total
Expected loss rate	2.27 %	3.33 %	42.80 %	68.40 %	97.75 %	9.90 %
Gross carrying amount of trade receivables and contract assets applying simplified approach	391,221	657,723	63,170	26,482	41,920	1,180,516
Loss allowance of trade receivables and contract assets applying simplified approach	8,888	21,885	27,038	18,113	40,975	116,899

	As at December 31, 2023					
	Related parties	Up to 1 year	1 year to 2 year	2 year to 3 year	Above 3 years	Total
Expected loss rate	2.13 %	4.56 %	41.29 %	77.39 %	94.34 %	13.53 %
Gross carrying amount of trade receivables and contract assets applying simplified approach	306,636	476,215	72,327	29,615	47,869	932,662
Loss allowance of trade receivables and contract assets applying simplified approach	6,528	21,698	29,863	22,920	45,159	126,168

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) ECL measurement (Continued)

Credit risk exposure (Continued)

(1) Trade receivables and contract assets (Continued)

Movements in the impairment loss allowance of trade receivables and contract assets applying simplified approach are as follows:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Beginning of the year	(97,243)	(125,318)	(116,899)
Additions of impairment loss, net	(71,061)	(18,715)	(42,102)
Recovery of amounts written off previously	—	(9,980)	—
Write-off	42,986	37,156	33,402
Exchange difference	—	(42)	(569)
End of the year	**(125,318)**	**(116,899)**	**(126,168)**

(2) Other receivables

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. The credit risk exposure of the other receivables was disclosed in Note 20(a).

(3) Loans and advances to customers

The following table presents the credit risk exposure of the loans and advances to customers from virtual bank.

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Gross carrying amount		
Financial assets measured at amortized cost	44	3,142
Financial assets measured at fair value through other comprehensive income	1,608,402	1,902,985
	1,608,446	**1,906,127**
Expected credit loss provision	**—**	61
Expected loss rate	—	1.94 %

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) ECL measurement (Continued)

Credit risk exposure (Continued)

(3) Loans and advances to customers (Continued)

Movements in the impairment loss allowance of loans and advances to customers applying three-stage approach are as follows:

*1 Financial assets measured at amortized cost

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Beginning of the year	(711)	(190)	—
(Additions)/Reversals of impairment loss	(1,170)	190	(61)
Write-off	1,691	—	—
End of the year	**(190)**	**—**	**(61)**

*2 Financial assets measured at fair value through other comprehensive income

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Beginning of the year	(712)	(1,962)	(11,528)
Additions of impairment loss	(1,250)	(10,616)	(13,344)
Write-off	—	1,050	12,811
End of the year	**(1,962)**	**(11,528)**	**(12,061)**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group manages liquidity risk by maintaining adequate cash and cash equivalents and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Management believe that the Group's current cash and cash equivalents and anticipated cash flows from operations, investment and financing activities will be sufficient to meet the Group's anticipated working capital requirements and capital expenditures for the next 12 months from December 31, 2023.

The liquidity risk of the foreign exchange swap is managed by aligning the critical terms of such swaps with the hedged items.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are undiscounted contractual cash flows.

	As at December 31, 2022		
	Within 1 year	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000
Short-term borrowings	294,461	—	294,461
Trade and other payables	1,236,571	139,387	1,375,958
- Including: lease liabilities	50,862	47,093	97,955
Other financial liabilities from virtual bank	89,327	—	89,327
Customer deposits	1,929,183	—	1,929,183
Non-derivative financial liabilities	**3,549,542**	**139,387**	**3,688,929**
Gross settled (foreign currency swaps)			
- (inflow)	(198,722)	—	(198,722)
- outflow	208,290	—	208,290
Derivative financial liabilities	**9,568**	**—**	**9,568**
Total	**3,559,110**	**139,387**	**3,698,497**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	As at December 31, 2023		
	Within 1 year	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000
Short-term borrowings	257,007	—	257,007
Trade and other payables	1,292,054	30,143	1,322,197
- Including: lease liabilities	24,829	30,143	54,972
Other financial liabilities from virtual bank	54,373	—	54,373
Customer deposits	2,269,261	—	2,269,261
Non-derivative financial liabilities	**3,872,695**	**30,143**	**3,902,838**

5.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group monitors capital (including share capital and reserves) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the Directors of the Company, the Group's capital risk was low as at December 31, 2023.

5.3 Fair value estimation

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets measured at fair value mainly include financial assets at fair value through profit or loss and financial assets measured at fair value through other comprehensive income.

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchies. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.3 Fair value estimation (Continued)

Determination of fair value and fair value hierarchy (Continued)

The levels of the fair value hierarchy are as follows:

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");
(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and
(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input that is significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measurement within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. To determine the fair value of loans and advances to customers from virtual bank, loans are segregated into portfolios of similar characteristics. Fair values are estimated using discounted cash flow methodology incorporating a range of input assumptions including expected customer prepayment rates, new business interest rate estimates for similar loans. The fair value of loans reflects expected credit losses at the balance sheet date and the fair value effect of repricing between origination and the reporting date. For credit impaired loans, fair value is estimated by discounting the future cash flows over the period they are expected to be recovered.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following tables provide the fair value measurement hierarchy of the Group's financial assets and liabilities:

	As at December 31, 2022			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets measured at fair value				
Financial assets at fair value through profit or loss (Note 22)	—	690,627	—	690,627
Financial assets measured at fair value through other comprehensive income (Note 17)	442,935	—	1,611,606	2,054,541
Derivative financial assets (Note 32)	—	56,363	—	56,363
Financial liabilities				
Derivative financial liabilities (Note 32)	—	9,568	—	9,568

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.3 Fair value estimation (Continued)

Determination of fair value and fair value hierarchy (Continued)

	As at December 31, 2023			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets measured at fair value				
Financial assets at fair value through profit or loss (Note 22)	—	925,204	—	925,204
Financial assets measured at fair value through other comprehensive income (Note 17)	319,949	—	1,906,189	2,226,138
Derivative financial assets (Note 32)	—	38,008	—	38,008

For the years ended December 31, 2022 and 2023, there were no transfers among different levels of fair values measurement.

Movements of Level 3 financial instruments measured at fair value are as follows:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Beginning of the year	5,676	1,107,340	1,611,606
Additions, net	1,103,460	506,620	295,287
Losses recognized in other comprehensive income	(1,796)	(1,678)	(789)
(Losses)/gain recognized in profit or loss	—	(676)	85
End of the year	**1,107,340**	**1,611,606**	**1,906,189**

Valuation inputs and relationships to fair value

The following table summarises main quantitative and qualitative information about the significant unobservable inputs used in level 3 fair value measurements for loans and advances to customers from virtual bank measured at fair value through other comprehensive income. The impact of changes in unobservable inputs for other level 3 fair value measurement was immaterial.

	Unobservable inputs	Range of inputs	
		2022	2023
Financial assets measured at fair value through other comprehensive income			
-Loans and advances to customers from virtual bank			
	Discount rate	5.66% - 9.30 %	7.09% - 10.29 %
	Prepayment ratio	0.34% - 0.38 %	0.36 %

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.3 Fair value estimation (Continued)

Valuation inputs and relationships to fair value (Continued)

The analysis below is performed for reasonably possible movements in unobservable inputs with all other variables held constant, showing the impact on the assets and other comprehensive income.

	Unobservable inputs	Impact on the assets and other comprehensive income	
		2022	2023
-Loans and advances to customers from virtual bank			
Discount rate	+5 %	(5,941)	(8,845)
	-5 %	5,975	8,926
Prepayment ratio	+5 %	(283)	(315)
	-5 %	283	315

6 Segment information and revenue

6.1 Description of segments and principal activities

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers ("CODM"), who are responsible for allocating resources and assessing performance of the operating segments and making strategic decisions. The Group's chief operating decision makers have been identified as the executive directors of the Company, they review the Group's internal reporting in order to assess performance, allocate resources, and determine the operating segments based on these reports.

The Group has the following reportable segments for the year ended December 31, 2023:

– Technology Solutions
– Virtual Bank Business

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information and revenue (Continued)

6.1 Description of segments and principal activities (Continued)

As the Group's assets and liabilities are substantially located in the PRC, substantially all revenues are earned and substantially all expenses incurred in the PRC, no geographical segments are presented.

	Year ended December 31, 2021			
	Virtual Bank Business RMB'000	Technology Solutions RMB'000	Intersegment eliminations and adjustments RMB'000	Consolidated RMB'000
Revenue	34,320	4,098,734	(697)	4,132,357
Cost of revenue	(37,748)	(2,658,655)	697	(2,695,706)
Gross profit	**(3,428)**	**1,440,079**	**—**	**1,436,651**
Research and development expenses	(33,192)	(1,319,826)	—	(1,353,018)
Selling and marketing expenses	(38,042)	(550,338)	—	(588,380)
General and administrative expenses	(99,796)	(741,889)	—	(841,685)
Net impairment losses on financial and contract assets	(1,250)	(70,979)	—	(72,229)
Other income, gains or loss-net	91	13,830	—	13,921
Operating loss	**(175,617)**	**(1,229,123)**	**—**	**(1,404,740)**
Finance income	—	28,823	—	28,823
Finance costs	(310)	(76,327)	—	(76,637)
Finance costs – net	(310)	(47,504)	—	(47,814)
Share of gain of associate and joint venture	—	9,946	—	9,946
Loss before income tax	**(175,927)**	**(1,266,681)**	**—**	**(1,442,608)**
ASSETS				
Segment Assets	2,032,344	7,377,469	(1,041,585)	8,368,228
Goodwill	—	289,161	—	289,161
Deferred income tax assets	—	683,218	—	683,218
Total assets	**2,032,344**	**8,349,848**	**(1,041,585)**	**9,340,607**
LIABILITIES				
Segment Liabilities	1,459,125	4,097,004	(60,465)	5,495,664
Deferred income tax liabilities	—	9,861	—	9,861
Total Liabilities	**1,459,125**	**4,106,865**	**(60,465)**	**5,505,525**
Other segment information				
Depreciation of property and equipment	14,195	121,780	—	135,975
Amortization of intangible assets	20,356	282,418	—	302,774
Additions of non-current assets except for goodwill and deferred income tax assets	44,107	201,940	—	246,047

