

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM F-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

Hexindai Inc.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Cayman Islands  
(State or other jurisdiction of  
incorporation or  
organization)

6199  
(Primary Standard Industrial  
Classification Code Number)

Not Applicable  
(I.R.S. Employer  
Identification Number)

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area code, of Registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: as soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.   o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.   o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.   o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.   o

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price <sup>(2)(3)</sup>	Amount of registration fee
Ordinary Shares, par value \$0.0001 per share <sup>(1)</sup>	\$	\$

- (1) American depositary shares issuable upon deposit of ordinary shares registered hereby will be registered under a separate registration statement on Form F-6 (Registration No. 333- ). Each American depositary share represents ordinary shares.
- (2) Includes ordinary shares initially offered and sold outside the United States that may be resold from time to time in the United States either as part of their distribution or within 40 days after the later of the effective date of this registration statement and the date the shares are first bona fide offered to the public. These ordinary shares are not being registered for the purpose of sales outside the United States.
- (3) Estimated solely for the purpose of determining the amount of registration fee in accordance with Rule 457(o) under the Securities Act of 1933.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to such Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**PROSPECTUS**

(Subject to Completion) Issued

, 2017

**American Depositary Shares**



**Hexindai Inc.**

**Representing**

**Ordinary Shares**

Hexindai Inc. is offering American depositary shares, or ADSs. Each ADS represents ordinary shares, par value US\$0.0001 per share. This is our initial public offering and no public market currently exists for our ADSs or shares. We anticipate the initial public offering price of our ADSs will be between US\$ and US\$ per ADS.

We are an "emerging growth company" under applicable U.S. federal securities laws and are eligible for reduced public company reporting requirements.

Our ADSs have been approved for listing on the under the symbol " ."

Investing in the ADSs involves risks. See "*Risk Factors*" beginning on page 11.

PRICE US\$ AN ADS

	Price to public	Underwriting discounts and commissions <sup>(1)</sup>	Proceeds before expenses to company <sup>(2)</sup>
Per ADS	US\$	US\$	US\$
Total	US\$	US\$	US\$

(1) See "Underwriting" in this prospectus for more information regarding our arrangements with the underwriter.

(2) The total estimated expenses related to this offering are set forth in the section entitled "Discounts, Commissions and Expenses."

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriter expects to deliver the ADSs to purchasers on , 2017.

**Network 1 Financial Securities, Inc.**

, 2017



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**No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the ADSs offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.**

Neither we nor the underwriter have done anything that would permit this offering or possession or distribution of this prospectus or any filed free writing prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus or any filed free writing prospectus must inform themselves about, and observe any restrictions relating to, the offering of the ADSs and the distribution of this prospectus or any filed free writing prospectus outside of the United States.

Until \_\_\_\_\_, 2017 (the 25th day after the date of this prospectus), all dealers that buy, sell or trade ADSs, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

## PROSPECTUS SUMMARY

*The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this prospectus. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in our ADSs discussed under "Risk Factors," before deciding whether to buy our ADSs. In addition, this prospectus contains information from a commissioned report prepared by Oliver Wyman, Inc., or Oliver Wyman, a third-party market research firm. Oliver Wyman was commissioned by us to provide information on the marketplace lending industry in China.*

### Overview

We are a fast-growing consumer lending marketplace facilitating loans to meet the increasing consumption demand of the emerging middle class in China. According to Oliver Wyman, the "emerging middle class" comprises largely of the "lower mass population" in China, which is the population segment with accumulated disposable assets of RMB60,000 to RMB100,000. These people are typically in the average age range of between 31 to 45 years old, with an average monthly income of RMB3,000 to RMB7,000. We believe the financing needs of this segment of consumers in China have been largely underserved due to the lack of an easily-accessible credit market. We help these Chinese consumers fulfil their consumption financing needs by facilitating loans between borrowers and investors, providing borrowers with ready access to credit and investors with risk-adjusted returns. We believe that our consumer lending marketplace, integrated with online and offline platforms, advanced technology and innovation, will help meet the demands from these consumers in a sustainable way.

China represents the largest and fastest growing marketplace lending market in the world. Oliver Wyman has projected that China's consumer lending market will reach RMB5.4 trillion in 2020, representing a compound annual growth rate, or CAGR, of 66% from 2014. We believe the emerging middle class represents a large and relatively untapped consumer credit market opportunity in China. Consumption by this segment has experienced strong growth and a shift from staple or necessity goods to premium products and services, such as luxury goods, travel, cosmetic medicine, education and home renovation. Our consumer lending marketplace specifically targets this consumer market by offering medium-sized loans ranging from RMB20,000 to RMB140,000 to these consumers. According to Oliver Wyman, the consumer credit market represented by medium-sized loans ranging from RMB20,000 to RMB140,000 accounted for approximately 62.4% of the total individual consumption market in China in 2016. From the inception of our business to December 31, 2016, the total transaction volume of loans facilitated on our marketplace amounted to RMB7.6 billion. We primarily focus on facilitating medium-sized loans ranging from RMB20,000 to RMB140,000, which represented approximately 80% of our total transaction volume during the six months ended September 30, 2016.

We have built a multi-channel marketplace to reach and serve borrowers and investors, leveraging both our online platform and the nationwide physical networks of our offline cooperation partner, Hexin Group, which is majority-owned by our controlling shareholder. As of December 31, 2016, our offline cooperation partner had a total of 99 branches in 20 provinces and 4 municipalities across China. We acquire borrowers offline through cooperation with our offline cooperation partner in accordance with certain contractual arrangements. See "Corporate History and Structure—Our Relationship with Hexin Group". Leveraging our borrower acquisition model that combines online platform and offline networks, our online marketplace has experienced significant growth since its inception. The total amount of loans facilitated through our online marketplace increased by 42.9% from the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2016, and by 14.6% from the six months ended September 30, 2015 to the six months ended September 30, 2016. In particular, the total loan amount of our credit loans experienced rapid growth of 1,552.8% from the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2016, and by 693.3% from the six months ended September 30, 2015 to the six months ended September 30, 2016.

We provide borrowers with convenient and ready access to credit through our online marketplace. We offer borrowers a wide range of products designed based on customer segmentation data and tailored to the specific needs of the emerging middle class in China. We offer investors various types of investment products with appropriate risk levels and risk-adjusted returns, and have achieved high investor satisfaction and loyalty as shown by our repeat investor rates. The average annualized investment return for loans facilitated on our marketplace ranges from 8% to 15%. As of December 31, 2016, more than 40% of our investors had invested more than once on our marketplace. For the fiscal year ended March 31, 2016 and six months ended September 30, 2016, the total number of borrowers increased by 579.7% and 339.2% from the fiscal year ended March 31, 2015 and six months ended September 30, 2015, respectively, and the total number of investors increased by 81.8% and 72.3% from the fiscal year ended March 31, 2015 and six months ended September 30, 2015, respectively.

We believe we have developed an advanced risk management system leveraging our proprietary technology, algorithms and data sources. Our technology-driven risk management system comprises online big data analysis, offline confirmation of borrower information, credit scoring and decision-making, and post-loan management. This system has enabled us to assess the credit-worthiness of our borrowers more effectively and provide risk-based pricing for our products to better serve our customers and enhance customer satisfaction.

We generate revenue from fees charged for our services in matching investors with individual borrowers and for other services we provide over the life of a loan. We primarily charge borrowers loan facilitation or management service fees for services provided by our marketplace in facilitating loans and providing other services, and we also charge investors post-origination service fees for investing in portfolio investments ("Wallets"), individual investments and loan transfer services.

We have experienced rapid growth since our inception of business in 2014. Our revenue increased by 156.0% from US\$4.6 million in the fiscal year ended March 31, 2015 to US\$11.9 million in the fiscal year ended March 31, 2016, and by 129.4% from US\$4.0 million in the six months ended September 30, 2015 to US\$9.1 million in the six months ended September 30, 2016. Our net profit was US\$3.5 million in the fiscal year ended March 31, 2016, while our net loss was US\$350,171 in the fiscal year ended March 31, 2015. Our net profit increased by 290.0% from US\$704,578 in the six months ended September 30, 2015 to US\$2.7 million in the six months ended September 30, 2016.

### **Our Competitive Strengths**

We believe the following competitive strengths contribute to our success:

- A fast-growing consumer lending marketplace focusing on meeting the increasing consumption demand of the emerging middle class in China
- Strong O2O capability combining online platform with extensive offline networks
- Stable investment returns and high investor satisfaction
- Advanced risk management system
- Experienced and visionary management team

### **Our Strategies**

We intend to achieve our goal by pursuing the following strategies:

- Expand and diversify investor base and offer more investment products
- Further enhance our risk management and risk-based pricing capabilities
- Continue to invest in our technology platform
- Enhance the profile of our brand

## **Risks Affecting Us**

Our business is subject to numerous risks described in the section titled "Risk Factors" and elsewhere in this prospectus. The main risks set forth below and others you should consider are discussed more fully in the section entitled "Risk Factors" beginning on page 11, which you should read in its entirety.

- Our operating history is limited and the industry landscape is new and constantly evolving, which poses risks and challenges to our success.
- We may not be able to maintain the fast growth rate we have experienced in recent years and may not be able to manage our growth effectively.
- If we are unable to maintain or increase the volume of loan transactions facilitated through our marketplace or if we are unable to attract new borrowers or investors, or retain existing borrowers or investors, our business and results of operations will be adversely affected.
- Our risk management system comprising our policy framework, credit assessment and fraud detection technology and protocols may not be adequate and may adversely affect the reliability of our marketplace, and in turn damage our reputation and goodwill.
- Changes in China's macro economic, socio-political conditions or government policies could have a material adverse effect on our business and results of operations.
- Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to us.
- If Hexin Group's business, results of operations or brand is adversely affected, we may not be able to source new offline borrowers and our business, results of operations and brand will in turn be negatively affected.

## **Corporate Information**

We were incorporated under the laws of Cayman Islands and we conduct our business through our subsidiaries and variable interest entity in China. We started our consumer loans online marketplace in March 2014 in China when our founders established our variable interest entity, Hexin E-Commerce Co., Ltd. ("Hexin E-Commerce") in China, through our Hong Kong holding company Hexindai Hong Kong Limited and its wholly owned subsidiary Beijing Hexin Yongheng Technology Development Co., Ltd.. For a further description of our corporate history and restructuring, see "Corporate History and Structure." Our corporate headquarters is located at 13th Floor, Block C, Shimao, No. 92 Jianguo Road, Chaoyang District, Beijing 100020, People's Republic of China. Our telephone number is +86-10-5985-6975. Our website address is <http://www.hexindai.com>. The information on our website is not deemed, and you should not consider such information, to be part of this prospectus.

## **Implications of Being an Emerging Growth Company**

As a company with less than US\$1.0 billion in revenue for the last fiscal year, we qualify as an "emerging growth company" pursuant to the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As such, we may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of our internal control over financial reporting. Under the JOBS Act we also do not need to comply with any new or revised financial accounting standards until the date that private companies are required to do so. However, we have elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for



public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We will remain an emerging growth company until the earliest of (i) the last day of our fiscal year during which we have total annual gross revenues of at least US\$1.0 billion; (ii) the last day of our fiscal year following the fifth anniversary of completion of this offering; (iii) the date on which we have, during the previous three year period, issued more than US\$1.0 billion in non-convertible debt; or (iv) the date on which we are deemed to be a "large accelerated filer" under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our ADSs that are held by non-affiliates exceeds US\$700 million as of the last business day of our most recently completed second fiscal quarter. Once we cease to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above.

### Conventions Which Apply to this Prospectus

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

- "ADSs" refers to our American depositary shares, each of which represents ordinary shares;
- "APR" or "annual percentage rate" refers to the rate that is charged to borrowers, including a fixed interest rate and a loan facilitation or management service fee, expressed as a single percentage number that represents the actual yearly cost of borrowing over the term of a loan;
- "big data" refers to voluminous structured and unstructured data from multiple sources and in multiple formats;
- "CAGR" refers to compound annual growth rate;
- "Changan Insurance" refers to Changan Property & Casualty Insurance Co., Ltd.;
- "China" or the "PRC" refers to the People's Republic of China, excluding, for the purposes of this prospectus only, Hong Kong, Macau and Taiwan;
- "Hexin Group" for the purpose of this prospectus refers to Hexin Information Services Co., Ltd. ("Hexin Information") and Hexin Financial Information Services (Beijing) Co., Ltd. ("Hexin Financial Information")
- "Hexindai," "we," "us," "our company" and "our" refer to Hexindai Inc., an exempted company incorporated in the Cayman Islands with limited liability, and its subsidiaries, and, in the context of describing our operations and combined and consolidated financial information, also include its variable interest entity;
- "ordinary shares" refers to our ordinary shares of par value US\$0.0001 per share, and upon and after the completion of this offering are to our ordinary shares, each of par value US\$0.0001 per share;
- "O2O" refers to offline-to-online;
- "marketplace lending" refers to any marketplace for facilitating lending and investing, where individuals or corporates borrow and lend money from other individuals or corporates without the use of a credit-intermediating financial institution;
- "M3+ Net Charge Off Rates" refers to, with respect to loans facilitated during a specified time period or the "vintage", (i) the total balance of outstanding principal of loans that became delinquent for over three months during a specified period and the remainder of the expected interest for the life of such loans, divided by (ii) the total initial principal of the loans facilitated in such vintage;
- "RMB" and "Renminbi" refer to the legal currency of China; and
- "US\$," "U.S. dollars," "\$" and "dollars" refer to the legal currency of the United States.