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information and revenue (Continued)

6.1 Description of segments and principal activities (Continued)

	Year ended December 31, 2022			
	Virtual Bank Business RMB'000	Technology Solutions RMB'000	Intersegment eliminations and adjustments RMB'000	Consolidated RMB'000
Revenue	106,540	4,360,546	(3,084)	4,464,002
Cost of revenue	(56,716)	(2,775,354)	3,084	(2,828,986)
Gross profit	**49,824**	**1,585,192**	**—**	**1,635,016**
Research and development expenses	(18,276)	(1,399,415)	—	(1,417,691)
Selling and marketing expenses	(41,408)	(369,948)	—	(411,356)
General and administrative expenses	(114,546)	(710,165)	—	(824,711)
Net impairment losses on financial and contract assets	(10,616)	(23,023)	—	(33,639)
Other income, gains or loss-net	(544)	71,362	—	70,818
Operating loss	**(135,566)**	**(845,997)**	**—**	**(981,563)**
Finance income	—	14,709	—	14,709
Finance costs	(354)	(36,819)	—	(37,173)
Finance costs – net	(354)	(22,110)	—	(22,464)
Share of gain of associate and joint venture	—	24,852	—	24,852
Impairment charges on associate	—	(10,998)	—	(10,998)
Loss before income tax	**(135,920)**	**(854,253)**	**—**	**(990,173)**
ASSETS				
Segment Assets	2,851,885	6,330,769	(1,355,392)	7,827,262
Goodwill	—	289,161	—	289,161
Deferred income tax assets	—	765,959	—	765,959
Total assets	**2,851,885**	**7,385,889**	**(1,355,392)**	**8,882,382**
LIABILITIES				
Segment Liabilities	2,093,126	3,521,957	(15,952)	5,599,131
Deferred income tax liabilities	—	5,196	—	5,196
Total Liabilities	**2,093,126**	**3,527,153**	**(15,952)**	**5,604,327**
Other segment information				
Depreciation of property and equipment	13,191	106,118	—	119,309
Amortization of intangible assets	26,909	135,212	—	162,121
Additions of non-current assets except for goodwill and deferred income tax assets	45,737	98,740	—	144,477

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information and revenue (Continued)

6.1 Description of segments and principal activities (Continued)

	Year ended December 31, 2023			
	Virtual Bank Business	Technology Solutions	Intersegment eliminations and adjustments	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	145,917	3,533,276	(11,685)	3,667,508
Cost of revenue	(134,214)	(2,195,574)	11,685	(2,318,103)
Gross profit	**11,703**	**1,337,702**	**—**	**1,349,405**
Research and development expenses	—	(955,201)	—	(955,201)
Selling and marketing expenses	(33,739)	(241,612)	—	(275,351)
General and administrative expenses	(129,842)	(375,128)	—	(504,970)
Net impairment losses on financial and contract assets	(13,406)	(40,544)	—	(53,950)
Other income, gains or loss-net	2,672	69,183	—	71,855
Operating loss	**(162,612)**	**(205,600)**	**—**	**(368,212)**
Finance income	—	29,580	—	29,580
Finance costs	(446)	(20,086)	—	(20,532)
Finance costs – net	(446)	9,494	—	9,048
Share of gain of associate and joint venture	—	4,607	—	4,607
Impairment charges on associate	—	(7,157)	—	(7,157)
Loss before income tax	**(163,058)**	**(198,656)**	**—**	**(361,714)**
ASSETS				
Segment Assets	2,994,772	5,399,653	(1,383,504)	7,010,921
Goodwill	—	289,161	—	289,161
Deferred income tax assets	—	768,276	—	768,276
Total assets	**2,994,772**	**6,457,090**	**(1,383,504)**	**8,068,358**
LIABILITIES				
Segment Liabilities	2,388,056	2,754,711	(24,280)	5,118,487
Deferred income tax liabilities	—	2,079	—	2,079
Total Liabilities	**2,388,056**	**2,756,790**	**(24,280)**	**5,120,566**
Other segment information				
Depreciation of property and equipment	6,179	68,729	—	74,908
Amortization of intangible assets	34,687	91,746	—	126,433
Additions of non-current assets except for goodwill and deferred income tax assets	23,549	35,532	—	59,081

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information and revenue (Continued)

6.2 Revenue

(a) Disaggregation of revenue from contracts with customers

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
- Technology Solutions			
Implementation	733,648	861,820	834,620
Transaction based and support revenue			
- Operation support services	1,097,719	1,140,727	861,056
- Business origination services	450,597	383,723	132,112
- Risk management services	534,071	414,849	320,462
- Cloud services platform	1,050,179	1,315,819	1,245,952
- Post-implementation support services	49,447	50,983	52,012
- Others	182,376	189,541	75,377
	4,098,037	**4,357,462**	**3,521,591**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information and revenue (Continued)

6.2 Revenue (Continued)

(a) Disaggregation of revenue from contracts with customers (Continued)

Disaggregation of revenue by timing of transfer of services over time or at a point in time is set out below:

	At a point in time	Over time	Total
Year ended December 31, 2021			
Implementation	—	733,648	733,648
Transaction based and support revenue			
- Operation support services	399,523	698,196	1,097,719
- Business origination services	450,597	—	450,597
- Risk management services	534,071	—	534,071
- Cloud services platform	—	1,050,179	1,050,179
- Post-implementation support services	—	49,447	49,447
- Others	181,004	1,372	182,376
	1,565,195	**2,532,842**	**4,098,037**

	At a point in time	Over time	Total
Year ended December 31, 2022			
Implementation	36,266	825,554	861,820
Transaction based and support revenue			
- Operation support services	376,784	763,943	1,140,727
- Business origination services	383,723	—	383,723
- Risk management services	414,849	—	414,849
- Cloud services platform	—	1,315,819	1,315,819
- Post-implementation support services	—	50,983	50,983
- Others	189,366	175	189,541
	1,400,988	**2,956,474**	**4,357,462**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information and revenue (Continued)

6.2 Revenue (Continued)

(a) Disaggregation of revenue from contracts with customers (Continued)

	At a point in time	Over time	Total
Year ended December 31, 2023			
Implementation	37,804	796,816	834,620
Transaction based and support revenue			
- Operation support services	240,366	620,690	861,056
- Business origination services	132,112	—	132,112
- Risk management services	320,462	—	320,462
- Cloud services platform	—	1,245,952	1,245,952
- Post-implementation support services	—	52,012	52,012
- Others	75,285	92	75,377
	806,029	**2,715,562**	**3,521,591**

During the years ended December 31, 2021, 2022 and 2023, the Group mainly operated in the PRC and most of the revenue were generated in PRC.

The major customers which contributed more than 10% of the total revenue of the Group for the years ended December 31, 2021, 2022 and 2023 are listed as below:

	For the year ended December 31,		
	2021	2022	2023
	% of total revenue	% of total revenue	% of total revenue
Ping An Group and its subsidiaries	56.03 %	56.60 %	57.02 %
Lufax Holding Ltd (“Lufax” and its subsidiaries)	11.15 %	10.29 %	7.46 %
	67.18 %	**66.89 %**	**64.48 %**

(b) Interest and commission income

	For the year ended December 31,		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
– Virtual Bank Business			
Interest and commission income	34,320	106,540	145,917

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information and revenue (Continued)

6.2 Revenue (Continued)

(c) Contract assets and liabilities

The Group has recognized the following revenue-related contract assets and liabilities:

	At December 31,	
	2022	2023
	RMB'000	RMB'000
Contract assets		
-Implementation	163,769	137,566
-Transaction based and support	18,711	15,638
- Business origination services	1,404	—
- Operation support services	12,085	12,149
- Post implementation support services	5,222	3,489
	182,480	153,204
Less: Impairment loss allowance		
-Implementation	(52,385)	(50,712)
-Transaction based and support	(7,467)	(6,667)
- Operation support services	(4,779)	(4,750)
- Post implementation support services	(2,688)	(1,917)
	(59,852)	(57,379)
	122,628	**95,825**

	At December 31,	
	2022	2023
	RMB'000	RMB'000
Contract liabilities		
-Implementation	42,014	37,427
-Transaction based and support	144,613	118,262
-Post implementation support services	21,679	10,609
-Risk management services	20,997	18,801
-Operation support services	87,562	69,825
-Others	14,375	19,027
	186,627	**155,689**
Less: Non-current contract liabilities	(19,977)	(17,126)
	166,650	**138,563**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information and revenue (Continued)

6.2 Revenue (Continued)

(c) Contract assets and liabilities (Continued)

During the years ended December 31, 2021, 2022 and 2023, there were no material cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price or a contract modification, there were also no revenue recognized in the reporting year from performance obligations satisfied (or partially satisfied) in previous years.

(i) Revenue recognized in relation to contract liabilities

Revenue recognized in relation to contract liabilities	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in the contract liability balance at the beginning of the year	138,547	153,844	166,650

(ii) Remaining performance obligations of long-term contracts

Remaining performance obligations of long-term contracts	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied at the end of each year			
Expected to be recognized within one year	455,294	670,991	386,278
Expected to be recognized in one to two years	89,762	237,126	112,605
Expected to be recognized in two to three years	33,937	99,208	38,900
Expected to be recognized beyond three years	31,523	44,365	13,992
	610,516	**1,051,690**	**551,775**

The remaining performance obligations disclosed above represent implementation, post-implementation support services, risk management services and operation support services that have an original contractual term of more than one year. Moreover, the amount disclosed above does not include variable consideration which is constrained.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Expenses by nature

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Technology service fees	2,021,238	2,261,498	1,689,549
Employee benefit expenses (Note 8)	1,629,375	1,601,989	1,302,848
Outsourcing labor costs	437,081	528,582	426,148
Amortization of intangible assets (Note 14)	302,774	162,121	126,433
Depreciation of property and equipment (Note 13)	135,975	119,309	74,908
Purchase costs of products	176,224	183,956	60,902
Business origination fees to channel partners	276,966	251,427	53,419
Travelling expenses	76,987	38,873	40,633
Marketing and advertising fees	110,775	50,246	38,183
Professional service fees	48,001	50,596	32,564
Auditor's remuneration			
—Audit related	14,657	16,501	17,961
—Non-audit	1,957	3,150	1,693
Impairment loss of intangible assets (Note 14)	5,646	10,208	5,851
Listing expenses	12,467	69,857	—
Others	228,666	134,431	182,533
Total cost of revenue, research and development expenses, selling and marketing expenses, general and administrative expenses	**5,478,789**	**5,482,744**	**4,053,625**

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Research and development costs			
- Employee benefit expenses	514,456	469,320	351,475
- Technology service fees	859,324	946,700	597,244
- Amortization of intangible assets	3,396	6,282	4,438
- Depreciation of property and equipment	11,182	14,168	7,023
- Impairment loss of intangible assets	3,747	3,837	2,004
- Others	23,200	22,334	14,726
Amounts incurred	1,415,305	1,462,641	976,910
Less: capitalized			
- Employee benefit expenses	(45,016)	(19,827)	(3,892)
- Technology service fees	(17,271)	(25,123)	(17,817)
	(62,287)	(44,950)	(21,709)
	1,353,018	**1,417,691**	**955,201**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Employee benefit expenses

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Wages and salaries	1,276,205	1,235,714	971,060
Welfare and other benefits	330,552	353,099	319,671
Share-based payments (Note 27)	22,618	13,176	12,117
	1,629,375	**1,601,989**	**1,302,848**

9 Other income, gains or loss - net

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Net foreign exchange gain/ (loss)	77,143	(312,843)	(11,171)
Government grants and tax rebates (Note a)	51,080	58,013	41,454
Net gain on financial assets at fair value through profit or loss	45,644	30,687	20,007
Loss on disposal of property and equipment and intangible asset	(266)	(6,198)	(6,058)
Remeasurement of redemption liability (Note 28(ii))	—	37,874	—
Guarantee gain, net	10,757	—	—
Net (loss)/gain on derivatives	(169,545)	262,769	30,592
Others	(892)	516	(2,969)
	13,921	**70,818**	**71,855**

(a) Government grants and tax rebates

Government grants and tax rebates were related to income. There were no unfulfilled conditions or contingencies related to these subsidies.

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Government grants	28,871	27,421	23,922
- Technology development incentives	14,391	10,493	12,906
- Operation subsidies	14,480	16,928	11,016
Tax rebates	22,209	30,592	17,532
	51,080	**58,013**	**41,454**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Finance costs — net

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Finance income			
Interest income on bank deposits	28,823	14,709	29,580
Finance costs			
Interest expense on borrowings	(56,534)	(17,303)	(12,073)
Interest expense on lease liabilities	(5,803)	(7,578)	(3,448)
Interest expense on redemption liability	(12,406)	(10,287)	(4,014)
Bank charges	(1,894)	(2,005)	(997)
	(76,637)	(37,173)	(20,532)
	(47,814)	**(22,464)**	**9,048**

11 Income tax benefit/(expense)

The income tax benefit/(expense) of the Group for the years ended December 31, 2021, 2022 and 2023 is analyzed as follows:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Current income tax	(16,780)	(25,259)	(15,196)
Deferred income tax	128,875	87,406	5,434
Income tax benefit/ (expense)	**112,095**	**62,147**	**(9,762)**

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Loss before income tax	**1,442,608**	**990,173**	**361,714**
Tax calculated at PRC statutory income tax rate of 25%	360,652	247,543	90,429
Differential of income tax rates applicable to subsidiaries	(161,199)	(119,211)	(36,590)
Expense not deductible for tax purposes	(10,169)	(5,659)	(3,863)
Incomes not subject to tax	1,732	542	191
Tax losses and temporary differences for which no deferred income tax asset was recognized	(87,237)	(73,690)	(73,942)
Derecognition of deferred tax assets on tax losses	(23)	—	—
Additional deductible allowance for research and development expenses	8,255	10,164	12,474
Utilization of previously unrecognized tax losses	84	2,458	1,539
Income tax benefit/ (expense)	**112,095**	**62,147**	**(9,762)**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Income tax benefit/(expense) (Continued)

The unused tax losses for the years ended December 31, 2022 and 2023 is analyzed as follows:

	At December 31,	
	2022	2023
	RMB'000	RMB'000
Unused tax losses for which no deferred tax asset has been recognized	2,248,748	2,695,910

The expiry dates of the unused tax losses not recognized as deferred tax assets for the years ended December 31, 2022 and 2023 are listed as follows:

	At December 31,	
	2022	2023
	RMB'000	RMB'000
Year 2023	118,796	—
Year 2024	419,866	419,866
Year 2025	83,576	83,576
Year 2026	208,346	208,346
Year 2027	67,745	67,745
Year 2028	1,826	113,129
Year 2029	7,149	7,149
Year 2030	8,049	8,049
Year 2031	56,195	56,195
Year 2032	122,036	122,036
Year 2033	—	220,273

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Income tax benefit/(expense) (Continued)

(a) PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the tax rate of 25%, unless preferential tax rates were applicable.

Shenzhen OneConnect, Vantage Point Technology, BER Technology, OneConnect Cloud Technology, Shenzhen OneConnect Technology and Shenzhen CA as subsidiaries of the Group, were established in mainland China. They were eligible for preferential tax policies applicable for the qualification of "High and New Technology Enterprise" and were entitled to a preferential income tax rate of 15%.

Shenzhen OneConnect Technology and OneConnect Cloud Technology as subsidiaries of the Group, were established in the Shenzhen Qianhai Shenzhen-Hong Kong Cooperation Zone and accordingly is entitled to a reduced income tax rate of 15%.

(b) Cayman Islands Income Tax

The Company is incorporated under the laws of the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax.

(c) Hong Kong Income Tax

The Hong Kong income tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the years ended December 31, 2021, 2022 and 2023.

(d) Singapore Income Tax

The Singapore income tax rate is 17%. No Singapore profits tax was provided for as there was no estimated taxable profit that was subject to Singapore profits tax during the years ended December 31, 2021, 2022 and 2023.

(e) Indonesia Income Tax

The income tax provision in respect of the Group's operations in Indonesia was calculated at the tax rate of 22% on the taxable profits for the year ended December 31, 2021, 2022 and 2023.

(f) Malaysia Income Tax

The Malaysia income tax rate is 24%. No Malaysia profits tax was provided for as there was no estimated taxable profit that was subject to Malaysia profits tax during the years ended December 31, 2021, 2022 and 2023.

(g) Philippines Income Tax

The Philippines income tax rate is 25%. No Philippines profits tax was provided for as there was no estimated taxable profit that was subject to Philippines profits tax during the years ended December 31, 2021, 2022 and 2023.

(h) PRC Withholding Tax

According to the EIT Law, distribution of profits earned by PRC companies since January 1, 2008 to overseas investors is subject to withholding tax of 5% or 10%, depending on the region of incorporation of the overseas investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group plans to indefinitely reinvested undistributed earnings earned from its PRC subsidiaries in its operations in PRC. Therefore, no withholding income tax for undistributed earnings of its subsidiaries were provided as at December 31, 2021, 2022 and 2023 respectively.

12 Loss per share

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Net loss for the year attributable to owners of the Company	(1,281,699)	(872,274)	(362,715)
Weighted average number of ordinary shares in issue (in'000 shares)	1,108,291	1,094,748	1,089,589
Basic loss per share (RMB yuan)	(1.16)	(0.80)	(0.33)
Diluted loss per share (RMB yuan)	(1.16)	(0.80)	(0.33)
Basic loss per ADS (RMB yuan) (Note)	(34.69)	(23.90)	(9.99)
Diluted loss per ADS (RMB yuan) (Note)	(34.69)	(23.90)	(9.99)

Note: One ADS represent thirty ordinary shares of the Company.

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended December 31, 2021, 2022 and 2023.

Shares held for share incentive scheme purpose have been treated as treasury shares. Accordingly, for purpose of calculation of loss per share, the issued and outstanding number of ordinary shares as at December 31, 2021, 2022 and 2023, taking into account the shares held for share incentive scheme purpose, were 1,109,938,973 shares, 1,089,589,125 shares, 1,089,589,125 shares, respectively.

The effects of all outstanding share options granted under the Share Option Scheme and Restricted Share Units Scheme (Note 27) for the years ended December 31, 2021, 2022 and 2023, have been excluded from the computation of diluted loss per share as their effects would be anti-dilutive. Accordingly, dilutive loss per share for the years ended December 31, 2021, 2022 and 2023 were the same as basic loss per share for the years.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Property and equipment

	Office and telecommunication equipment	Right-of-use properties	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2022				
Cost	126,626	461,605	108,805	697,036
Accumulated depreciation	(65,102)	(316,267)	(65,625)	(446,994)
Exchange difference	(3,076)	(1,337)	(1,217)	(5,630)
Net book amount	**58,448**	**144,001**	**41,963**	**244,412**
Year ended December 31, 2022				
Opening net book amount	58,448	144,001	41,963	244,412
Additions	15,481	76,534	6,585	98,600
Disposals, net	(9,467)	(57,952)	(8,292)	(75,711)
Depreciation charge	(23,027)	(75,519)	(20,763)	(119,309)
Exchange difference	420	2,510	479	3,409
Closing net book amount	**41,855**	**89,574**	**19,972**	**151,401**
As at December 31, 2022				
Cost	120,373	358,173	115,390	593,936
Accumulated depreciation	(75,862)	(269,772)	(94,680)	(440,314)
Exchange difference	(2,656)	1,173	(738)	(2,221)
Net book amount	**41,855**	**89,574**	**19,972**	**151,401**
Year ended December 31, 2023				
Opening net book amount	41,855	89,574	19,972	151,401
Additions	2,987	21,612	2,994	27,593
Disposals, net	(877)	(17,718)	(696)	(19,291)
Depreciation charge	(18,761)	(45,082)	(11,065)	(74,908)
Exchange difference	42	186	53	281
Closing net book amount	**25,246**	**48,572**	**11,258**	**85,076**
As at December 31, 2023				
Cost	111,470	303,092	118,384	532,946
Accumulated depreciation	(83,610)	(255,879)	(106,441)	(445,930)
Exchange difference	(2,614)	1,359	(685)	(1,940)
Net book amount	**25,246**	**48,572**	**11,258**	**85,076**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Property and equipment (Continued)