Our reporting currency is U.S. dollar and our functional currency is the Renminbi. This prospectus contains translations of certain foreign currency amounts into U.S. dollars for the convenience of the reader. Other than in accordance with relevant accounting rules and as otherwise stated, all translations of Renminbi into U.S. dollars in this prospectus were made at the rate of RMB6.9430 to US\$1.00, the noon buying rate on December 31, 2016, as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. We make no representation that the Renminbi or U.S. dollar amounts referred to in this prospectus 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 March 31, 2017, the noon buying rate for Renminbi was RMB6.8832 to US\$1.00.

## THE OFFERING

Offering price	We currently estimate that the initial public offering price will be between US\$                      and US\$                      per ADS.
ADSs offered by us	minimum of                      ADSs and maximum of                      ADSs.
ADSs outstanding immediately after this offering	ADSs if the ADSs are offered and sold at the minimum offering amount in this offering, or                      ADSs if the ADSs are offered and sold at the maximum offering amount in this offering.
Ordinary shares outstanding immediately after this offering	ordinary shares if the ADSs are offered and sold at the minimum offering amount in this offering, or                      ordinary shares if the ADSs are offered and sold at the maximum offering amount in this offering.
The ADSs	<p>Each ADS represents                      ordinary shares of par value US\$0.0001 per share.</p> <p>The depositary will hold the ordinary shares underlying your ADSs and you will have rights as provided in the deposit agreement.</p> <p>You may turn in your ADSs to the depositary in exchange for ordinary shares. The depositary will charge you fees for any exchange.</p> <p>We do not expect to pay dividends in the foreseeable future. If, however, we declare dividends on our ordinary shares, the depositary will pay you the cash dividends and other distributions it receives on our ordinary shares after deducting its fees and expenses in accordance with the terms set forth in the deposit agreement.</p> <p>You may surrender your ADSs to the depositary in exchange for our ordinary shares. The depositary will charge you fees for any exchange.</p> <p>We may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs after an amendment to the deposit agreement, you agree to be bound by the deposit agreement as amended.</p> <p>To better understand the terms of the ADSs, you should carefully read the "Description of American Depositary Shares" section of this prospectus. You should also read the deposit agreement, which is filed as an exhibit to the registration statement that includes this prospectus.</p>
Best efforts	<p>The underwriter is selling our ADSs on a "best efforts" basis.</p> <p>We do not intend to close this offering unless we sell at least a minimum number of ADS, at the price per ADS set forth on the cover page of this prospectus, to result in sufficient proceeds to list our ADSs on the                      .</p> <p>We expect that delivery of the ADSs will be made to investors through the book-entry facilities of the Depositary Trust Company.</p>

Offering period	<p>The ADSs are being offered for a period not to exceed 90 days. If the minimum offering amount is not raised within 90 days from the date of this prospectus, all subscription funds from the escrow account will be returned to investors promptly without interest (since the funds are being held in a non-interest bearing account) or deduction of fees. The offering may close or terminate, as the case may be, on the earlier of (i) any time after the minimum offering amount of our ADSs is raised, or (ii) 90 days from the date of this prospectus. If we can successfully raise the minimum offering amount within the offering period, the proceeds from the offering will be released to us.</p>
Escrow account	<p>The proceeds from the sale of the ADSs in this offering will be payable to "Hexindai, Inc. Escrow Account" and will be deposited in a separate (limited to funds received on behalf of us) non-interest bearing bank account until the minimum offering amount is raised. No interest will be available for payment to either us or the investors (since the funds are being held in a non-interest bearing account). All subscription funds will be held in trust pending the raising of the minimum offering amount and no funds will be released to us until the completion of the offering. Release of the funds to us is based upon the Escrow Agent (defined below) reviewing the records of the depository institution holding the escrow to verify that the funds received have cleared the banking system prior to releasing the funds to us. All subscription information and subscription funds through checks or wire transfers should be delivered to the Escrow Agent. Failure to do so will result in subscription funds being returned to the investor. In event that the offering is terminated, all subscription funds from the escrow account will be returned to investors. We have appointed _____, an independent third party, as our escrow agent, or the Escrow Agent.</p>
Use of proceeds	<p>We expect that we will receive net proceeds of approximately US\$ _____ million from this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.</p> <p>As of the date of this prospectus, we cannot specify with certainty all of the particular uses for the net proceeds to us from this offering. Currently, we intend to use the net proceeds from this offering for marketing purposes to further build our brand, upgrade our risk management, anti-fraud and billing operations systems. We intend to use the remaining portion of the proceeds for general corporate purposes, including working capital, operating expenses and capital expenditures. Accordingly, our management will have discretion in the application of net proceeds to us from this offering, and investors will be relying on the judgment of our management regarding the use of these net proceeds.</p> <p>In the event that the initial public offering price per ADS is not finally determined to be US\$ _____, the amount of proceeds for each use set out above will be adjusted on a pro rata basis. See "Use of Proceeds" for more information.</p>
Depository	



### Summary Historical Financial Information of our Company

We were incorporated and commenced operations in March 2014. The following summary consolidated financial data for the two fiscal years ended March 31, 2015 and 2016 and as of March 31, 2015 and 2016, have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The following summary consolidated financial data for the six months ended September 30, 2015 and 2016 and as of September 30, 2016 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus and have been prepared on the same basis as our audited consolidated financial statements.

Our consolidated financial statements are prepared and presented in accordance with the generally accepted accounting principles in the United States of America, or U.S. GAAP. Our historical results are not necessarily indicative of results expected for future periods. You should read this Summary Consolidated Financial Data section together with our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

The following table presents our summary consolidated statements of income and comprehensive income (loss) for the two fiscal years ended March 31, 2015 and 2016 and the six months ended September 30, 2015 and 2016.

	For six months ended September 30,		For years ended March 31,	
	2015	2016	2015	2016
	(unaudited) (US\$)		(US\$)	
Statement of Income and Comprehensive Income (Loss):				
Net revenue	3,951,191	9,064,020	4,645,973	11,894,226
Loan facilitation, post-origination and other service, net	3,953,325	9,090,021	4,648,318	11,917,870
Business and sales related taxes	(2,134)	(26,001)	(2,345)	(23,644)
Operating expenses				
Sales and marketing expenses	1,634,537	1,853,748	2,605,042	3,840,143
Service and development expenses	854,306	2,381,367	1,605,636	2,358,867
General and administrative expenses	642,551	1,118,349	733,920	1,554,833
Total operating expense	3,131,394	5,353,464	4,944,598	7,753,843
Income (loss) from operations	819,797	3,710,556	(298,625)	4,140,383
Total other income (expense)	10,457	139,995	(7,704)	26,270
Income before income taxes	830,254	3,850,551	(306,329)	4,166,653
Provision for income taxes	125,676	1,102,012	43,842	628,246
Net income (loss)	704,578	2,748,539	(350,171)	3,538,407
Basic and diluted earnings (loss) per common share	6.7	26.1	(3.3)	33.6
Weighted average number of shares outstanding	105,200	105,200	105,200	105,200

The following table presents our summary consolidated balance sheet data as of March 31, 2015 and 2016 and September 30, 2016.

	As of September 30, 2016 (US\$) (unaudited)	As of March 31, 2015      2016 (US\$)	
<b>Balance sheet data</b>			
Total current assets	26,890,131	1,843,604	9,616,255
Total assets	28,163,267	7,391,838	22,388,695
Total current liabilities	11,899,559	4,041,450	8,380,935
Total liabilities	11,899,559	4,041,450	8,380,935
Total equity	16,263,708	3,350,388	14,007,760

The following table presents our summary operating data for the fiscal years ended March 31, 2015 and 2016 and the six months ended September 30, 2015 and 2016.

	For the years ended March 31, 2015      2016 (RMB'000, except percentages and numbers)		For the six months ended September 30, 2015      2016	
<b>Loan volume facilitated<sup>(1)</sup></b>				
Credit loan principal	38,729	640,120	106,920	848,168
Secured loan principal	2,043,315	2,335,945	1,317,500	784,274
Total	<b>2,082,044</b>	<b>2,976,065</b>	<b>1,424,420</b>	<b>1,632,442</b>
<b>Number of transactions facilitated<sup>(2)</sup></b>				
Credit loan transactions	751	10,292	2,099	11,321
Secured loan transactions	2,691	2,957	1,663	1,010
Total	<b>3,442</b>	<b>13,249</b>	<b>3,762</b>	<b>12,331</b>
<b>Average individual transaction amount</b>				
Credit loan transactions	52	62	51	75
Secured loan transactions	759	790	792	777
Overall average	605	225	379	132
<b>Gross billing amount (net of VAT)<sup>(3)</sup></b>				
Credit loan	1,827	45,733	4,978	62,848
Secured loan	41,876	37,446	22,119	10,037
Total	<b>43,704</b>	<b>83,180</b>	<b>27,097</b>	<b>72,885</b>
<b>Gross billing ratio (net of VAT)</b>				
Credit loan	4.70%	7.10%	4.66%	7.40%
Secured loan	2.00%	1.60%	1.68%	1.30%
Total	2.10%	2.80%	1.90%	4.50%
<b>Number of borrowers</b>				
Credit loan transactions	751	10,292	2,099	11,321
Secured loan transactions	885	828	559	353
Total	<b>1,636</b>	<b>11,120</b>	<b>2,658</b>	<b>11,674</b>
<b>Number of investors</b>				
	<b>17,483</b>	<b>31,783</b>	<b>18,141</b>	<b>31,250</b>

- (1) Loan volume is defined as the total principal amount of loans facilitated on our marketplace during the relevant period.
- (2) Number of loan transactions facilitated is defined as the total number of loans facilitated on our marketplace during the relevant period
- (3) Gross billings is defined as the total loan facilitation fees and loan management fees billed to borrowers before cash incentives, net of value added tax. It differs from the revenue recognized in the time of recognition.

## RISK FACTORS

*Investing in our ADSs involves a high degree of risk. You should carefully consider the following risks, as well as other information contained in this prospectus, before making an investment in our company. The risks discussed below could materially and adversely affect our business, prospects, financial condition, results of operations, cash flows, ability to pay dividends and the trading price of our ADSs. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, prospects, financial condition, results of operations, cash flows and ability to pay dividends, and you may lose all or part of your investment.*

### RISKS RELATED TO OUR BUSINESS AND INDUSTRY

***Our operating history is limited and the industry landscape is new and constantly evolving, which poses risks and challenges to our success.***

We launched our online marketplace in March 2014 and have a limited operating history. The Chinese consumer marketplace lending industry is new and constantly evolving. We operate in a competitive and uncertain environment with many risks, challenges, unforeseeable expenses, difficulties, delays and complications, including, among others, the PRC regulatory landscape. The general consumer finance marketplace industry in China may ultimately not support our business, especially if the PRC regulatory environment changes in ways that do not favor our development. As a new industry, there is limited public information about comparable companies available for potential investors to review in making a decision about whether to invest in our company.

Borrowers may not view marketplace lending obligations facilitated on our platform as having the same consequences of default as other credit obligations arising under more traditional loans provided by banks or other commercial financial institutions. Any default on borrowers' payment obligations may adversely affect investors' confidence in the loan products on our online marketplace, which may lead to less available loan capital and materially and adversely affect our business.

We are a growing business in the early stages of development, and our prospects of success should be considered in the context of these risks and uncertainties. For example, as we facilitate more new products and services on our marketplace, we may encounter unanticipated expenses, challenges and technical difficulties and they may result in material delays in the operation of our business. We may not be able to successfully address all such risks and uncertainties or execute our corporate strategies. If we fail to do so, such failure could materially harm our business, which would impair the value of our ADSs.