During the different periods, the approximate depreciation which were charged to cost of revenue, research and development expenses, selling and marketing expenses and general and administrative expenses were as follows:

	Year ended December 31,	
	2022	2023
	RMB'000	RMB'000
Cost of revenue	2,750	6,747
Research and development expenses	14,168	7,023
Selling and marketing expenses	4,814	4,306
General and administrative expenses	97,577	56,832
	119,309	**74,908**

Depreciation of office and telecommunication equipment is allocated to different functional expenses based on usage of equipment by different functional divisions. Right-of-use properties and leasehold improvement are primarily related to business office buildings leased by the Group and used as corporate headquarters. For leased business office buildings which are for general and administrative use, the depreciation of the related right-of-use properties and leasehold improvement is charged to general and administrative expense.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Intangible assets

	Application and platform								
	Contributed by Ping An Group	Developed internally	Acquired	Purchased Software	Development costs in progress	Goodwill	Business license	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2022									
Opening net book amount	—	226,943	2,231	27,041	45,389	289,161	92,341	4,088	687,194
Additions	—	—	—	927	44,950	—	—	—	45,877
Write-off	—	(6,371)	—	—	(3,837)	—	—	—	(10,208)
Transfer	—	58,528	—	—	(58,528)	—	—	—	—
Amortization	—	(110,801)	(2,231)	(15,729)	—	—	(31,315)	(2,045)	(162,121)
Exchange differences	—	7,907	—	582	1,205	—	—	—	9,694
Closing net book amount	—	**176,206**	—	**12,821**	**29,179**	**289,161**	**61,026**	**2,043**	**570,436**
As at December 31, 2022									
Cost	690,910	773,332	61,078	149,734	28,699	289,161	155,492	80,263	2,228,669
Accumulated amortization	(690,910)	(602,065)	(61,078)	(136,885)	—	—	(94,466)	(78,220)	(1,663,624)
Exchange differences	—	4,939	—	(28)	480	—	—	—	5,391
Net book amount	—	**176,206**	—	**12,821**	**29,179**	**289,161**	**61,026**	**2,043**	**570,436**

	Application and platform								
	Contributed by Ping An Group	Developed internally	Acquired	Purchased Software	Development costs in progress	Goodwill	Business license	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2023									
Opening net book amount	—	176,206	—	12,821	29,179	289,161	61,026	2,043	570,436
Additions	—	—	—	9,779	21,709	—	—	—	31,488
Write-off	—	(1,400)	—	—	(4,451)	—	—	—	(5,851)
Transfer	—	30,764	—	—	(30,764)	—	—	—	—
Amortization	—	(77,975)	—	(15,509)	—	—	(30,906)	(2,043)	(126,433)
Exchange differences	—	1,265	—	138	328	—	—	—	1,731
Closing net book amount	—	**128,860**	—	**7,229**	**16,001**	**289,161**	**30,120**	—	**471,371**
As at December 31, 2023									
Cost	690,910	802,696	61,078	159,513	15,193	289,161	155,492	80,263	2,254,306
Accumulated amortization	(690,910)	(680,040)	(61,078)	(152,394)	—	—	(125,372)	(80,263)	(1,790,057)
Exchange differences	—	6,204	—	110	808	—	—	—	7,122
Net book amount	—	**128,860**	—	**7,229**	**16,001**	**289,161**	**30,120**	—	**471,371**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Intangible assets (Continued)

The Group assesses at each reporting date whether there is an indication that intangible assets may be impaired. During the year ended December 31, 2023, impairment charge of RMB3,847,000 and RMB2,004,000 has been charged to cost of revenue and research and development expenses, respectively. The impairment charge was charged against development costs for certain intangible assets developed internally, following a decision to reduce the output of certain products in 2023.

During the years ended December 31, 2021, 2022 and 2023, the amount of amortization charged to cost of revenue, research and development expenses and general and administrative expenses are as follows:

Amortization of intangible assets	Year ended December 31, 2021 RMB'000	2022 RMB'000	2023 RMB'000
Cost of revenue	297,406	146,466	114,512
Research and development expenses	3,396	6,282	4,438
General and administrative expenses	1,972	9,373	7,483
	302,774	**162,121**	**126,433**

(a) Impairment tests for goodwill

Goodwill arises from the Group's acquisitions of Vantage Point Technology on July 31, 2018, BER Technology on June 30, 2019, and View Foundation on August 30, 2019.

The goodwill of the Group is attributable to the acquired workforce and synergies expected to be derived from combining with the operations of the Group. During the year ended December 31, 2022 and 2023, the goodwill is regarded as attributable to the CGU of Technology Solutions segment. The Group carries out its impairment testing on goodwill by comparing the recoverable amounts of groups of CGUs to their carrying amounts.

The management did the value-in-use calculations to determine the recoverable amounts. Value-in-use is calculated based on discounted cash flows. The discounted cash flows calculations of group of CGUs use cash flow projection developed based on financial budgets approved by management of the Group covering a five-year period, after considering the current and historical business performance, the future business plan and market data. Cash flows beyond the five-year period are extrapolated using the estimated long term growth rates stated below.

The significant assumptions used for value-in-use calculations are as follows:

	For the year ended December 31, 2022 RMB'000	2023 RMB'000
Revenue growth rate	-15%-13 %	-10%-13 %
Profit margin	-15%-10 %	-2%-14 %
Long term growth rate	2 %	2 %
Pre-tax discount rate	17.50 %	19.73 %
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	781,499	1,153,821

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Intangible assets (Continued)

(a) Impairment tests for goodwill (Continued)

The following table sets forth the impact of reasonable possible changes in absolute value in each of the significant assumptions, with all other variables held constant, of goodwill impairment testing at the dates indicated.

Possible changes of significant assumptions	Recoverable amount of the CGU exceeding its carrying amount	
	Year ended December 31,	
	2022	2023
	RMB'000	RMB'000
Revenue growth rate decrease by 5%	373,790	597,067
Profit margin decrease by 1%	459,556	886,786
Long term growth rate decrease by 1%	669,058	1,039,101
Pre-tax discount rate increase by 1%	616,950	989,962

15 Investments accounted for using the equity method

(a) Investment in associate

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
At beginning of year	172,757	184,907	199,200
Share of gain of associate	12,150	25,291	7,157
Impairment charges on associate	—	(10,998)	(7,157)
Disposal	—	—	(199,200)
At end of the year	**184,907**	**199,200**	**—**

(i) On March 28, 2017, Shanghai OneConnect set up Pingan Puhui Lixin Asset Management Co., Ltd. ("Puhui Lixin") with Pingan Puhui Enterprise Management Co., Ltd. ("Puhui Management"), a subsidiary of Lufax, by investing a capital amount of RMB40,000,000. In January 2019, Shanghai OneConnect made an additional capital injection of RMB100,000,000 into Puhui Lixin. On February 20, 2020, Puhui Management made another additional capital injection of RMB40,000,000 into Puhui Lixin. Accordingly, the Group's equity interests in the investee were diluted from 35% to 31.82%, resulting in a dilution gain amounting to RMB2,511,000. In March 2020, Shanghai OneConnect made an additional capital injection of RMB60,000,000 into Puhui Lixin, and the Group's equity interests in the investee were increased to 40%.

On November 24, 2022, Shanghai OneConnect entered into the Equity Transfer Agreement with Puhui Management, pursuant to which Shanghai OneConnect conditionally agreed to sell, and Puhui Management conditionally agreed to purchase, the Group's 40% equity interest in Puhui Lixin at a consideration of RMB199,200,000. Upon the completion, Shanghai OneConnect will no longer hold any equity interest in Puhui Lixin. The transaction has been approved by the extraordinary general meeting and completed in 2023.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Investments accounted for using the equity method (Continued)

(a) Investment in associate (Continued)

(ii) Summarised financial information for associate

Summarised balance sheet	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Total assets	1,075,852	1,686,575	*
Total liabilities	(682,979)	(1,230,475)	*
Net assets	**392,873**	**456,100**	*

Summarised income statement	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Operating income	96,372	144,762	*
Profit or loss from continuing operations	30,375	63,228	*
Group's share %	40 %	40 %	*
Group's share in net assets	157,149	182,440	*
Goodwill	27,758	27,758	*
	184,907	210,198	*
Less: impairment charges on associate	—	(10,998)	*
Carrying amount	**184,907**	**199,200**	*

*2023 information not presented as the associate was disposed of as described above.

(b) Investment in joint venture

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
At beginning of year	2,976	439	—
Additions	—	—	2,550
Share of losses of joint venture	(2,204)	(439)	(2,550)
Exchange difference	(333)	—	—
At end of the year	**439**	**—**	**—**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Investments accounted for using the equity method (Continued)

(b) Investment in joint venture (Continued)

On August 23, 2019, the Group entered into an investment in SBI OneConnect Japan Co., Ltd. ("SBI Japan") with SBI Holdings, Inc., ("SBI") by investing a capital of RMB4,321,000 (JPY65,100,000), and held the equity interest as to 31%. The Group shares control with SBI and accounts for the investment as a joint venture. In October 2021, the Company disposed of the investment to SBI at no consideration as it was fully impaired considering accumulated losses.

The Group entered into an agreement of setting up Financial Open Portal (Guangxi) Cross-border Financial Digital Co., Ltd. ("Open Portal Guangxi") with Digital Guangxi Group Co., Ltd. ("Digital Guangxi") on April 10, 2020. The Group made a capital injection of RMB2,040,000 in 2020 and additional capital injection of RMB2,550,000 in 2023. The Group and Digital Guangxi owned the equity interest in Open Portal Guangxi as to 51% and 49%, respectively. The Group shares control with Digital Guangxi and accounts for the investment as a joint venture. The decisions on major operational and financial activities require the unanimous consent of the Group and Digital Guangxi pursuant to the provisions of the article of association of Open Portal Guangxi.