***We may not be able to maintain the fast growth rate we have experienced in recent years and may not be able to manage our growth effectively.***

Since 2015, both the volume of credit loans facilitated on our marketplace and the number of users, including borrowers and investors, have undergone rapid growth. However, we may not be able to maintain comparable growth, or grow at all, in any of these key performance metrics in the future. As we have a limited operating history and our business has rapidly grown and changed in recent years, our past financial performance may not be a sound basis on which to evaluate our business prospects and future financial performance.

We may be unable to rapidly scale our business and manage our growth as we continue to encounter the risks, uncertainties and challenges in the development of our business, including, among other things:

- navigating an opaque regulatory and competitive environment;
- attracting new and retaining repeat borrowers and investors that use our marketplace;



- increasing the volume of loans through our marketplace and the associated service fees that we receive;
- increasing our market share and introducing new loan and investment products and services;
- fostering a healthy traffic of consumer loan transactions by boosting and balancing demand and supply on our marketplace;
- developing and upgrading our credit assessment technology to enhance our risk management capabilities and increase the effectiveness and convenience of the system;
- maintaining and scaling our online marketplace and updating our mobile application system to enhance operational efficiency;
- enhancing the infrastructure for our technology to support growth of our business;
- optimizing use of human and technology resources;
- effectively maintaining and scaling our financial and risk management controls and procedures;
- managing and controlling the expenses incurred by a growing public company, including but not limited to legal, accounting and other compliance costs;
- constantly monitoring and upgrading the security of our systems and protecting the confidential information we have gathered;
- minimizing risks of litigation, regulatory and administrative proceedings, claims of intellectual property infringement, privacy infringement and other claims; and
- attracting, utilising and retaining qualified management members and employees.

Inability to successfully achieve any of these initiatives may cause material and adverse effects to our business and results of operations.

***If we are unable to maintain or increase the volume of loan transactions facilitated through our marketplace or if we are unable to attract new borrowers or investors, or retain existing borrowers or investors, our business and results of operations will be adversely affected.***

We have experienced rapid growth in the volume of loan transactions facilitated on our marketplace. To continue to grow our business, we must continue to increase the volume of loan transactions on our marketplace by retaining existing borrowers and attracting a large number of new borrowers who meet our qualifications and new and existing investors in investing in these loans.

Furthermore, we receive on a day-to-day basis a large amount of loan applications from online and offline sources, however a large amount of applications do not meet our minimum criteria. If there are insufficient qualified loan requests, investors may be unable to deploy their capital in a timely or efficient manner and may seek other investment opportunities. If there are insufficient investor commitments, borrowers may be unable to obtain capital through our marketplace and may turn to other sources for their borrowing needs and investors who wish to transfer their investments prior to maturity may not be able to do so in a timely manner.

The overall transaction volume may be affected by several factors, including our brand recognition and reputation, the interest rates offered to borrowers and investors relative to market rates, the effectiveness of our risk control, the repayment rate of borrowers on our marketplace, the efficiency of our platform, the macroeconomic environment and other factors. In connection with the introduction of new products or in response to general economic conditions, we may also impose more stringent borrower qualifications to ensure the quality of loans on our platform, which may negatively affect the growth of loan volume. If any of our current user acquisition channels becomes less effective, if we are unable to continue to use any of these channels or if we are not successful in using new channels, we may not be able to attract new borrowers and investors in a cost-effective manner or convert potential

borrowers and investors into active borrowers and investors, and may even lose our existing borrowers and investors to our competitors. If we are unable to attract qualified borrowers and sufficient investor commitments or if borrowers and investors do not continue to participate in our marketplace at the current rates, we might be unable to increase our loan transaction volume and revenues as we expect, and our business and results of operations may be adversely affected.

***We may not be able to attract sufficient loan capital from our investors to meet the demands of the borrowers on our marketplace.***

Our business involves the matching of borrowers and investors through our marketplace. The growth and success of our future operations depend on the availability of adequate lending capital to meet borrower demand for loans on our marketplace. In order to maintain the requisite level of funding for the loans facilitated on our marketplace to meet borrower demand, we may need to optimize the investor composition of our marketplace to include more investors generally and also a certain number of institutional investors, which usually invest larger amounts compared to individual investors. To the extent there is an insufficient number of investors willing to accept the risk of default posed by potential borrowers, our marketplace will be unable to fulfil all of the loan requests. If adequate funds are not available to meet borrowers' demand for loans when they arise, the volume of loans facilitated on our marketplace may be significantly impacted. To the extent that it is necessary to obtain additional lending capital from investors, such lending capital may not be available to our marketplace on acceptable terms or at all. If our marketplace is unable to provide potential borrowers with loans or fund the loans on a timely basis due to insufficient lending capital on our marketplace, we may experience a loss of market share or slower than expected growth, which would harm our business, financial condition and results of operations.

***Limited liquidity for the loans on our marketplace may adversely affect the appeal of our marketplace to investors.***

The loan products we facilitate on our marketplace are designed specifically for our marketplace. Transactions for our loan products are only permitted on our marketplace. In addition, the market for trading of pre-existing investment commitments among investors on our marketplace is limited. We allow investors to transfer their pre-existing investment commitments to other willing investors after certain terms and conditions are met. If investors cannot transfer their loans or exit with as much flexibility as they desire, they may lose interest in our online marketplace and may not invest as much on our platform, or at all.

***Our risk management system comprising our policy framework, credit assessment and fraud detection technology and protocols may not be adequate and may adversely affect the reliability of our marketplace, and in turn damage our reputation, business and results of operations.***

The success of our online marketplace relies heavily on our ability to detect, assess and control credit risk, and therefore to prevent fraud. We have stringent risk management protocols in place to effectively assess borrower applicants' credit risk to prevent fraud and minimize the risk of non-payment. From the point of receiving borrower applications we request for the borrower applicant's personal information supported by documentation, and we verify the information against public information and data provided by third-party suppliers. In order to prevent fraud and assess the creditworthiness of each borrower, we conduct physical interviews and enhanced due diligence, as needed, to verify the borrower applicant's information and his or her intent. Any suspicious borrower applications would be eliminated. Once sufficient information is gathered, our proprietary credit assessment technology consolidates and processes the information and produces a credit score and grade.

The information and data we use may not be sufficient to allow us to adequately capture a borrower applicant's credit risk. Such information and data include, among others, demographic

information, credit history with us and with other financial institutions, and employment information and blacklists maintained by other forums and organizations. We constantly update and optimize our risk management system but the system may have loopholes or defects which may prevent us from effectively identifying risks, or the data provided may be inaccurate or stale or insufficient, such that we may misjudge the risk and misalign the risk profile and loan price. The information may also not be sufficient for prediction of future non-payment. Such risks and errors may erode investor confidence in our marketplace and therefore harm our reputation and adversely affect our business and results of operations.

***If any of the primary information provided by borrowers and data obtained from third-party external sources we use for credit and risk assessment is inaccurate or fraudulently provided, our assessment may not sufficiently capture the credit risk of the loan.***

Borrowers supply a variety of information that is included in the listings of loans on our marketplace. We do not verify all the information we receive from borrowers, and such information may be inaccurate or incomplete. For example, we often do not verify a borrower's home ownership status or intended use of loan proceeds, and the borrower may use loan proceeds for other purposes with increased risk than as originally provided. Moreover, investors do not, and will not, have access to detailed financial information about borrowers. If investors invest in loans through our marketplace based on information supplied by borrowers that is inaccurate, misleading or incomplete, those investors may not receive their expected returns and our reputation may be harmed. Moreover, inaccurate, misleading or incomplete borrower information could also potentially subject us to liability as an intermediary under the PRC Contract Law. See "Regulations—Regulations Relating to Online Consumer Lending—Regulations on Loans between Individuals."

Due to the lack of a nationwide centralized credit reporting system in China, we have had to rely on our own data collection efforts to gather as much relevant credit information about a borrower applicant as possible. We collect third-party data from and cross-check information gathered against the People's Bank of China, or the PBOC credit reporting platforms, credit bureaus, data vendors, industry forums and big data analytics companies. If the data points from which our credit assessment system derives the credit score and grade are inaccurate, incomplete or outdated, as we do not have the means to verify the third party data we obtain, the outcome may not accurately reflect the credit risk of the borrower. This could adversely affect the effectiveness of our control over our default rates, which could in turn harm our reputation and materially and adversely affect our business, financial condition and results of operations.

***We do not prohibit our borrowers from incurring other debt or impose financial covenants on borrowers during the term of the loan, which will increase the risk of non-payment on our loans.***

Subsequent to our assessment, a borrower applicant may:

- become delinquent in payment obligations;
- default on a pre-existing debt obligation;
- commit to further indebtedness; and/or
- experience events bringing about adverse financial effects.

We do not prohibit our borrowers from incurring additional indebtedness, nor do we impose any financial covenants on the borrowers during the term of the loan. Further we have no means to independently determine whether a borrower applicant has outstanding loans on other consumer finance marketplaces. We are faced with the risk that borrowers borrow money from our platform to pay off loans on other consumer finance marketplaces, creating a snowball effect of debt. Any additional indebtedness may impair the borrower's ability to observe his or her payment obligations on the loan product we facilitated, and therefore adversely affect the relevant investor's returns. If a

borrower becomes insolvent or bankrupt or otherwise run into financial distress, any unsecured loan (including those obtained through our marketplace) will rank pari passu to each other and the borrower may cherry-pick among his or her creditors and our investor may suffer losses. For secured loans, the ability of other secured investors to exercise remedies against the assets of the borrower may impair the borrower's ability to repay the loan to our investor. Investors may lose their confidence in us and our reputation and business may be adversely affected.

***We may not be able to completely prevent fraudulent activity on our marketplace, which may have a material adverse effect on our brand, reputation, business and results of operations.***

Fraudulent activity on our online marketplace, including organized fraud schemes and impostor borrowers fraudulently inducing investors to lend capital, could lead to regulatory intervention, cause a material damage to our brand, reputation and market share, and require us to take extra anti-fraud measures. The occurrence of fraudulent activity will cause us to incur costs and divert management attention, affecting our business and results of operations. We believe our risk management system has stringent controls and checks in place to minimize the incidence of fraud on our marketplace. However we have limited resources and our technology and our risk management system may not be able to completely prevent and detect all potential fraudulent activities.

***If our systems are under malicious attack by sophisticated criminals including by way of hacking, cyber-attacks, infiltration of computer viruses, physical or e-sabotage, we may not be able to protect our business operations or the confidential information gathered on our databases.***

We are an attractive target for cyber-attacks in order for criminals to gain access to our confidential and valuable information collected from borrowers and investors. We and our third-party system security service providers take measures to prevent such attacks and protect our databases of confidential information, but these measures may be breached accidentally or maliciously by unauthorized access. If confidential information about our users and our offline cooperation partner were stolen and used for criminal purposes, we could be exposed to liability for loss of information and be subject to time-consuming and expensive litigation and negative publicity. In addition, the Administrative Measures for the Security of the International Network of Computer Information Network, effective on December 30, 1997 and amended on January 8, 2011, requires us to report any data or security breaches to the local offices of the PRC Ministry of Public Security within 24 hours of any such breach. The Cyber Security Law of the PRC (effective on June 1, 2017) requires that when we discover that our network products or services are subject to risks such as security defects or bugs, we shall take remedial measures immediately, including but not limited to, informing users of the specific risks and reporting such risks to the relevant competent departments. Any security breach, whether actual or perceived, would harm our reputation, and could cause us to lose borrowers, investors and our offline cooperation partner and adversely affect our business and results of operations. Our relationships with our users and our offline cooperation partner may be damaged, negatively affecting our business and credibility of our marketplace.

Technology employed by hackers constantly evolve, so that the security measures and our third-party system security service providers may not be able to fully anticipate attacks and implement necessary prevention measures or in time.

***We utilize highly technical and specific software and algorithms that require maintenance and constant updates, any undetected errors or bugs may adversely affect our credit assessment and risk management system, and thereby affecting our business.***

The software and algorithms we use for our credit assessment system, credit decision-making system, data storage security system, online marketplace platform and other internal systems are highly technical and complex. These algorithms and software are essential to our smooth operation and risk management framework. We and our third-party service providers constantly monitor, maintain and

update them. However, to the extent that such software and algorithms, now or in the future, contain undetected errors, bugs, design defects or are outdated, our borrowers and investors may experience problems on our marketplace, and we may have trouble running our systems and programs for our business and operations. We may be unable to launch our new products, services or upgrades, and our ability to protect borrower and investor confidential information as well as our own intellectual property may be compromised. Any such errors, bugs or system failures may harm our brand and reputation, cause loss to borrowers or investors, and expose us to liability for damages, adversely affecting our business and results of operations.

***Our new third-party insurance arrangements may not be sufficient to meet the overall default risk.***

From the inception of our business to January 2017, we maintained a risk reserve liability policy. We set aside 1% and 2% of the total loan amounts and the accrued interest of the credit loan and secured loan transactions, respectively, for the risk reserve liability. If a borrower defaulted on a loan payment, we withdrew funds from the custody account of the risk reserve account to repay the affected investors the principal and accrued interest for the defaulted loans.

On January 21, 2017, we entered into a framework agreement with Changan Insurance, a reputable third-party insurance provider to provide insurance to investors covering the risk of borrowers' non-payment, effective February 1, 2017. We terminated the risk reserve liability policy and no longer set aside a sum to meet the contingent pay-outs. However, the new insurance arrangement may not be sufficient to cover the losses of affected investors. If the insurance provider decides an investor is not entitled to compensation, the investor may demand that we compensate him or her for the loss. In addition, as a result of our shift in focus from secured loans to credit loans, investors may be exposed to a higher risk of borrowers' default due to the unsecured nature of these loans, which in turn may increase the incidence of investors' claims against us. Our relationship with investors and our reputation may be adversely affected.

We rely on Changan Insurance to provide insurance coverage to investors over the default risk of non-paying borrowers. If Changan Insurance decides to terminate our insurance arrangements or decides not to renew such arrangements after the expiry of our framework agreement, our operations and reputation may be adversely affected.

***If there is an increasing incidence of non-payment and the loans in default exceed the insured amount or the amount Changan Insurance is willing to compensate, affected investors may not be able to recover part or all of their investments and this may adversely affect our reputation.***

Investors receive their principal and interest payments as and when borrowers observe their scheduled payment obligations, or in the case of a borrower's default during the period from March 2014 to January 2017, from the risk reserve liability fund. After we transitioned to the third-party insurance arrangement, in the event of borrower default, investors receive their principal and interest payments from Changan Insurance.

Under the risk reserve liability policy, we set aside 1% and 2% of the principal amount and accrued interest of credit loans and secured loans, respectively, to meet the risk reserve liability. Under the third-party insurance arrangement, the same amount of 1% of the principal amount and accrued interest of credit loans is set aside as premium for the insurance policy provided by Changan Insurance. During the transition from our risk reserve liability policy to our insurance arrangement, Changan Insurance took custody of the balance of the risk reserve and assumed the outstanding loan balances covered under the previous risk reserve liability policy. If Changan Insurance is unwilling to compensate the investor or cannot offset the defaulting borrower's payment obligations and, as a result, an investor suffers loss, he or she may lose confidence in our online marketplace. As a result, our reputation may be harmed and we may not be able to attract and retain investors to participate in our marketplace.

***If the loan and investment products and services in our present portfolio and future pipeline are insufficiently attractive to our customers, become obsolete or they fail to satisfy the demands of borrowers or investors, our business and results of operations will be materially affected.***

We intend to expand our product offering to borrowers to cater to their different financing needs. We also intend to expand our investor service offerings to meet the different needs of investors and offer different risk-based returns, such as collection of different credit rights, portfolio investments(also known as "Wallet") for credit loans, secured loans or a mix of credit and secured loans. We also plan to enhance the capabilities of our online marketplace platform to incorporate new features and streamline the user experience.

Loan and investment products and services require significant expense and resources to develop, acquire, and market. They also may not receive sufficient market acceptance for a variety of reasons:

- our estimate of market demand may not be accurate so that we may not be able to launch products and services to align with and meet specific market demands or there may not be sufficient market demand for the loan products and services;
- changes on our marketplace, including the introduction of new platform services and mobile application functions, may not be favorable to existing users;
- defects, errors or failures on our marketplace;
- any negative publicity or news about our loan or investment products on our marketplace;
- delays in launching the new loan or investment products or services; and
- competing loan or investment products and services by our competitors.

If the products in our present portfolio and future pipeline do not attain sufficient market acceptance, become obsolete or otherwise fail to satisfy the demands of borrowers and investors, we may be unable to compete in the intense consumer finance industry and our target market. Our market share may decline and negatively affect our business and results of operations.

***If the total addressable market for loans we facilitate on our marketplace is in reality smaller than our estimate, our revenues may be adversely affected and our business may suffer.***

A variety of factors affect our estimate of the total addressable market, including among others, market demand, the PRC regulatory environment, competition, general economic and socio-political conditions and the short history of China's consumer finance industry. We believe our total addressable market consists primarily of the emerging middle class seeking medium-sized loans of RMB20,000 to RMB140,000. According to Oliver Wyman, the "emerging middle class" comprises largely of the "lower mass population" in China, the population segment with accumulated disposable assets of RMB60,000 to RMB100,000. These people are typically in the average age range of between 31 to 45 years old, with an average monthly income of RMB3,000 to RMB7,000. We consider the emerging middle class to have generally more stable financial status and more sound financial knowledge, and therefore more reliable in loan repayment. According to Oliver Wyman, the "lower mass" population is the primary driver of the private consumption market for premium goods and services, and is projected to grow quickly in size. The medium-sized credit loan consumer lending market is estimated to grow at a CAGR of 78% from RMB103 billion in 2015 to RMB1,836 billion in 2020. However, if the actual demand is in reality smaller than our estimate, our operational strategies may not be sufficiently effective such that our revenues, business and results of operation may be negatively affected.

***We may incur net loss due to an increase in operating expenses.***

We incurred net loss in the amount of US\$350,171 in the fiscal year ended March 31, 2015, primarily due to our high operating costs and expenses, such as increased sales and marketing expenses

associated with our marketing efforts to enhance our brand recognition and therefore acquire more users.

As we continue to grow and expand our business, our operating expenses may increase further. Our strategies include, among others, attracting new and potential borrowers and investors, maintaining our relationships with our offline cooperation partner, upgrading and developing our technologies, enhancing our risk management system and launching new loan products and services on our marketplace, each or all of which may incur more expenses than we anticipate. Our growth in revenue may be insufficient to offset these expenses and therefore result in net losses. We may be unable to achieve or maintain profitability in the foreseeable future.

***Interest rates may increase and negatively affect our transaction volume.***

If interest rates increase, investors and borrowers may be deterred from investing and borrowing from our online marketplace. The transaction volume facilitated on our marketplace may decline, which may negatively affect our business and results of operations. Therefore, our business could be adversely affected by potential interest rate increases in China.

***We may be unable to promote and maintain our brand and reputation effectively and in a cost-efficient manner, which will adversely affect our business and operations.***

Our brand and reputation are integral to our online acquisition of borrowers and investors, and we intend to invest in marketing and brand promoting efforts, especially in connection with the growth of our multi-channel marketplace and introduction of new loan products and investment products. The success of our marketing efforts and user experience on our marketplace are integral to our ability to attract new and retain repeat borrowers and investors. Our marketing channels include traditional media such as pamphlets, telephone marketing, direct sales and marketing campaigns, as well as utilizing online media, H5, social media applications and tools such as Wechat and Weibo, search engine optimization and search engine marketing. If our current marketing efforts and channels are less effective or inaccessible to us, or if the cost of such channels significantly increases or we cannot penetrate the market with new channels, we may not be able to promote and maintain our brand and reputation to maintain or grow the existing borrower and investor base. If we are unable to promote and maintain our brand and reputation in a cost-efficient manner, our market share could diminish or we could experience a lower growth rate than we anticipated, which would harm our business, financial condition and results of operations.

***If we cannot continue to maintain relationships with third-party service providers, in particular third-party payment agents, our business may suffer.***

Third parties supply us with external data including credit histories, government data, social media data and blacklists, as well as big data analyses. Furthermore, third-party service providers maintain our security systems, ensuring confidentiality of data and prevention of malicious attacks. In addition, we rely on third parties for secure fund management and online payment and settlement.

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

We rely on Jiangxi Bank and may in the future, cooperate and rely on other third-party payment agents to manage the investor funds, originate and service loans, collect service fees and ensure compliance with the relevant PRC laws and regulations that may involve our business. Third-party payment agents in China, are subject to oversight by the PBOC and must comply with complex rules and regulations, licensing and examination requirements, including, but not limited to, minimum registered capital, maintenance of payment business licenses, anti-money laundering regulations and management personnel requirements. Some third-party payment agents have been required by the PBOC to suspend their credit card pre-authorization and payment services in certain areas of China. If our third-party payment agents were to suspend, limit or cease their operations, or if our relationships with our third-party payment agents deteriorates or they were to otherwise terminate, we would need to arrange substantially similar arrangements with other third-party payment agents. Negative publicity about our or other third-party payment agents or the industry in general may also adversely affect investors' or borrowers' confidence and trust in the use of third-party payment agents to carry out the payment and custodian functions in connection with the origination of loans on our marketplace. If any of these were to happen, the operation of our platform could be materially impaired and our results of operations would suffer.

***Misconduct and errors by our employees and our third-party service providers could cause a material adverse effect on our business and reputation.***

Our employees and third-party service providers are integral to our business operations, as they handle and process a large number of increasingly complex and differentiated loan transactions which include confidential information. If any such information were leaked to unintended recipients due to human error, theft, malicious sabotage or fraudulent manipulation, we may be subject to liability for loss of such information. Further, if any of our employees or third-party service providers absconded with our proprietary data or know-how in order to compete with us, our competitive position may be materially and adversely affected.

Any misappropriation fraudulent misuse of funds by any of our employees or third-party service providers in contravention of our protocols and policies may lead to regulatory and disciplinary proceedings involving us. We may be perceived to have facilitated or participated in the misappropriation or fraudulent misuse of funds and we could be subject to liability, damages, penalties and suffer reputational damage. It is impossible to completely identify and eradicate all risks of misconduct or human errors, and our precautionary measures may not be able to effectively detect and prevent such risks from happening.

Occurrence of any of the above risks could result in a material adverse effect on our business and results of operations, as we are exposed to potential liability to borrowers and investors, reputational damage, regulatory intervention, financial harm. Our ability to attract new and retain existing borrowers and investors and operate our online marketplace as an ongoing concern may be impaired.

***If our brand reputation is harmed in any way, including any negative publicity about us, our offline cooperation partner, third-party providers and the overall industry, in particular in relation to any misconduct, errors and system failure, our business and operating results may be materially and adversely affected.***

We are exposed to the risk of negativity publicity about us, our offline cooperation partner, third-party providers and the overall consumer finance marketplace industry in China. Negative press about the quality of loans and services, effectiveness, reliability and credibility of our marketplace, our proprietary credit assessment system, our ability to manage and resolve borrower and investor complaints, privacy and security measures and practices, litigation, regulatory landscape and the user experience on our marketplace, even if inaccurate, may lead to an adverse impact on our reputation and the use of our marketplace, which would harm our business and operating results. The PRC government has recently instituted general regulations and specific rules, including the Guidelines and



Interim Measures, to develop a more transparent regulatory environment for the consumer finance marketplace industry. See "Regulation—Regulations Relating to Online Consumer Lending." Many companies in China's consumer finance marketplace industry have not been fully compliant with these regulations, which has adversely impacted the reputation of China's consumer finance marketplace industry as a whole. In addition, particularly in the last year, there have been an increasing number of business failures of, or accusations of fraud and unfair dealing against, companies in the consumer finance marketplace industry in China. If borrowers and investors associate our Company with these failed companies, our reputation may be similarly harmed and investor and borrower confidence on our marketplace may be adversely affected. Misconduct by our employees, our offline cooperation partner, failures by us, our offline cooperation partner or our third-party service providers to meet expected standards and inability to completely protect borrower and investor confidential information and compliance failures and claims may also cause harm to our reputation and brand. Negative publicity about our offline cooperation partner can also affect our business and results of operations in a material manner if we rely on them or if borrowers and investors associate our Company with them.

***Our borrowers acquired from offline referrals may sue us based on representations made by our offline cooperation partner or third parties, which may result in costly claims and disrupt our business.***

Some borrowers and investors may be attracted to our marketplace after reviewing information provided by our offline cooperation partner or third parties. We do not review or approve any information provided by our offline cooperation partner's and third parties' and, while we do not believe we would have liability for such information, it is possible that an unsatisfied borrower or investor could bring claims against us based on any inaccurate information or representations made by our offline cooperation partner or other third parties. Such claims could be costly and time-consuming to defend and would distract management's attention and create negative publicity, which could adversely affect our reputation and business operations.