16 Financial instruments by category

The Group holds the following financial instruments:

	Note	As at December 31, 2022 RMB'000	As at December 31, 2023 RMB'000
Financial assets			
Financial assets at amortized cost			
- Trade receivables	19	940,989	710,669
- Prepayments and other receivables (excluding non-financial asset items)	20	816,179	661,123
- Financial assets measured at amortized cost from virtual bank	21	44	3,081
- Restricted cash and time deposits over three months	23	343,814	447,564
- Cash and cash equivalents	24	1,907,776	1,379,473
Financial assets measured at fair value through other comprehensive income (FVOCI)	17	2,054,541	2,226,138
Financial assets at fair value through profit or loss (FVPL)	22	690,627	925,204
Derivative financial asset			
- Held at FVPL	32	56,363	38,008
Total		**6,810,333**	**6,391,260**
Financial liabilities			
Liabilities at amortized cost			
- Trade and other payables (excluding non-financial liability items)	28	1,355,329	1,318,449
- Short-term borrowings	29	289,062	251,732
- Customer deposits	30	1,929,183	2,261,214
- Other financial liabilities from virtual bank	31	89,327	54,373
Derivative financial liability			
- Held at FVPL	32	9,568	—
Total		**3,672,469**	**3,885,768**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Financial assets measured at fair value through other comprehensive income

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Loans and advances to customers	1,608,402	1,902,985
Equity securities (Note a)	3,204	3,204
Debt securities	442,935	319,949
	2,054,541	**2,226,138**
Less: Non-current financial asset measured at fair value through other comprehensive income	(821,110)	(1,372,685)
	1,233,431	**853,453**

(a) On August 4, 2016, the Group acquired 5% equity interest in Fujian Exchange Settlement Centre Co., Ltd. (福建交易場所清算中心股份有限公司) at a consideration of RMB5,000,000. The fair value change of the equity interest was recognized in other comprehensive income.

18 Leases

(a) Amounts recognized in the consolidated balance sheet

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Right-of-use assets (Note 13)		
- Properties	89,574	48,572
Lease liabilities (Note 28)		
- Non current	44,553	28,283
- Current	47,030	22,941
	91,583	**51,224**

Additions to the right-of-use assets during the years ended December 31, 2022 and 2023 were RMB76,534,000 and RMB21,612,000, respectively.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on December 31, 2022 and 2023 was 4.79% and 4.26%.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Leases (Continued)

(b) Amounts recognized in the consolidated statement of profit or loss

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Depreciation charge of right-of-use assets	88,974	75,519	45,082
Interest expenses (included in finance cost)	5,803	7,578	3,448
	94,777	**83,097**	**48,530**

The total cash outflow for leases in 2021, 2022 and 2023 were RMB97,551,000, RMB79,618,000 and RMB67,180,000, respectively.

Expenses recognized in relation to short-term leases for the years ended December 31, 2021, 2022 and 2023 amounted to RMB1,412,000, RMB2,884,000, and RMB6,258,000, respectively.

19 Trade receivables

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Trade receivables	998,036	779,458
Less: impairment loss allowance (Note 5.1(b))	(57,047)	(68,789)
	940,989	**710,669**

Trade receivables and their aging analysis, based on recognition date, are as follows:

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Up to 1 year	932,479	694,157
1 to 2 years	42,752	55,187
2 to 3 years	13,857	21,103
Above 3 years	8,948	9,011
	998,036	**779,458**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Prepayments and other receivables

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Deposit receivable *	776,481	625,371
Value-added-tax deductible	143,338	188,501
Advance to suppliers	71,755	49,492
Advance to staff	47,332	13,238
Receivables for value-added-tax paid on behalf of wealth management products	455	—
Others	46,519	41,471
Less: impairment loss allowance	(7,276)	(5,719)
	1,078,604	**912,354**
Less: Non-current portion of other receivables	—	(6,663)
	1,078,604	**905,691**

* Deposit receivable mainly represents deposit paid to the Group's service vendors according to the contractual agreements and such receivables will contractually be repaid within one year.

(a) Movements in the impairment loss allowance of prepayments and other receivables are as follows:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Beginning of the year	(3,349)	(2,968)	(7,276)
Reversals/ (Additions)	2	(4,308)	1,557
Write-off	365	—	—
Exchange differences	14	—	—
End of the year	**(2,968)**	**(7,276)**	**(5,719)**

21 Financial assets measured at amortized cost from virtual bank

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Loans and advances to customers	44	3,142
Less: expected credit loss provision	—	(61)
	44	**3,081**

The balance represents financial assets measured at amortized cost carried out by OneConnect Bank, a wholly owned subsidiary from the Group, since 2020.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Financial assets at fair value through profit or loss

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Wealth management products	**690,627**	**925,204**

As at December 31, 2022 and 2023, out of the wealth management products which the Group invested in, RMB690,627,000 and RMB532,147,000 were managed by subsidiaries of Ping An Group which are redeemable upon request by the holders, respectively.

23 Restricted cash and time deposits over three months

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Restricted bank deposits	198,320	39,005
Accrued interests	1,238	446
Time deposits with initial terms over three months	144,256	413,432
	343,814	**452,883**
Less: Non-current restricted cash	—	(5,319)
	343,814	**447,564**

As at December 31, 2022, RMB192,989,000 (USD27,710,000) were pledged for currency swaps, and RMB5,331,000 was pledged for business guarantee.

As at December 31, 2023, RMB22,594,000 (USD3,190,000) were pledged for currency swaps, and RMB16,412,000 was pledged for business guarantee.

24 Cash and cash equivalents

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Cash on hand	12	12
Cash at central bank	214,768	134,486
Cash at banks	1,692,996	1,244,975
	1,907,776	**1,379,473**

	At December 31,	
	2022	2023
	RMB'000	RMB'000
USD	313,559	771,502
RMB	1,045,135	379,629
HKD	530,861	210,492
SGD	13,821	5,796
IDR	1,680	941
MYR	1,585	4
PHP	1,135	11,109
	1,907,776	**1,379,473**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 Share capital

	Number of shares	USD
Authorized		
Ordinary shares of USD0.00001 at December 31, 2021, 2022 and 2023	5,000,000,000	50,000

	Number of shares	USD	Equivalent to RMB
Issued			
Ordinary shares of USD0.00001 at December 31, 2017	900,000,000	9,000	59,838
Newly issued ordinary shares (Note a)	99,999,999	1,000	6,331
Ordinary shares of USD0.00001 at December 31, 2018	999,999,999	10,000	66,169
Newly issued ordinary shares (Note b)	3,720,665	37	257
Newly issued ordinary shares upon initial public offering (Note c)	93,600,000	936	6,549
Ordinary shares of USD0.00001 at December 31, 2019	1,097,320,664	10,973	72,975
Newly issued ordinary shares (Note d)	72,660,000	727	5,033
Surrendered ordinary shares (Note e)	(3)	—	—
Ordinary shares of USD0.00001 at December 31, 2020	1,169,980,661	11,700	78,008
Surrendered ordinary shares (Note f)	(8)	—	—
Ordinary shares of USD0.00001 at December 31, 2021 and 2022 and 2023	1,169,980,653	11,700	78,008

(a) The Company completed its Round A investments ("Round A Investments") in April 2018 with 12 investors. 99,999,999 ordinary shares were issued to the Round A Investors at a price of USD7.5 per share for an aggregate consideration of approximately USD750 million (approximately RMB4,750,965,000). These shares rank pari passu in all respects with the shares then in issue.

(b) On March 11, 2019, the Company issued 1,748,501 ordinary shares to National Dream Limited, the offshore entity of Vantage Point Technology, for a total subscription price of USD13,114,000 (approximately RMB88,030,000) pursuant to a share subscription agreement entered into in July 2018. On November 26, 2019, the Company issued 1,267,520 ordinary shares to Great Lakes Limited, the offshore entity of View Foundation's selling shareholder, for a total subscription price of USD9,506,400 (approximately RMB66,877,000) pursuant to a share subscription agreement entered into in August, 2019. On November 27, 2019, the Company issued 563,714 and 140,930 ordinary shares to Blossom View Limited and Gold Planning Limited, respectively, which are the offshore entities designated by certain selling shareholders of BER Technology, for a total subscription price of USD5,284,830 (approximately RMB37,175,000) pursuant to a share subscription agreement entered into in September, 2019.

(c) On December 13, 2019, the Company completed its IPO on the New York Stock Exchange. In the offering, 31,200,000 ADSs, representing 93,600,000 ordinary shares, were newly issued.

(d) On January 14, 2020, the over-allotment options for the IPO were partially exercised and an addition of 3,520,000 ADSs were newly issued, which represented 10,560,000 ordinary shares. On August 17, 2020, the Company completed its underwritten public offerings of 18,000,000 ADSs issued and 2,700,000 ADSs issued pursuant to the over-allotment options, which totally represented 62,100,000 ordinary shares.

(e) On December 11, 2020 and December 24, 2020, the Company bought back and cancelled 3 ordinary shares from Round A Investors.

(f) On April 1, 2021 and April 2, 2021, the Company bought back and cancelled 8 ordinary shares from Round A Investors.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Other reserves

	Recapitalization reserve	Share premium	Share-based compensation reserve	Foreign currency translation differences	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2021	**1,200,000**	**9,627,159**	**173,577**	**(133,132)**	**(227,673)**	**10,639,931**
Other comprehensive income						
-Foreign currency translation differences	—	—	—	(152,542)	—	(152,542)
-Fair value changes on financial assets measured at fair value through other comprehensive income	—	—	—	—	(1,812)	(1,812)
Share-based payments:						
- Value of employee services and business cooperation arrangements(Note 27)	—	—	25,409	—	—	25,409
- Exercise of shares under share option Scheme	—	—	2,345	—	—	2,345
- Vesting of shares under Restricted Share Unit Scheme	—	—	(700)	—	—	(700)
As at December 31, 2021	**1,200,000**	**9,627,159**	**200,631**	**(285,674)**	**(229,485)**	**10,512,631**
Other comprehensive income						
-Foreign currency translation differences	—	—	—	426,145	—	426,145
-Fair value changes on financial assets measured at fair value through other comprehensive income	—	—	—	—	5,324	5,324
Share-based payments:						
- Value of employee services and business cooperation arrangements (Note 27)	—	—	13,361	—	—	13,361
- exercise of shares under share option Scheme	—	—	331	—	—	331
- Vesting of shares under Restricted Share Unit Scheme	—	—	(4,720)	—	—	(4,720)
As at December 31, 2022	**1,200,000**	**9,627,159**	**209,603**	**140,471**	**(224,161)**	**10,953,072**
Other comprehensive income						
-Foreign currency translation differences	—	—	—	26,216	—	26,216
-Fair value changes on financial assets measured at fair value through other comprehensive income	—	—	—	—	500	500
Share-based payments:						
- Value of employee services and business cooperation arrangements (Note 27)	—	—	14,497	—	—	14,497
Transactions with equity holders:						
- Transactions with non-controlling interests	—	—	—	—	(4,434)	(4,434)
As at December 31, 2023	**1,200,000**	**9,627,159**	**224,100**	**166,687**	**(228,095)**	**10,989,851**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Share-based payments

For the purpose of establishing the Group's share incentive scheme, a special purpose vehicle was set up in 2017 to indirectly hold ordinary shares of the Company. As the Company has the power to govern the relevant activities of the special purpose vehicle and can derive benefits from the services to be rendered by the grantees, the directors of the Company consider that it is appropriate to consolidate the special purpose vehicle. In September 2020, the Company purchased at par value of the 66,171,600 ordinary shares indirectly held by the special purpose vehicle and deposited these shares to the depositary of its ADS program. The aggregate consideration of RMB88,280,000 for 66,171,600 shares had been recognized as "shares held for share incentive scheme" before the respective shares were effectively transferred to grantees under share incentive scheme. This payment of RMB88,280,000 has been settled in December 2023.