***Quarterly results can vary significantly due to a host of variables and may not accurately reflect the underlying performance of our business.***

Our quarterly results of operations, including operating revenue, expenses, the number of loans and other key performance indicators, may fluctuate significantly such that comparisons of our operating results period-on-period may not be meaningful. Results of any quarter cannot accurately indicate future performance. Fluctuations may be due to any number of variables, including some beyond our control, such as:

- our ability to grow our users base by attracting new and retaining repeat borrowers and investors;
- the volume, quality, mix of loans and the acquisition of borrowers and investors;
- the level of operating expenses in the acquisition of borrowers and investors, the growth and maintenance of our business, operations and infrastructure and the timing;
- disruptions to the telecommunications network or security breaches;
- general macro economic and socio-political factors affecting the market and industry, particularly with respect to interest rates, consumer spending and levels of disposable income;
- seasonality of our loan products, which are generally higher in the third and fourth quarters due to national holidays and consumer spending patterns;
- our strategy with a focus on long-term growth instead of immediate profitability; and
- The incurring of expenses related to acquisitions activities of businesses or technologies and potential future charges for impairment of goodwill, if any.

Fluctuations in our quarterly results may affect the price of our ADSs in an adverse manner.

***Our use of investor cash incentives may result in substantial reductions in our revenues.***

We provide investors with certain cash incentives to encourage greater participation in the loan products we facilitate on our online marketplace. We provide cash incentives to new investors under our referral incentive program, as well as promotional cash incentives to existing investors from time to time. Upon the satisfaction of the terms and conditions under our referral incentive program or promotional incentive programs, investors can redeem their cash incentives for credit to be used on our online marketplace. We have experienced rapid growth in the number of investors, repeat investment and high transaction volume, partly attributable to our investor cash incentive program. The investor cash incentive program was intended to be a marketing tool to attract investors to commit to loan products, help us penetrate into the consumer lending business in our target market of medium-sized loans and increase the number of loan product transactions so as to allow us to benefit from increased transaction and service fees. However such cash incentives are accounted for as reduction of revenue, and are paid to the investor once the investment is paid before we are able to recoup the costs associated with these investor cash incentives. Our revenues may be reduced in periods where we have to issue an increasing amount of investor cash incentives, which may result in us incurring net losses and preventing us from achieving or maintaining profitability on a quarterly or annual basis. For a further description of our investor cash incentives, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies, Judgments and Estimates—Cash Incentives Reward Program".

***If we do not find available sources of liquidity for capital and financing needs, our business and operations may be materially and adversely affected.***

We may experience unexpected changes in business conditions, creating additional capital and financing needs. We believe that our current cash and cash equivalents, anticipated cash flows from operating activities and the proceeds from this offering will be sufficient to meet our anticipated working capital requirements and capital expenditures in the ordinary course of business for at least 12 months following this offering. However, we may need additional sources of liquidity if we find and wish to pursue opportunities for investment, acquisition, capital expenditure or otherwise. If our available cash and cash equivalents on hand are insufficient to cover our expected cash requirements, we may seek to issue equity or debt securities or obtain credit facilities. The issuance and sale of additional equity would result in dilution to our shareholders. We cannot guarantee that financing will be available to us under terms acceptable to us, or at all.

The incurrence of indebtedness would result in increased fixed obligations and could result in covenants restricting our operations. It could further lead to a number of risks that could adversely affect our operations or financial conditions:

- default and foreclosure on our assets if our operating revenue is insufficient to repay debt obligations;
- acceleration of obligations to repay the indebtedness (or other outstanding indebtedness), even if we make all principal and interest payments when due, if we breach any covenants that require the maintenance of certain financial ratios or reserves without a waiver or renegotiation of that covenant;
- our inability to obtain necessary additional financing if the debt security contains covenants restricting our ability to obtain such financing while the debt security is outstanding;

- diverting a substantial portion of cash flow to pay principal and interest on such debt, which would reduce the funds available for expenses, capital expenditures, acquisitions and other general corporate purposes; and
- creating potential limitations on our flexibility in planning for and reacting to changes in our business and in the industry in which we operate.

***If our internal controls over financial reporting are insufficient or ineffective, we may not be able to accurately report our financial results or prevent fraud.***

Before this offering, we were a private company of limited resources and a small accounting department. Our internal controls and procedures, especially over financial reporting, may not be able to sufficiently identify any material weaknesses and control deficiencies that could lead to inaccuracies in our financial statements. Our ability to comply with applicable financial reporting requirements and regulatory filings in a timely manner may be impaired. Our independent registered public accounting firm has not conducted an attestation of our internal control over financial reporting. However, in connection with the audits of our consolidated financial statements as of and for the two fiscal years ended December 31, 2015 and 2016, we and our independent registered public accounting firm identified three "material weaknesses," and other control deficiencies including significant deficiencies in our internal control over financial reporting. As defined in the standards established by the Public Company Accounting Oversight Board of the United States, or PCAOB, a "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses identified related to (i) a lack of accounting staff and resources with appropriate knowledge of U.S. GAAP and SEC reporting and compliance requirements; (ii) a lack of sufficient documented financial closing policies and procedures; and (iii) a lack of independent directors and an audit committee. Subsequent testing by us or our independent registered public accounting firm may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses.

Upon completion of this offering, we will become a public company in the United States subject to the Sarbanes-Oxley Act of 2002. Section 404 of this Act will require that we include a report of management on our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ending March 31, 2018. However, as an "emerging growth company" as defined in the JOBS Act, we may choose to not comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act as to the effectiveness of our internal controls over financial reporting until such time that we cease to be an "emerging growth company," although we will still be required to implement and maintain internal control over financial reporting and include the management assessment in our annual reports under Section 404. To comply with Section 404, we may incur substantial costs, expend significant management time on compliance-related issues and hire additional accounting, financial and internal audit staff with appropriate public company experience and technical accounting knowledge. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner or if we or our independent registered public accounting firm identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, we could be subject to sanctions or investigations by the Securities and Exchange Commission (SEC) or other regulatory authorities, which would require additional financial and management resources. Any failure to maintain effective disclosure controls and procedures or internal control over financial reporting could have a material adverse effect on our business and operating results, and cause a decline in the price of our ADSs.

**Broader macro, political and socio-economic factors affecting market conditions can materially and adversely affect our business and operating results.**

General economic, macro, political and socio-economic factors beyond our control may deter borrowers' interest in seeking loans through our platform, and similarly, investors' desire to lend. Such factors include the general interest rate ecosystem, unemployment rates, residential home values and availability of other investment opportunities. If any of these risk factors should materialise, the volume of loans facilitated on our marketplace will necessarily decline and our revenues and operating results may be adversely affected.

We cannot guarantee that economic conditions will remain favorable for our business or industry and that demand and supply for consumer loans such as those we primarily facilitate over our marketplace will continue to be met at current levels. If demand or supply reduces, or if the default rate increases, our growth and revenue will be negatively impacted.

**If the Internet infrastructure or telecommunications network is affected by any disruptions including natural and man-made disasters such as fires, power outages, floods, strikes, terrorism and other catastrophic events causing disruptions, our online marketplace will be adversely affected.**

We heavily rely on the Internet infrastructure and telecommunications network in China for our operations and the smooth running of our online marketplace. A significant event or disaster, natural or man-made, including among others, fires, power outages, floods, strikes, terrorist attacks, coups d'etat or other catastrophic events or problems, may adversely affect our servers, data centers, the offline branches of Hexin Group and our offices. Our business may be disrupted and we may lose critical data or experience interruptions, delays and compromising of our business operations and services. Our third party data suppliers and service providers, including in particular our third-party payment agent, may also be similarly affected and may not be able to provide our users and us with the support needed. In particular, if our disaster recovery plans prove to be ineffective or inadequate, the aforementioned risks will be further worsened. We do not currently serve network traffic equally from each data center. If our primary data center shuts down, there will be a period of time that our loan products or services, or certain of our loan products or services, will remain inaccessible to the borrowers and investors on our marketplace, such borrowers and investors may experience severe issues accessing the loan products and services.

Our operations, customer service, reputation and ability to attract new and retain borrowers and investors depend on the reliable and satisfactory performance of our technology and network infrastructure. Much of our system hardware is hosted in facilities located in Beijing that are partially owned by us and operated by our third-party vendors. If these third party vendors fail to protect their and our systems in their facilities from any of the aforementioned disruptions and there is a lapse of service or damage to our system hardware, we may experience interruptions in our service and may have to incur extra costs for replacement of facilities.

Our relationships with borrowers and investors may be harmed if there is any interruption or delay in our service, whether caused by errors or natural or man-made disasters and problems. Our insurance policies may not be sufficient to adequately compensate us for the losses we sustained. We do not currently maintain business interruption insurance to compensate us for potentially significant losses, including potential harm to our business that may result from interruptions in our ability to facilitate the loan products and services. Since we have had limited operating history, our disaster recovery plan has not yet been tested in real-life circumstances, and we may not be able to fully recover all data and services lost and affected in the event of any natural or man-made disasters or events. Our business and operations may be negatively affected, as we are prevented from processing or posting payments on loans, servicing users in a timely manner and generally running our platforms and operating our online marketplace as usual. We may be subject to losses and liability and disappoint borrowers and investors

who may be then deterred from using our online marketplace, causing a material adverse effect on our business, financial conditions and results of operations.

***We are reliant on our core senior management team. If one or more key executives were unable or unwilling to continue in their present positions, our business and results of operations may be adversely affected.***

Our business, corporate strategies and future performance depends on our core senior management team comprising our directors, executive officers and other key personnel. In particular, Mr. Xiaobo An, our founder, chairman and executive director, is critical to our management, business operations and overall corporate strategies. If we fail to attract and retain Mr. Xiaobo An or any of our key personnel, or if they are unable or unwilling to continue in their present position due to any reason, we will have to go through a difficult process of replacement. The replacement process will necessarily involve significant time and expenses and may adversely affect our business and results of operations and our business objectives may not be achieved at the pace we expected, or at all.

***We may be unable to protect our proprietary intellectual property rights from unauthorized use, such that our brand, reputation and business may be negatively impacted.***

Our protection of our intellectual property is crucial to our success and future growth, as we rely on a combination of copyrights, trade secrets, trademarks and other rights to protect our know-how, proprietary technology, processes and other intellectual property. The protective measures we take may not be sufficient to prevent theft and unauthorized use. We may have to bring lengthy and costly litigation and take time-consuming measures in order to protect our intellectual property rights, diverting our management's attention from our business operation. Our brand, reputation and business may be negatively impacted by such measures and risks.

Some of our trademark registrations and proprietary software licenses will expire in February 2026 and December 2024, respectively. If we fail to renew these licenses when they expire, third parties may infringe upon our rights and affect our brand and reputation.

***Third parties may engage us in lengthy and expensive litigation over alleged infringement of their intellectual property rights, which may disrupt and affect our business.***

In our intensely competitive industry, we may be challenged by third parties, including competitors as well as other entities or individuals, for ownership of our intellectual property rights or infringement of their intellectual property rights. We may not be fully aware of other parties' intellectual property rights involved in our systems, applications and technology. We may have to incur significant time and costs in dealing with any claims or litigation, and if they are successful, we may be subject to substantial damages, royalty payments, restrictions from conducting our business and other stringent requirements unfavorable to our business and operations. We may also be required to indemnify other parties or pay settlement costs, and to obtain licenses, modify applications or refund fees, each of which may be expensive and time consuming. Such processes may create a distraction for our management which could affect our business operations.

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

Competition for our employees including systems engineers, financial officers and marketing professionals is intense. Our business and success relies on the efforts and standard of work of our employees. If we are unable to attract, motivate and retain skilled and trained employees, or if we are unable to continue to provide attractive compensation packages, our business and operations may be adversely affected and our intended levels and rates of growth may be impended.

We invest significant time and expense in the training and development of our employees. Failure to retain our existing employees will incur further significant costs to find suitable replacements and a duplication of effort for their training, which may affect our operations and our quality of service to borrowers and investors may be compromised, resulting in a material adverse effect on our business and results of operations.

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

In recent years, the Chinese economy has experienced inflationary and labor costs increases. Average wages are projected to continue to increase. Further, under PRC law we are required 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. The relevant government agencies may examine whether an employer has made adequate payments to the statutory employee benefits, and those employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. We expect that our labor costs, including wages and employee benefits, will continue to increase. If we are unable to control our labor costs or pass such increased labor costs on to our users by increasing the fees of our services, our financial condition and results of operations may be adversely affected.

***Our innovative corporate culture is important to our business, if our culture changes our business and corporate objectives may be adversely affected.***

Our corporate culture fosters innovation, a collegiate environment of team effort and encourages creativity, which is important to our business and development of our product pipeline and service upgrades. If we fail to maintain these valuable aspects of our culture during the course of our adaptation into a public company and building the relevant infrastructure, our future success and strategic goals may be affected. Furthermore we may be unable to retain and attract talent, leading to a negative impact on our business and corporate objectives.

***We do not have business insurance coverage.***

Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies in more developed economies. Currently, we do not have any business liability or disruption insurance to cover our operations. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Any uninsured business disruptions may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our results of operations and financial condition.

***Certain data and information in this prospectus was obtained from external third parties and we have not independently identified them.***

In this prospectus we have utilized data and information from external sources including various third parties comprising government sources and private entities such as industry consultant Oliver Wyman. Such external sources of statistical data include projections based on numerous assumptions. The consumer loans industry, especially the private consumption upgrade segment, and the overall credit industry, may not grow at the projected rate provided by these external sources, or at all. The performance of the overall industry and segment affects our business and market price of our ADSs, especially if they fail to grow at the projected rate. Further, the new and constantly evolving environment of the industry and market results in significant uncertainties, and the projections or estimates about the growth of the market in which we operate in should be considered in this context.

If any of the assumptions underlying the market data prove to be incorrect, discrepancies between the projections and actual results may emerge.

We have not independently verified data and information obtained from third party external sources, and the method of collection and methodologies employed by such third parties may differ from ours. In addition, these industry reports and publications generally include a disclaimer that the information therein is believed to be reliable but which accuracy and completeness cannot be guaranteed.

## RISKS RELATED TO OUR RELATIONSHIP WITH HEXIN GROUP AND OUR CORPORATE STRUCTURE

***If Hexin Group's business, results of operations or brand is adversely affected, we may not be able to source new offline borrowers and our business, results of operations and brand will in turn be negatively affected.***

We have been acquiring borrowers offline through referrals from our offline cooperation partner, Hexin Group, in accordance with certain contractual arrangements. For a description of our relationships with our offline cooperation partner, please see "Corporate History and Structure—Our Relationship with Hexin Group". Since the inception of our business, our offline borrowers were mainly referred by Hexin Group. We benefit and expect to continue to benefit greatly from our association with Hexin Group in relation to the offline referral of borrowers, the marketing efforts of the sales teams and contribution of the risk control personnel at the physical branches of Hexin Group. If the number of borrowers referred by Hexin Group decreases or if the quality of borrowers referred declines, or if our relationship with Hexin Group deteriorates or breaks down, or if we can no longer acquire borrowers from Hexin Group due to regulatory restrictions or any other reasons, our business and results of operations will be materially and adversely affected. Although we intend to grow our online acquisition channels, we may not be able to find suitable and feasible replacements for Hexin Group as a steady source of offline referrals for the time being to maintain our source of borrowers, or at all.

Before Hexin E-Commerce was fully operational, in order to achieve a more efficient use of funds, Hexin Group and we implemented centralized treasury management. As a result, from its incorporation up to September 30, 2016, Hexin E-Commerce's cash flows including certain revenues and expenses were managed through the bank accounts of Hexin Group. On January 12, 2017, Hexin E-Commerce has separated its treasury management function from the Hexin Group. The net balance of funds, totaling approximately RMB62.2 million (US\$9.0 million), which was the amount due to Hexin E-Commerce as of September 30, 2016, shall be paid to us in instalments under a collection plan before September 30, 2017. If Hexin Group does not make the repayment of the balance to us on time or at all, our working capital and cash flow may be adversely affected.

Hexin Group also contributes to the promotion of our common brand "Hexin" and our online marketplace. If the brand and reputation of Hexin Group are damaged or harmed, our brand and reputation will similarly be materially and adversely affected. The competitive position and market share of Hexin Group by association also directly affects our competitive position and market share. If Hexin Group loses its competitive position, our marketing efforts and business operations could be materially and adversely affected. In addition, any negative publicity associated with Hexin Group or the "Hexin" brand or any negative development in relation to Hexin Group's market position, financial condition and regulatory and legal compliance could harm our brand, reputation and therefore adversely affect our business and results of operations.

***Our founder, chairman and executive director, Mr. Xiaobo An, a controlling shareholder of Hexin Group, exerts strong influence over the board and Company affairs and strategy.***

Our founder, chairman and executive director, Mr. Xiaobo An, exerts strong influence on our board of directors and management. He plays an integral role in Company decisions and formulating our corporate strategies. Mr. Xiaobo An is a director and controlling shareholder of both Hexin Information and Hexin Financial Information and therefore also controls the decision making of our offline cooperation partner to a large extent. After this offering, Mr. Xiaobo An will continue to have considerable influence over our corporate affairs, including matters that require shareholder approval, including among others, the election of directors, approving statutory mergers, and amending our constitutional documents. This concentration in control will limit your ability to influence corporate matters and may discourage potential merger, takeover or other change of control transactions, which could have the effect of depriving holders of our shares and ADSs of the opportunity to sell their shares at a premium over the prevailing market price.

***If the PRC government decides that our contractual arrangements under the variable interest entity structure do not comply with PRC regulations, or if the regulatory environment changes, we may have to change our business model and/or be subject to penalties.***

Foreign ownership of Internet-based businesses, such as distribution of online information, is subject to restrictions under current PRC laws and regulations. For example, foreign investors are not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider (except e-commerce) and any such foreign investor must have experience in providing value-added telecommunications services overseas and maintain a good track record in accordance with the Guidance Catalog of Industries for Foreign Investment promulgated in 2007, as amended in 2011 and in 2015, respectively, and other applicable laws and regulations.

We are a Cayman Islands company and our PRC subsidiary is considered a foreign invested enterprise. To comply with PRC laws and regulations, we conduct our operations in China through a series of contractual arrangements entered into among Hexin Yongheng, Hexin E-Commerce and the shareholders of Hexin E-Commerce. As a result of these contractual arrangements, we exert control over Hexin E-Commerce and consolidate its operating results in our financial statements under U.S. GAAP. For a detailed description of these contractual arrangements, see "Corporate History and Structure."

In the opinion of our PRC counsel, Han Kun Law Offices, our current ownership structure, the ownership structure of our PRC subsidiary and our consolidated variable interest entity, and the contractual arrangements among Hexin Yongheng, Hexin E-Commerce and the shareholders of Hexin E-Commerce are not in violation of existing PRC laws, rules and regulations; and these contractual arrangements are valid, binding and enforceable in accordance with their terms and applicable PRC laws and regulations currently in effect. However, Han Kun Law Offices has also advised us that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations and there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of our PRC counsel.

It is uncertain whether any new PRC laws, rules or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. In particular, in January 2015, the Ministry of Commerce, or MOC, published a discussion draft of the proposed Foreign Investment Law for public review and comments. Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of "actual control" in determining whether a company is considered a foreign-invested enterprise, or an FIE. Under the draft Foreign Investment Law, variable interest entities would also be deemed as FIEs, if they are ultimately "controlled" by foreign investors, and be subject to restrictions on foreign investments. However, the draft law has not



taken a position on what actions will be taken with respect to the existing companies with the "variable interest entity" structure, whether or not these companies are controlled by Chinese parties. It is uncertain when the draft would be signed into law and whether the final version would have any substantial changes from the draft. See "Regulation—Regulations Relating to Foreign Investment—The Draft PRC Foreign Investment Law" and "—Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations." If the ownership structure, contractual arrangements and business of our company, our PRC subsidiary or our consolidated variable interest entity are found to be in violation of any existing or future PRC laws or regulations, or we fail to obtain or maintain any of the required permits or approvals, the relevant governmental authorities would have broad discretion in dealing with such violation, including levying fines, confiscating our income or the income of our PRC subsidiary or consolidated variable interest entity, revoking the business licenses or operating licenses of our PRC subsidiary or consolidated variable interest entity, shutting down our servers or blocking our online platform, discontinuing or placing restrictions or onerous conditions on our operations, requiring us to undergo a costly and disruptive restructuring, restricting or prohibiting our use of proceeds from this offering to finance our business and operations in China, and taking other regulatory or enforcement actions that could be harmful to our business. Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would in turn materially and adversely affect our business, financial condition and results of operations. If any of these occurrences results in our inability to direct the activities of our consolidated variable interest entity, and/or our failure to receive economic benefits from our consolidated variable interest entity, we may not be able to consolidate its results into our consolidated financial statements in accordance with U.S. GAAP.

***Our contractual arrangements with our variable interest entity may not be as effective as direct ownership and operational management.***

We rely and expect to continue to rely on contractual arrangements with Hexin E-Commerce to operate the website of [www.hexindai.com](http://www.hexindai.com). For a description of these contractual arrangements, please see "Corporate History and Structure". These contractual arrangements may not be as effective as direct ownership in giving us full operational management and control over our consolidated variable interest entity. We cannot prevent Hexin E-Commerce or its shareholders from breaching the contractual arrangements and failing to conduct its business operations properly, such as failing to maintain the website and online marketplace in a proper and timely manner, or misusing the domain names and trademarks or otherwise taking actions detrimental to our interests.

If we directly owned Hexin E-Commerce, we could elect directors to the board and implement changes at the management and operational levels. Currently we only have contractual rights in relation to the performance and financial benefits of Hexin E-Commerce's operations. Shareholders of our variable interest entity may not always act in our best interests. Such risks exist throughout the period in which we intend to operate our business through the contractual arrangements with our consolidated variable interest entity. Although we have the right to replace any shareholder of our consolidated variable interest entity under the contractual arrangement, if any shareholder of our consolidated variable interest entity 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 and therefore will be subject to uncertainties in the PRC legal system. See "—Our business relies on the contractual arrangements with the variable interest entity and the cooperation arrangements between the variable interest entity and Hexin Group, if any of these entities or their shareholders fail to perform their obligations, our business and results of operations may be severely adversely affected." Therefore, our contractual arrangements with our variable interest entity may not be as effective in protecting our interests as direct ownership and operational management would be.

***Our business relies on the contractual arrangements with the variable interest entity and the cooperation arrangements between the variable interest entity and Hexin Group, if any of these entities or their shareholders fail to perform their obligations, our business and results of operations may be severely adversely affected.***

If Hexin E-Commerce or its shareholders decide to take actions that do not align with our interests and fail to deliver under our contractual arrangements, we may have to incur substantial costs and expend resources to enforce our contractual arrangements. We may have to resort to legal remedies such as seeking specific performance, injunctive relief and claiming damages, subject to the extent of their effectiveness under PRC laws and regulations. For example, if the shareholders of Hexin E-Commerce refuse to respect our purchase option and decline to transfer their equity interest to us or our designee, or if they decide to otherwise act in bad faith, we may have no choice but to take legal action against them.

The business of Hexin E-Commerce in turn relies on the cooperation arrangements with our offline cooperation partner, Hexin Group. Hexin E-Commerce, Hexin Information and Hexin Financial Information entered into a cooperation agreement to set out the framework and terms of the cooperation arrangements as well as certain mutual non-competition and non-solicitation arrangements. Under the cooperation agreement, Hexin Group shall direct offline borrowers to Hexin E-Commerce for the facilitation of loan products on our online marketplace, and must first obtain the consent of Hexin E-Commerce before Hexin Group pursues any business opportunity by offering loan services to any offline borrower. Hexin E-Commerce as one party, and Hexin Group as the other party, shall not engage in similar or competing businesses and shall not solicit the employees of the other party to the cooperation agreement. If Hexin Group refuses to comply with our cooperation arrangements, the non-competition or the non-solicitation clauses under the cooperation agreement, we may have to resort to legal remedies to enforce our contractual rights. Furthermore, under certain circumstances, damages or financial compensation may not be sufficient to remedy or cover our losses. Our business and results of operations may be adversely affected as a result.

Our contractual arrangements with Hexin E-Commerce and each of its shareholders, as well as the cooperation agreement entered into among Hexin E-Commerce, Hexin Information and Hexin Financial Information, are governed by PRC laws and provide for arbitration in China as the primary method of dispute resolution. As such, our contracts will be interpreted according to PRC laws and regulations and the arbitration rules of China International Economic and Trade Arbitration Commission. The PRC legal system is less developed and is fraught with uncertainties, which may limit our ability to enforce our rights under the contractual arrangements. Further, there are limited precedents and formal guidance on the interpretation and enforcement of contractual arrangements with variable interest entities in the PRC. In relation to the certainty of arbitral awards in the context of legal action, the final outcome is uncertain. Under PRC law, the ruling of arbitrators is final and arbitration results cannot be appealed in court unless a competent court determines such ruling to be unenforceable or revokes it. If the losing party fails to carry out the arbitral award within the prescribed time limit, such arbitral award may only be enforced through arbitration award recognition proceedings in court, leading to additional expenses and delay. If we cannot enforce the contractual arrangements in relation to Hexin E-Commerce, Hexin Information or Hexin Financial Information, or if we experience significant delay or obstacles in enforcing such arrangements, we may not be able to exert effective control over Hexin E-Commerce such that our ability to conduct business and receive financial benefit from Hexin E-Commerce's operations may be materially and adversely affected. See "—Risks Related to PRC Laws Regulating Our Business and Industry—Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us."