On November 7, 2017, equity-settled share-based compensation plan ("the Share Option Scheme") was set up with the objective to recognize and reward the contribution of eligible directors, employees and other persons (collectively, the "Grantees") for the growth and developments of the Group. On September 10, 2019, the Board of Directors of the Company approved to amend and restate the equity-settled share-based compensation plan to supplement the Share Option Scheme with performance-based shares to grant to the Grantees ("the Restricted Share Units Scheme"). The 66,171,600 shares reserved for the share incentive scheme comprise the options previously granted under the Share Option Scheme and the remaining shares for grant under the Restricted Share Units Scheme. Both the Share Option Scheme and the Restricted Share Units Scheme are valid and effective for 10 years from the grant date. In 2022, the Company approved the increase of the number of ordinary shares available for award grant purpose under its share incentive scheme by 35,099,420. As such, the total number of ordinary shares which may be issued under the share incentive scheme is 101,271,020 shares.

In 2022, the Board of Directors of the Company approved a new share repurchase program in which the Company may purchase its own ADSs for award grant purpose. For the year ended December 31, 2022, the Company repurchased 8.02 million ADSs for a total cost of RMB74,992,000.

Share-based compensation expenses for the years ended December 31, 2021, 2022 and 2023 were allocated as follows:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
-Cost of revenue	935	—	3,233
-Research and development expenses	5,185	—	2,975
-Selling and marketing expenses	2,854	1,002	1,938
-General and administrative expenses	16,435	12,359	6,351
Total	**25,409**	**13,361**	**14,497**
Value of employee's services (Note 8)	22,618	13,176	12,117
Value of non-employee's services	2,791	185	2,380
Total	**25,409**	**13,361**	**14,497**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Share-based payments (Continued)

(a) Share Option Scheme

Subject to the Grantee continuing to be a service provider, 100% of these options will be vested over 4 years upon fulfilling the non-market performance conditions prescribed in the grantee agreement.

The exercisable period of options starts no earlier than 12 months after the Company successfully completes an initial public offering and the Company's shares get listed in the stock exchange ("IPO and Listing") and no later than 10 years from the grant date. The vesting date is determined by the Board of Directors of the Company.

Movements in the number of share options granted to employees are as follows:

	Number of share options		
	For the year ended December 31,		
	2021	2022	2023
At the beginning of the year	19,459,994	12,725,995	10,137,344
Exercised	(5,181,306)	(621,930)	—
Forfeited	(1,552,693)	(1,966,721)	(1,995,534)
At the end of the year	**12,725,995**	**10,137,344**	**8,141,810**

For the outstanding share options, the weighted-average exercise price was RMB21.00 and RMB18.02 per share and the weighted-average remaining contractual life was 5.28 and 4.22 years, respectively, as of December 31, 2022 and 2023, respectively.

Share options outstanding at the balance sheet dates have the following expiry dates and exercise prices.

				Number of share options	
				As at December 31,	
Grant Year	Expiry Year	Exercise price	Fair value of options	2022	2023
2017	2027	RMB1.33	RMB0.62	977,951	944,490
2017	2027	RMB2.00	RMB0.52	5,295,021	4,576,500
2018	2028	RMB52.00	RMB26.00	3,044,462	2,068,320
2019	2029	RMB52.00	RMB23.42	819,910	552,500
				10,137,344	**8,141,810**

The Company have used the discounted cash flow method to determine the underlying equity fair value of the Company to determine the fair value of the underlying ordinary share before its IPO. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the Company with best estimate.

Based on fair value of the underlying ordinary share, the Company have used Binomial option-pricing model to determine the fair value of the share option as at the grant date. Key assumptions are set as below:

	2017	2018	2019
Discount rate	24.0 %	17.0 %	17.0 %
Risk-free interest rate	4.0 %	4.0 %	3.0 %
Volatility	52.0 %	51.0 %	46.0 %
Dividend yield	0.0 %	0.0 %	0.0 %

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Share-based payments (Continued)

(a) Share Option Scheme (Continued)

The Binomial Model requires the input of highly subjective assumptions. The risk-free rate for periods within the contractual life of the option is based on the China Treasury yield curve in effect at the time of grant. The expected dividend yield was estimated based on the Company's expected dividend policy over the expected life of the options. The Company estimates the volatility of its ordinary shares at the respective dates of grant based on the historical volatility of similar U.S. public companies for a period equal to the expected life preceding the grant date.

(b) Restricted Share Units Scheme

Subject to the Grantee continuing to be a service provider, 100% of these restricted share units will be vested over 4 years upon fulfilling the service conditions and performance conditions prescribed in the grantee agreement.

Movements in the number of restricted share units granted to employees are as follows:

	Number of restricted share units		
	For the year ended December 31,		
	2021	2022	2023
At the beginning of the year	1,751,702	16,552,829	36,232,094
Granted	17,033,120	28,745,900	230,000
Vested	(524,358)	(3,538,551)	—
Forfeited	(1,707,635)	(5,528,084)	(5,935,971)
At the end of the year	**16,552,829**	**36,232,094**	**30,526,123**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Share-based payments (Continued)

(b) Restricted Share Units Scheme (Continued)

Restricted share units outstanding at the balance sheet dates have the following expiry dates and fair value prices.

			Number of restricted share units As at December 31,	
			2022	2023
Grant Year	Expiry Year	Fair value of restricted share units RMB		
09/10/2019	09/10/2029	35.22	204,503	158,807
01/01/2020	01/01/2030	16.18	11,509	11,502
04/01/2020	04/01/2030	16.98	45,008	42,505
07/01/2020	07/01/2030	38.67	1,502	1,500
06/01/2021	06/01/2031	13.69	248,043	155,040
06/01/2021	06/01/2031	14.31	7,502	7,500
06/01/2021	06/01/2031	14.93	112,500	112,500
07/01/2021	07/01/2031	15.16	147,751	99,001
09/01/2021	09/01/2031	5.53	4,198,965	3,335,253
10/01/2021	10/01/2031	5.25	116,593	70,001
10/01/2021	10/01/2031	4.68	3,973,655	3,444,091
01/02/2022	01/02/2032	2.40	126,862	103,397
01/02/2022	01/02/2032	2.41	1,740,001	1,740,001
01/02/2022	01/02/2032	3.29	567,700	462,265
01/02/2022	01/02/2032	2.64	300,000	365,760
04/02/2022	04/02/2032	1.78	130,000	130,000
07/02/2022	07/02/2032	2.72	40,000	40,000
10/02/2022	10/02/2032	0.98	80,000	80,000
12/16/2022	12/16/2032	0.81	24,180,000	19,977,000
01/02/2023	01/02/2033	0.71	—	190,000
			36,232,094	**30,526,123**

Based on fair value of the underlying ordinary share, the Company have used the Monte Carlo model to determine the fair value of the restricted share units as at the grant date. Key assumptions are set as below:

	2021	2022	2023
Risk-free interest rate	2.0%~3.0 %	2.0%~3.0 %	2.0%~3.0 %
Volatility	43.0%~49.0 %	43.0%~49.0 %	48.0%~49.0 %
Dividend yield	0.0 %	0.0 %	0.0 %

The Monte Carlo model requires the input of highly subjective assumptions. The risk-free rate for periods within the contractual life of the restricted share units is based on the China Treasury Bond Yield Curve in effect at the time of grant. The expected dividend yield was estimated based on the Company's expected dividend policy over the expected life of the restricted share units. The Company estimates the volatility of its ordinary shares at the date of grant based on the historical volatility of similar US public companies for a period equal to the expected life preceding the grant date.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Share-based payments (Continued)

(c) Share Repurchase

In 2022, the Board of Directors of the Company approved a new share repurchase program in which the Company may purchase its own ADSs for award grant purpose. For the year ended December 31, 2022, the Company repurchased 8.02 million ADSs as 24.07 million ordinary shares for a total cost of RMB74,992,000.

28 Trade and other payables

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Trade payables (i)		
Due to related parties	442,007	119,434
Due to third parties	311,610	127,125
	753,617	246,559
Redemption liability (ii, iii)	243,937	232,951
Accrued expenses	516,240	436,846
Security deposits	160,814	136,813
Lease liabilities (Note 18(a))	91,583	51,224
Amounts payable for purchase of shares held for share incentive scheme (Note 27)	88,280	—
Income and other tax payables	51,913	45,057
Amounts due to related parties	644,900	744,604
Others	112,822	115,517
	2,664,106	**2,009,571**
Less: non - current portion		
Lease liabilities	(44,553)	(28,283)
Amounts payable for purchase of shares held for share incentive scheme (Note 27)	(88,280)	—
	(132,833)	**(28,283)**
	2,531,273	**1,981,288**

(i) As at December 31, 2022, and 2023, based on recognition date, the aging of the trade payables are mainly within 1 year.