***There may be conflicts of interest between shareholders of the variable interest entity and us, which may cause material and adverse effects to our business and financials.***

The equity interests of Hexin E-Commerce are held by Mr. Xiaobo An, Mr. Xiaobin Zhai and Mr. Xiaoning An, our founders. Furthermore, each of Hexin Information and Hexin Financial Information are controlled by Mr. Xiaobo An. Hexin Information was incorporated in December 2015 and 99.0% held by Mr. Xiaobo An, whereas Hexin Financial Information was incorporated in April 2014 and 95.0% held by Mr. Xiaobo An. The interests of Mr. Xiaobo An, Mr. Xiaobin Zhai and Mr. Xiaoning An in Hexin E-Commerce and the interests of Mr. Xiaobo An in Hexin Information and Hexin Financial Information, may however, differ from the interests of our company as a whole. These shareholders may have conflicts of interest with our company, and may breach, or cause Hexin E-Commerce to breach, our contractual arrangements, such as preventing it to remit payment due to us on a timely basis, or cause Hexin Group to breach the cooperation arrangements such as preventing them from referring offline borrowers to us, or performing other acts of non-performance adverse to our interests. We cannot assure you that when such conflicts of interest arise, if any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor such that we may not be able to control our variable interest entity effectively and enjoy economic benefits under our contractual arrangements and the cooperation arrangements among Hexin E-Commerce, Hexin Information and Hexin Financial Information.

Under the exclusive option agreements entered into between us and each of the shareholders of Hexin E-Commerce, we have an option to purchase all their equity interests in the variable interest entity to be held by us or our designee. Aside from the purchase option, we do not have any other arrangements or means to address potential conflicts of interest. If we cannot amicably resolve any conflicts of interest or disputes with the shareholders of Hexin E-Commerce, we would have to resort to lengthy and costly legal action and proceedings, which would disrupt our business operations and incur significant expenses. Meanwhile, our business and results of operations may be materially adversely affected.

***Our contractual arrangements with the variable interest entity may be subject to additional taxes, which would adversely affect our financials and your investment.***

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. The PRC enterprise income tax law, or 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 may face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements between Beijing Hexin Yongheng Technology Development Co., Ltd, our wholly-owned subsidiary in China, Hexin E-Commerce, our consolidated variable interest entity in China, and the shareholders of Hexin E-Commerce were not entered into on an arm's length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust Hexin E-Commerce's income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by Hexin E-Commerce for PRC tax purposes, which could in turn increase its tax liabilities without reducing Hexin Yongheng's tax expenses. In addition, if Hexin Yongheng requests the shareholders of Hexin E-Commerce to transfer their equity interests in Hexin E-Commerce at nominal or no value pursuant to these contractual arrangements, such transfer could be viewed as a gift and subject Hexin Yongheng to PRC income tax. Furthermore, the PRC tax authorities may impose late payment fees and other penalties on Hexin E-Commerce for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and

adversely affected if our consolidated variable interest entity's tax liabilities increase or if it is required to pay late payment fees and other penalties.

***If the variable interest entity goes bankrupt or becomes subject to a dissolution or liquidation proceeding we may not be able to recover or claim ownership over the assets and networks of the variable interest entity.***

Our variable interest entity, Hexin E-Commerce, holds assets material to our business operations, including the ICP License, domain names and trademarks and software licenses. Under our present contractual arrangements, Hexin E-Commerce cannot and its shareholders shall not cause it to, in any manner, sell, transfer, mortgage or dispose of its assets or its legal or beneficial interests in the business without our prior consent. However if the shareholders of our variable interest entity initiates liquidation proceedings in breach of our contractual arrangements, such that the variable interest entity undergoes voluntary or involuntary liquidation proceedings, or if it declares bankruptcy and all or part of its assets become subject to the claims of third party creditors, liens or are otherwise disposed of without our consent, we may not be able to continue our business operations, which would materially and adversely affect our financial conditions and results of operations.

***If our variable interest entity loses its chop to the theft and use of unauthorized persons, the corporate governance of the variable interest entity may be severely and adversely compromised.***

In China, a company chop or seal serves as the legal representation of the company towards third parties even when unaccompanied by a signature. Each legally registered company in China is required to maintain a company chop, which must be registered with the local Public Security Bureau. In addition to this mandatory company chop, companies may have several other chops which can be used for specific purposes. The chops of our PRC subsidiary and consolidated variable interest entity are generally held securely by personnel designated or approved by us in accordance with our internal control procedures. To the extent those chops are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised and those corporate entities may be bound to abide by the terms of any documents so chopped, even if they were chopped by an individual who lacked the requisite power and authority to do so. In addition, if the chops are misused by unauthorized persons, we could experience disruption to our normal business operations.

## **RISKS RELATED TO PRC LAWS REGULATING OUR BUSINESS AND INDUSTRY**

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

All of our operations are located in China. Accordingly, our business, prospects, financial condition and results of operations are affected significantly by the political, economic and social climate in China and continuously by the economic performance of China as a whole.

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

While the Chinese economy has experienced significant growth over the past decades, the growth rate has had sporadic bursts, across geographically and among various sectors and industries. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, and since 2012, China's economic growth has slowed down. Any prolonged slowdown in the Chinese economy may reduce the demand for our products and services and materially and adversely affect our business and results of operations.

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

The PRC legal system is based on written statutes and prior court decisions have limited value as precedents. Since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties.

In particular, PRC laws and regulations concerning the marketplace lending service industry are developing and evolving. Although we have taken measures to comply with the laws and regulations that are applicable to our business operations, including the regulatory principles raised by China Banking Regulatory Commission, or the CBRC, and avoid conducting any activities that may be deemed as illegal fund-raising, forming capital pool or providing guarantee to investors under the current applicable laws and regulations, the PRC government authority may promulgate new laws and regulations regulating the marketplace lending service industry in the future. We cannot assure you that our practices would not be deemed to violate any PRC laws or regulations relating to illegal fund-raising, forming capital pools or the provision of credit enhancement services. Moreover, developments in the marketplace lending service industry may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies that may limit or restrict online consumer finance marketplaces like us, which could materially and adversely affect our business and operations. Furthermore, we cannot rule out the possibility that the PRC government will institute a licensing regime covering our industry at some point in the future. If such a licensing regime were introduced, we cannot assure you that we would be able to obtain any newly required license in a timely manner, or at all, which could materially and adversely affect our business and impede our ability to continue our operations.

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

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

The MOC published a discussion draft of the proposed Foreign Investment Law in January 2015 aiming to, upon its enactment, replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The draft Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The MOC is currently soliciting comments on this draft and substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The draft Foreign Investment Law, if enacted as proposed, may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects.

Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of "actual control" in determining whether a company is considered a foreign-invested enterprise, or an FIE. The draft Foreign Investment Law specifically provides that entities established in China but "controlled" by foreign investors will be treated as FIEs. Once an entity is considered to be an FIE, it may be subject to the foreign investment restrictions or prohibitions set forth in a "negative list" to be separately issued by the State Council later. If an FIE proposes to conduct business in an industry subject to foreign investment "restrictions" in the "negative list," the FIE must go through a market entry clearance by the MOC before being established. If an FIE proposes to conduct business in an industry subject to foreign investment "prohibitions" in the "negative list," it must not engage in the business. However, an FIE that is subject to foreign investment "restrictions," upon market entry clearance, may apply in writing for being treated as a PRC domestic investment if it is ultimately "controlled" by PRC government authorities and its affiliates and/or PRC citizens. In this connection, "control" is broadly defined in the draft law to cover the following summarized categories: (i) holding 50% or more of the voting rights of the subject entity; (ii) holding less than 50% of the voting rights of the subject entity but having the power to secure at least 50% of the seats on the board or other equivalent decision making bodies, or having the voting power to exert material influence on the board, the shareholders' meeting or other equivalent decision making bodies; or (iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial matters or other key aspects of business operations. Once an entity is determined to be an FIE, it will be subject to the foreign investment restrictions or prohibitions set forth in a "negative list," to be separately issued by the State Council at a later date, if the FIE is engaged in an industry listed in the negative list. Unless the underlying business of the FIE falls within the negative list, which calls for market entry clearance by the MOC, prior approval from the government authorities as mandated by the existing foreign investment legal regime would no longer be required for establishment of the FIE.

The "variable interest entity" structure, or VIE structure, has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. See "—Risks Related to Our Relationship with Hexin Group and Our Corporate Structure" and "Our Corporate History and Structure." Under the draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangement would also be deemed as FIEs, if they are ultimately "controlled" by foreign investors. Therefore, for any companies with a VIE structure in an industry category that is included in the "negative list" as restricted industry, the VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC companies or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as

FIEs and any operation in the industry category on the "negative list" without market entry clearance may be considered as illegal.

It is uncertain whether we would be considered as ultimately controlled by Chinese parties. The draft Foreign Investment Law has not taken a position on what actions will be taken with respect to the companies currently employing a VIE structure, whether or not these companies are controlled by Chinese parties, while it is soliciting comments from the public on this point. In addition, it is uncertain whether the online consumer finance marketplace industry, in which our variable interest entity operates, will be subject to the foreign investment restrictions or prohibitions set forth in the "negative list" that is to be issued. If the enacted version of the Foreign Investment Law and the final "negative list" mandate further actions, such as MOC market entry clearance or certain restructuring of our corporate structure and operations, to be completed by companies with existing VIE structure like us, there may be substantial uncertainties as to whether we can complete these actions in a timely manner, or at all, and our business and financial condition may be materially and adversely affected.

The draft Foreign Investment Law, if enacted as proposed, may also materially impact our corporate governance practice and increase our compliance costs. For instance, the draft Foreign Investment Law imposes stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable FIEs. Aside from an investment implementation report and an investment amendment report that are required for each investment and alteration of investment specifics, an annual report is mandatory, and large foreign investors meeting certain criteria are required to report on a quarterly basis. Any company found to be non-compliant with these information reporting obligations may potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible may be subject to criminal liabilities.

***We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of Internet-related businesses and companies, and any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business and results of operations.***

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

We only have contractual control over our website. We do not directly own the website due to the restriction of foreign investment in businesses providing value-added telecommunication services in China, including Internet information provision services. This may significantly disrupt 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 Ministry of Industry and Information Technology, or the MIIT, and the Ministry of Public Security). The primary role of this new agency is to facilitate the policy-making and legislative development in this field, to direct and coordinate with the relevant departments in connection with online content administration and to deal with cross-ministry regulatory matters in relation to the Internet industry.

In November 2016, the CBRC, the MIIT and the Industry and Commerce Administration Department, jointly issued the Guidance to the Administration of Filing and Registration of Online Lending Information Intermediaries, or the Guidance of Administration, which provides general filing rules for online lending intermediaries, and authorizes local financial regulators to make detailed

implementation rules regarding filing procedures according to their local practices. Although the Guidance of Administration has not been officially promulgated or launched, and may not be found from authorized source, it is generally accepted by the industry that it needs to be followed. See "Regulation—Regulations Relating to Online Consumer Lending." Since 2017, local financial regulators have been conducting thorough investigations and inspections of online lending intermediaries and require a rectification if any illegality is discovered. After local financing regulators have completed their investigation and examination, we may be permitted to submit a filing application.

The recently published Guidelines to Promote the Healthy Growth of Internet Finance, or the Guidelines, require online lending platforms to use bank custodian accounts to hold lending capital, which is further emphasized in the Interim Measures for the Administration of Business Activities of Online Lending Information Intermediaries, or the Online Lending Information Intermediaries Measures. In addition, the Administrative Measures of Non-Bank Payments Institutions Network Payment Service, or the Administrative Measures, which became effective from July 1, 2016, prohibit payment institutions from opening payment accounts to engage in the lending business and also set ceilings for maximum deposits permitted into an account opened with a third-party payment agent. Negative publicity about us or third-party payment agents or the third-party payment marketplace finance industry in general may adversely affect investors' or borrowers' confidence and trust in the use of third-party payment agents to carry out payment functions in connection with the facilitation of loans on our online marketplace. On February 22, 2017, the CBRC released the Guidelines of the Operation of Depositing Online Lending Funds, or the Guidelines of Depositing Lending Funds, which provide detailed requirements for setting up a custodian account with a qualified bank and depositing online lending funds. See "Regulations—Regulations Relating to Online Consumer Lending." To the extent our current arrangements with Jiangxi Bank are deemed to be not in compliance with the Guidelines, the Administrative Measures, the Online Lending Information Intermediaries Measures and the Guidelines of Depositing Lending Funds or if changes to these arrangements are required by future rules or regulations, including those proposed in the Guidelines of Depositing Lending Funds, a material change to our business model may be required and our business may be materially and adversely impacted.