(ii) According to the shareholders agreement of BER Technology, the non-controlling shareholders shall have the right to request the Group to purchase the remaining 20% equity interests in BER Technology in an agreed period from June 30, 2022 to December 31, 2022. The purchase price was determined based on the financial performance of BER Technology and a pre-determined formula that set out in the respective shareholders agreement. Accordingly, the redemption liability of approximately RMB44,105,000 was initially recognized by the Group upon completion of acquisition as at the present value of the estimated future cash outflows, and the same amount was debited to other reserve. The redemption liability was subsequently measured at amortized cost. On December 30, 2022, the Group entered into a share purchase agreement with non-controlling shareholders of BER Technology to acquire the remaining 20% equity interests of BER Technology after renegotiation. The Group acquired the remaining 20% equity interests of BER Technology for RMB15,000,000 and relevant redemption liability has been settled in 2023.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Trade and other payables (Continued)

(iii) The Group wrote a put option on the equity in Vantage Point Technology pursuant to the relevant transaction documents entered into with certain non-controlling shareholders of Vantage Point Technology, which provides each of such non-controlling shareholders with the right to require the Group to purchase the equity interest subject to the terms and conditions of the put option. A financial liability (redemption liability) of RMB183,569,000 was initially recognized on the acquisition date to account for the put option and other reserve of the same amount were debited accordingly. The redemption liability was subsequently measured at amortized cost. As at December 31, 2023, the redemption liability of RMB232,951,000 was estimated based on the estimation of matters relating to the terms and conditions of the put option which is in the process of renegotiation as of the date of this report.

29 Short-term borrowings

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Unsecured	**289,062**	**251,732**

The weighted average interest rate of short-term borrowings was 4.61%, 4.48% per annum as at December 31, 2022, 2023.

30 Customer deposits

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Current and savings accounts	243,231	437,153
Fixed deposit	1,685,952	1,824,061
	1,929,183	**2,261,214**

It represented customer deposits held by OneConnect Bank.

31 Other financial liabilities from virtual bank

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Repurchase agreements	**89,327**	**54,373**

As at December 31, 2023, the repurchase agreements of OneConnect Bank amounting to RMB54,373,000 (HKD60,000,000) were secured by debt securities included in "Financial assets measured at fair value through other comprehensive income".

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Derivative financial assets and liabilities

	As at December 31,			
	2022		2023	
	Nominal amount	Fair value	Nominal amount	Fair value
	RMB'000		RMB'000	
Foreign exchange swaps	648,404	19,279	5,666	388
Currency forwards	741,937	37,084	358,636	37,620
Derivative financial assets	**1,390,341**	**56,363**	**364,302**	**38,008**
Foreign exchange swaps	208,938	9,568	—	—
Derivative financial liabilities	**208,938**	**9,568**	**—**	**—**

33 Dividends

No dividends had been paid or declared by the Company during the years ended December 31, 2022 and 2023.

34 Deferred income tax

(a) Deferred tax assets

The movements of deferred tax assets were as follows:

	Tax losses	Accelerated amortization of intangible assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	**312,908**	**212,035**	**59,751**	**584,694**
Recognized in the profit or loss	116,993	(5,513)	8,644	120,124
At December 31, 2021	**429,901**	**206,522**	**68,395**	**704,818**
Recognized in the profit or loss	112,340	(21,274)	(16,489)	74,577
At December 31, 2022	**542,241**	**185,248**	**51,906**	**779,395**
Recognized in the profit or loss	40,384	(27,336)	359	13,407
At December 31, 2023	**582,625**	**157,912**	**52,265**	**792,802**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Deferred income tax (Continued)

(b) Deferred tax liabilities

The movements of deferred tax liabilities were as follows:

	Intangible assets acquired through business combination	Others	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2021	**20,080**	**18,141**	**38,221**
Recognized in the profit or loss	(10,219)	3,459	(6,760)
At December 31, 2021	**9,861**	**21,600**	**31,461**
Recognized in the profit or loss	(4,665)	(8,164)	(12,829)
At December 31, 2022	**5,196**	**13,436**	**18,632**
Recognized in the profit or loss	(3,117)	11,090	7,973
At December 31, 2023	**2,079**	**24,526**	**26,605**

(c) Offsetting of deferred tax assets and deferred tax liabilities

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Deferred tax assets	704,818	779,395	792,802
Set-off of deferred tax liabilities	(21,600)	(13,436)	(24,526)
	683,218	**765,959**	**768,276**

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Deferred tax liabilities	31,461	18,632	26,605
Set-off of deferred tax assets	(21,600)	(13,436)	(24,526)
	9,861	**5,196**	**2,079**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Cash flow information

(a) Cash used in operations

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Loss before income tax	**(1,442,608)**	**(990,173)**	**(361,714)**
Depreciation and amortization	438,749	281,430	201,341
Net impairment losses on financial and contract assets	72,229	33,639	53,950
Net impairment losses on intangible assets	—	10,208	5,851
Losses on disposal of property and equipment and intangible asset	266	14,490	6,058
Share-based payments expenses (Note 27)	25,409	13,361	14,497
Net losses/ (gain) on derivatives (Note 9)	169,545	(262,769)	(30,592)
Net gain on financial assets at fair value through profit or loss (Note 9)	(45,644)	(30,687)	(20,007)
Share of gain of associate and joint venture (Note 15)	(9,946)	(24,852)	(4,607)
Impairment charges on associate(Note 15)	—	10,998	7,157
Remeasurement of redemption liability(Note 9)	—	(37,874)	—
Finance costs	74,743	35,168	19,535
Interest from investing activities	(22,983)	(6,646)	(26,252)
Exchange (gain)/losses (Note 9)	(77,143)	312,843	11,171
Changes in working capital:			
Trade receivables	(123,371)	(63,884)	185,745
Contract assets	45,855	106,135	29,276
Prepayments and other receivables	(353,480)	(335,419)	165,244
Trade and other payable	530,095	106,952	(817,507)
Contract liabilities	17,032	13,365	(30,938)
Customer deposits	944,318	579,012	332,031
Other financial liabilities from virtual bank	—	89,327	(34,954)
Financial assets measured at amortized cost from virtual bank	586,953	13,341	(3,098)
Financial assets measured at fair value through other comprehensive income from virtual bank	(1,103,460)	(504,942)	(294,583)
Payroll and welfare payables	(110,263)	(83,809)	(45,350)
	(383,704)	**(720,786)**	**(637,746)**

(b) Non-cash investing and financing activities

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Acquisition of right-of-use properties by leasing (Note 13)	118,030	76,534	21,612

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Cash flow information (Continued)

(c) Reconciliation of cash and liquid investments and gross debt

This section sets out an analysis of cash and liquid investments and gross debt as of December 31, 2022 and 2023 and the movements in cash and liquid investments and gross debt for the years ended December 31, 2021, 2022 and 2023.

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Restricted cash and time deposits over three months	343,814	447,564
Cash and cash equivalents	1,907,776	1,379,473
Financial assets at fair value through profit or loss	690,627	925,204
Lease liabilities (Note 18)	(91,583)	(51,224)
—due within one year	(47,030)	(22,941)
—due after one year	(44,553)	(28,283)
Borrowings — repayable within one year	(289,062)	(251,732)
	2,561,572	**2,449,285**
Cash and liquid investments	2,942,217	2,752,241
Gross debt — fixed interest rates	(380,645)	(302,956)
	2,561,572	**2,449,285**

				Liabilities from financing activities		
	Restricted cash (ii)	Cash and cash equivalents	Financial assets at fair value through profit or loss	Lease liabilities	Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2021	**2,280,499**	**3,055,194**	**1,487,871**	**(134,219)**	**(2,283,307)**	**4,406,038**
Cash flows	(1,206,607)	(1,627,680)	538,138	96,139	1,524,899	(675,111)
Acquisition of right-of-use assets	—	—	—	(118,030)	—	(118,030)
Other Changes (i)	(13,465)	(28,144)	45,644	1,220	(56,852)	(51,597)
As at December 31, 2021	**1,060,427**	**1,399,370**	**2,071,653**	**(154,890)**	**(815,260)**	**3,561,300**
Cash flows	(788,828)	433,119	(1,411,713)	76,734	543,501	(1,147,187)
Acquisition of right-of-use assets	—	—	—	(76,534)	—	(76,534)
Other Changes (i)	72,215	75,287	30,687	63,107	(17,303)	223,993
As at December 31, 2022	**343,814**	**1,907,776**	**690,627**	**(91,583)**	**(289,062)**	**2,561,572**
Cash flows	77,533	(543,432)	214,570	60,922	49,403	(141,004)
Acquisition of right-of-use assets	—	—	—	(21,612)	—	(21,612)
Other Changes (i)	26,217	15,129	20,007	1,049	(12,073)	50,329
As at December 31, 2023	**447,564**	**1,379,473**	**925,204**	**(51,224)**	**(251,732)**	**2,449,285**

(i) Other changes include accrued interests, disposal, foreign currency translation differences and other non-cash movements.

(ii) Cash flows include restricted cash and time deposits over three months movements recognized in cash flows from operating activities and investing activities.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 Related party transactions

The following significant transactions were carried out between the Group and its related parties during the years ended December 31, 2021, 2022 and 2023.

(a) Names and relationships with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group during the years ended December 31, 2021, 2022 and 2023.

Name of related parties	Relationship with the Group
Sen Rong Limited(i)	A shareholder that has significant influence over the Group
Rong Chang Limited(i)	A shareholder that has significant influence over the Group
Bo Yu	A shareholder that has significant influence over the Group
Ping An Group	Ultimate parent company of Bo Yu
Subsidiaries of Ping An Group	Controlled by Ping An Group
Open Portal Guangxi	Significant influenced by the Group

(i) Sen Rong Limited and Rong Chang Limited has entered into an acting-in-concert agreement in 2020 and an amended and restarted agreement in 2021. As a result, Rong Chang and Sen Rong as a concert group had significant influence over the Group.

(b) Key management personnel compensations

Key management includes directors (executive and non-executive) and senior officers. The compensations paid or payable by the Group to key management for employee services are shown below:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Wages and salaries	28,163	21,123	20,806
Welfare and other benefits	772	614	654
Share-based payments	4,187	8,401	4,909
	33,122	**30,138**	**26,369**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 Related party transactions (Continued)

(c) Significant transactions with related parties

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Revenue			
Ping An Group and its subsidiaries	**2,315,220**	**2,526,682**	**2,091,039**

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Purchase of services			
Ping An Group and its subsidiaries	1,534,302	1,706,436	1,423,367
Net loss on disposal of property and equipment			
Ping An Group and its subsidiaries	—	(599)	(1,359)
Net gain from wealth management products consolidated by related parties			
Ping An Group and its subsidiaries	26,249	18,890	12,996
Net (loss)/gain on derivatives			
Ping An Group and its subsidiaries	(169,545)	262,769	30,592
Investment income from loan to related party			
Open Portal Guangxi	—	283	—
Interest income on bank deposits			
Ping An Group and its subsidiaries	12,037	9,234	17,637
Leasing payment			
Ping An Group and its subsidiaries	19,849	20,957	12,131
Interest expenses			
Ping An Group and its subsidiaries	15,914	2,672	—
Net gain on financial assets measured at fair value through other comprehensive income			
Ping An Group and its subsidiaries	—	315	—

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 Related party transactions (Continued)

(d) Year end balances with related parties

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Trade receivables		
Ping An Group and its subsidiaries (i)	372,456	299,098
Contract assets		
Ping An Group and its subsidiaries	9,876	7,538
Prepayment and other receivables		
Ping An Group and its subsidiaries	771,137	599,671
Financial assets at fair value through profit or loss (Note 22)		
Ping An Group and its subsidiaries	405,960	417,956
Cash and restricted cash and time deposits over three months		
Ping An Group and its subsidiaries	787,916	784,840
Trade and other payables		
Ping An Group and its subsidiaries (i)	1,086,907	864,038
Contract liabilities		
Ping An Group and its subsidiaries	27,517	25,550
Derivative financial assets		
Ping An Group and its subsidiaries	56,363	38,008
Derivative financial liabilities		
Ping An Group and its subsidiaries	9,568	—

(i) The balances with related parties were unsecured, interest-free and repayable on demand.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 The Group's maximum exposure to unconsolidated structured entities

The Group has determined that all of assets management products managed by the Group and its investments in wealth management products, which are not controlled by the Group, are unconsolidated structured entities.

The Group invests in wealth management products managed by related parties for treasury management purposes. The Group also managed some assets management fund products as fund manager to generate fees from managing assets on behalf of other investors, mainly Ping An Group and its subsidiaries. The assets management fund products are financed by capital contribution from investors.

The following table shows the Group's maximum exposure to the unconsolidated structured entities which represents the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of direct investments made by the Group. The direct investments made by the Group are classified as FVPL.

The size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

	Unconsolidated structured entities			
31 December 2022	Size	Carrying amount	The Group's maximum exposure	Interest held by the Group
	RMB'000	RMB'000	RMB'000	
Asset management products managed by the Group	594,058	—	—	Service fee
Wealth management products managed by related parties	Note a	690,627	690,627	Investment income

	Unconsolidated structured entities			
31 December 2023	Size	Carrying amount	The Group's maximum exposure	Interest held by the Group
	RMB'000	RMB'000	RMB'000	
Wealth management products managed by related parties	Note a	532,147	532,147	Investment income

Note a: The wealth management products are sponsored by related financial institutions and the information related to size of these structured entities were not publicly available. The carrying amount is recorded in financial assets at fair value through profit or loss.

38 Contingencies

The Group did not have any material contingent liabilities as at December 31, 2022 and 2023.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Restricted net assets

Relevant PRC laws and regulations permit payments of dividends by the subsidiaries, the VIEs and Subsidiaries of VIEs incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, each of the Company's subsidiaries, the VIEs and Subsidiaries of VIEs is required to annually appropriate 10% of net after-tax income to the statutory general reserve fund prior to payment of any dividends, unless such reserve funds have reached 50% of its respective registered capital. As a result of these and other restrictions under PRC laws and regulations, the subsidiaries and the Consolidated Affiliated Entities are restricted in their ability to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances of the Group's total consolidated net assets. As at December 31, 2023, the total restricted net assets of the Company's subsidiaries and the VIEs and Subsidiaries of VIEs incorporated in PRC and subjected to restriction amounted to approximately RMB 6,338,242,000. Even though the Company currently does not require any such dividends, loans or advances from the PRC entities for working capital and other funding purposes, the Company may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to its shareholders. Except for the above, there is no other restriction on the use of proceeds generated by the Company's subsidiaries and the VIEs and Subsidiaries of VIEs to satisfy any obligations of the Company.

40 Parent company only condensed financial information

Parent Company only financial statements have been provided pursuant to the requirements of Securities and Exchange Commission Regulation S-X Rule 12-04(a), which require condensed financial information as to financial position, cash flows and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented, as the restricted net assets of the Company's consolidated subsidiaries, including VIEs, as of December 31, 2023 exceeded the 25% threshold, 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 and VIEs. Certain information and footnote disclosures generally included in financial statements prepared in accordance with IFRSs have been condensed and omitted. The footnote disclosures contain supplemental information relating to the operations of the Company, as such, these statements are not the general-purpose financial statements of the reporting entity and should be read in conjunction with the notes to the consolidated financial statements of the Company.

The Company did not have significant capital and other commitments or guarantees as at December 31, 2023. The subsidiaries did not pay any dividend to the Company for the years presented.

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Parent company only condensed financial information (Continued)

(a) Condensed Statements of Comprehensive Income

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Selling and marketing expenses	(439)	(387)	(90)
General and administrative expenses	(53,621)	(104,653)	(32,965)
Net impairment losses on amount due from subsidiaries	—	(465,457)	(281,288)
Other income, gains or loss-net	834	2,555	(457)
Operating loss	**(53,226)**	**(567,942)**	**(314,800)**
Finance (costs)/income – net	(32)	(573)	196
Share of losses of joint venture	(2,896)	—	—
Share of losses of subsidiaries and VIEs	(1,225,545)	(303,759)	(48,111)
Loss before income tax	**(1,281,699)**	**(872,274)**	**(362,715)**
Income tax expenses	—	—	—
Loss for the year	**(1,281,699)**	**(872,274)**	**(362,715)**
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss			
– Foreign currency translation differences	(152,542)	69,454	3,880
– Changes in the fair value of debt instruments measured at fair value through other comprehensive income	(16)	5,324	500
Items that will not be subsequently reclassified to profit or loss			
– Foreign currency translation differences	—	356,691	22,336
– Changes in the fair value of equity investments measured at fair value through other comprehensive income	(1,796)	—	—
Total comprehensive loss	**(1,436,053)**	**(440,805)**	**(335,999)**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Parent company only condensed financial information(Continued)

(b) Condensed Balance Sheets

	Note	As at December 31, 2022 RMB'000	As at December 31, 2023 RMB'000
ASSETS			
Non-current assets			
Interest in subsidiaries	40(d)	1,764,074	2,181,554
Total non-current assets		**1,764,074**	**2,181,554**
Current assets			
Amount due from subsidiaries	40(d)	1,641,677	803,173
Prepayments and other receivables		448	435
Cash and cash equivalents		7,327	3,267
Total current assets		**1,649,452**	**806,875**
Total assets		**3,413,526**	**2,988,429**
EQUITY AND LIABILITIES			
Equity			
Share capital	25	78	78
Shares held for share incentive scheme	27	(149,544)	(149,544)
Reserves	26	10,953,072	10,989,851
Accumulated loss		(7,510,899)	(7,873,614)
Total equity		**3,292,707**	**2,966,771**
Liabilities			
Non-current liabilities			
Trade and other payables		88,280	—
Total non-current liabilities		**88,280**	**—**
Current liabilities			
Trade and other payables		32,539	21,658
Total current liabilities		**32,539**	**21,658**
Total liabilities		**120,819**	**21,658**
Total equity and liabilities		**3,413,526**	**2,988,429**

Table of Contents

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Parent company only condensed financial information (Continued)

(c) Condensed Statements of Cash Flows

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Cash used in operating activities			
Cash used in operations	(51,132)	(139,011)	(44,284)
Net cash used in operating activities	**(51,132)**	**(139,011)**	**(44,284)**
Cash flows from investing activities			
Payment for interest in subsidiaries, net of cash acquired	(1,333,804)	(3,005,546)	(1,117,823)
Proceeds from loan to subsidiaries	1,350,654	3,218,655	1,157,947
Net cash generated from investing activities	**16,850**	**213,109**	**40,124**
Cash flows from financing activities			
Proceeds from exercise of shares under share incentive scheme	9,257	1,161	—
Payments for shares repurchase	—	(74,992)	—
Net cash generated from/ (used in) financing activities	**9,257**	**(73,831)**	**—**
Net (decrease)/increase in cash and cash equivalents	**(25,025)**	**267**	**(4,160)**
Cash and cash equivalents at the beginning of the year	31,857	6,454	7,327
Effects of exchange rate changes on cash and cash equivalents	(378)	606	100
Cash and cash equivalents at the end of year	**6,454**	**7,327**	**3,267**

(d) Interest in subsidiaries and amount due from subsidiaries

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Interest in subsidiaries		
Equity investment in subsidiaries	1,764,074	2,181,554

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Amount due from subsidiaries		
Loan receivables	1,641,677	803,173

41 Subsequent events

On November 13, 2023, the Company entered into the Share purchase Agreement with Lufax Holding Ltd (the Purchaser), pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire OneConnect Bank through transferring the entire issued share capital of the Jin Yi Tong Limited (the "Disposal Company", a company indirectly holds 100% of the issued share capital of OneConnect Bank through its 100% owned subsidiary Jin Yi Rong Limited) at a consideration of HK $933,000,000 in cash, subject to the terms and conditions of the Share Purchase Agreement. Upon closing, the Company will cease to hold any interest in the Disposal Company. Accordingly, the Disposal Company, Jin Yi Rong Limited and OneConnect Bank and any company that is directly or indirectly controlled by OneConnect Bank (the "Disposal Group") will cease to be subsidiaries of the Company and will no longer be consolidated into the financial statements of the Group. The transaction was approved by shareholders of the Company through an extraordinary general meeting held on January 16, 2024 and was completed on April 2, 2024. The relevant disposal gain is approximately RMB 262 million.