Our online marketplace, operated by our consolidated variable interest entity, Hexin E-Commerce, may be deemed to be providing commercial Internet information services, which would require Hexin E-Commerce to obtain an ICP License. An ICP License is a value-added telecommunications business operating license required for provision of commercial Internet information services. See "Regulation—Regulations on Value-Added Telecommunication Services." Hexin E-Commerce, our PRC consolidated variable interest entity has obtained an ICP License as an Internet information provider. However, the Online Lending Information Intermediaries Measures require online lending information intermediaries to apply for telecommunication business operating licenses pursuant to the relevant provisions of the competent authorities of communications. As the detailed provision for such telecommunication business operating licenses has not been published, there is uncertainty as to which type of license is required for online lending information intermediaries. Furthermore, as we are providing mobile applications to mobile device users, it is uncertain if Hexin E-Commerce will be required to obtain a separate operating license in addition to the ICP License. Although we believe that not obtaining such separate license is in line with the current market practice, there can be no assurance that we will not be required to apply for an operating license for our mobile applications in the future.

The Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business, issued by the MIIT in July 2006, prohibits domestic telecommunication service providers from leasing, transferring or selling telecommunications business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunications business in China. According to this circular, either the holder of a value-added telecommunication services operation permit or its shareholders must directly own the domain names and trademarks used by such license holders in their



provision of value-added telecommunication services. The circular also requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. Hexin E-Commerce owns the relevant domain names in connection with our value-added telecommunications business and has the necessary personnel to operate our website. Hexin E-Commerce also currently owns the ICP License and certain trademarks. If an ICP License holder fails to comply with the requirements and also fails to remedy such non-compliance within a specified period of time, the MIIT or its local counterparts have the discretion to take administrative measures against such license holder, including revoking its ICP License. The current ICP License expires on September 4, 2019 and requires an annual check and renewal. If Hexin E-Commerce fails to observe the requirements for annual renewal, our business may be affected.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the Internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, Internet businesses in China, including our business. We cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain new ones. If the PRC government considers that we were operating without the proper approvals, licenses or permits or promulgates new laws and regulations that require additional approvals or licenses or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to 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 by the PRC government may have a material adverse effect on our business and results of operations.

***The laws and regulations governing the marketplace lending service industry in China are developing and evolving and subject to changes. If our practice is deemed to violate any PRC laws or regulations, our business, financial conditions and results of operations would be materially and adversely affected.***

Due to the relatively short history of the marketplace lending service industry in China, the regulatory framework governing our industry is under development by the PRC government. On July 18, 2015 the PBOC together with nine other PRC regulatory agencies jointly issued a series of policy measures applicable to the online marketplace lending service industry titled the Guidelines on Promoting the Healthy Development of Internet Finance, or the Guidelines. The Guidelines introduced formally for the first time the regulatory framework and basic principles for administering the marketplace lending service industry in China.

The Guidelines call for active government support of China's Internet finance industry, including the online marketplace lending service industry, and clarify the division of responsibility among regulatory agencies. The Guidelines specify that the CBRC will have primary regulatory responsibility for the online marketplace lending service industry in China and state that online marketplace lending service providers should operate as information intermediaries and are prohibited from engaging in illegal fund-raising and providing "credit enhancement services," which we believe are generally perceived in the online marketplace lending industry to mean providing guarantees to investors in relation to the return of loan principal and interest. The Guidelines provide additional requirements for China's Internet finance industry, including the use of custodian accounts with qualified banks to hold customer funds as well as information disclosure requirements, among others. However, the Guidelines only set out the basic principles for promoting and administering the online marketplace lending service industry, and were not accompanied by any implementing rules. The Guidelines instead urge the relevant regulatory agencies to adopt implementing rules at the appropriate time.

On August 17, 2016, CBRC, MIIT, PBOC and other relevant government authorities published Interim Measures for the Administration of Business Activities of Online Marketplace Lending Information Intermediaries, or the Online Lending Information Intermediaries Measures. The Online

Lending Information Intermediaries Measures define the "online lending information intermediaries," or the Information Intermediaries, as financial information intermediaries that specialize in online marketplace lending information intermediary business. Such intermediaries provide such services as information collection, information release, credit assessment, information exchange, and match of lending, on the Internet as the primary channel to facilitate the direct lending between borrowers and lenders. Consistent with the Guidelines, the Online Lending Information Intermediaries Measures prohibit Information Intermediaries from providing "credit enhancement services" or creating "capital pools" and require, among other things, (i) that the Information Intermediary operating telecommunication services must apply for the relevant telecommunication licenses; (ii) that the Information Intermediary intending to provide online marketplace lending information agency services (excluding its subsidiaries and branches) must make the relevant filings and registrations with local financial regulatory authorities with which it is registered after obtaining business license; and (iii) that the name of Information Intermediary must contain the phrase "online marketplace lending information intermediary."

The Online Lending Information Intermediaries Measures list the following businesses that an Information Intermediary must not, by itself or on behalf of a third party, participate in: (i) financing for themselves directly or in a disguised form; (ii) accepting, collecting or gathering funds of lenders directly or indirectly; (iii) providing security to lenders or promising break-even principals and interests directly or in a disguised form; (iv) publicizing or promoting financing projects on other physical premises other than such digital channels as the Internet, fixed-line telephone or mobile phone by themselves or upon entrustment or authorization of any third party; (v) making loans, unless otherwise stipulated by laws and regulations; (vi) splitting the term of any financing project; (vii) raising funds by issuing such financial products on their own as wealth management products, or selling bank wealth management products, assets management by securities traders, funds, insurance, trust products or other financial products on a commission basis; (viii) carrying out business similar to asset-backed securities or conducting the transfer of creditor's rights in the form of packaged assets, asset-backed securities, trust assets, and fund units; (ix) engaging in any form of mixture, bundling or agency with other institutions in investment, sale on a commission basis, brokerage etc., unless otherwise permitted by laws, regulations and relevant regulatory provisions on online marketplace lending; (x) making up or overstating the authenticity of financing projects and the prospect of profits, concealing flaws and risks in financing projects, publicizing or promoting in biased language or by other fraudulent means in a false and one-sided way, fabricating or spreading false or incomplete information to damage others' business reputation, or misleading lenders or borrowers; (xi) providing information intermediary services for those highly risky financing projects whose purpose is the investment in stock market, over-the-counter financing, futures contracts, structured products and other derivatives; (xii) engaging in equity-based crowd funding etc.; and (xiii) undertaking other activities prohibited by laws and regulations as well as relevant regulatory provisions on online marketplace lending.

The Online Lending Information Intermediaries Measures also set out certain additional requirements applicable to Information Intermediaries on, among other things, the real-name registration of lenders and borrowers, the limitation of offline business of Information Intermediaries, the risk control, cyber and information security, the limit of fund collection period (up to 20 business days), allocation of charges, personal credit management, file management, lenders and borrowers protection, making decisions by Information Intermediaries on behalf of lenders, administration of electronic signatures and information disclosure.

Any violation of the Online Lending Information Intermediaries Measures by an Information Intermediary after they come into effect, may subject such Information Intermediary to certain penalties as determined by applicable laws, and regulations, or by relevant government authorities if the applicable laws and regulations are silent on the penalties. The applicable penalties may include but not limited to, criminal liabilities, warning, rectification, tainted integrity record and fines up to RMB30,000 (US\$4,320.1).

According to the Online Lending Information Intermediaries Measures, we may have to adjust our operating practices. For instance, we may need to modify the existing or develop a new process for investors who wish to invest in our portfolio investments to ensure that all the investment decisions are made and confirmed by investors as required by the Online Lending Information Intermediaries Measures, which may in turn cause us to incur additional operating expenses. The enactment of the Online Lending Information Intermediaries Measures may also materially impact our corporate governance practice and increase our compliance costs.

In addition to the Guidelines and the Online Lending Information Intermediaries Measures, there are certain other rules, laws and regulations relevant or applicable to the online marketplace lending service industry, including the PRC Contract Law, the General Principles of the Civil Law of the PRC, and related judicial interpretations promulgated by the Supreme People's Court. In November 2016, the CBRC, the MIIT and the Industry and Commerce Administration Department, jointly issued the Guidance of Administration, which provides the general filing rules for online lending intermediaries and delegates the filing authority to the local financial authorities. Although the Guidance of Administration has not been officially promulgated or launched, and may not be found from authorized source, it is generally accepted by the industry that it needs to be followed. See "Regulation—Regulations Relating to Online Consumer Lending." Since 2017, local financial regulators have been conducting investigations on the online lending intermediaries, and if we failed to be in full compliance with any regulations, we may be required to rectify mistakes within a certain period as stipulated in the rectification order of local financial regulators. After local financing regulators have completed their investigation and examination, we may be permitted to submit a filing application. On February 22, 2017, the CBRC released the Guidelines of Depositing Lending Funds, which provide detailed requirements for setting up a depository account with a qualified bank and depositing online lending funds. To the extent our current arrangements with Jiangxi Bank are deemed to be not in compliance with the Guidelines, the Administrative Measures, the Online Lending Information Intermediaries Measures and the Guidelines of Depositing Lending Funds or if changes to these arrangements are required by future rules or regulations, including those proposed in the Guidelines of Depositing Lending Funds, a material change to our business model may be required and our business may be materially and adversely impacted. See "Regulation—Regulations Relating to Online Consumer Lending."

To comply with existing rules, laws, regulations and governmental policies relating to the marketplace lending service industry, we have implemented various policies and procedures, which we believe set the best practice in the industry, including, without limitation, the following: (i) we do not use our own capital to invest in loans facilitated through our online marketplace; (ii) we do not commit to provide guarantees to investors under any agreement for the full return of loan principal and interest; (iii) we do not hold investors' funds and funds loaned through our platform are deposited into and settled by a third-party custodian account managed by a qualified bank, Jiangxi Bank; (iv) we have obtained the Internet information services license, or the ICP license, as an Internet information provider from the relevant local counterpart of the Ministry of Industry and Information Technology in accordance with applicable laws; (v) we fully disclose on our website all relevant information to investors and borrowers, such as disclosure to borrowers regarding interest rates, payment schedule, service fees, and other charges and penalties; and (vi) we have been making strong effort to maintain the security of our platform and the confidentiality of the information provided and utilized across our platform. However, due to the lack of detailed rules and the fact that the rules, laws and regulations are expected to continue to evolve in this newly emerging industry, we cannot be certain that our existing practices would not be deemed to violate any existing or future rules, laws and regulations.

In particular, we cannot rule out the possibility that some of the services we provide to investors, such as the portfolio investment, might be viewed as not being in full compliance. We match multiple investors with multiple approved borrowers, which goes beyond the simple one-to-one matching between investors and borrowers and could be viewed as violating some of these requirements.

Moreover, although the Guidelines prohibit online marketplace lending service providers from providing "credit enhancement services", it is uncertain how the "credit enhancement services" mentioned in the Guidelines will be interpreted due to the lack of detailed implementing rules in the Guidelines. However, given the prohibition by the Online Lending Information Intermediaries Measures on providing security or guarantee of principals and interests to lenders, we believe it is generally perceived in the online marketplace lending industry to mean providing guarantees to investors in relation to the return of loan principal and interest. Under our risk reserve liability arrangement, if a loan is delinquent for a certain period of time, we may withdraw a sum from the risk reserve to repay investors the principal and accrued interest for the defaulted loan unless the risk reserve is depleted. Although the purpose of the risk reserve liability policy is to limit investor losses due to borrower defaults and not to provide investors with guarantees in relation to the return of loan principal and interest, we cannot rule out the possibility that our past risk reserve liability model or any variations thereof might be viewed by the PRC regulatory bodies as providing, to a certain extent, a form of guarantee or otherwise a form of "credit enhancement service" prohibited under the Guidelines. Furthermore, if the risk reserve liability policy is viewed by the PRC regulatory bodies as providing a form of guarantee, under the Provisions on Several Issues Concerning Laws Applicable to Trials of Private Lending Cases, or the Private Lending Judicial Interpretations, issued by the Supreme People's Court on August 6, 2015 and being effective on September 1, 2015, if requested by the investor with the court, we may be required to assume the obligations as to the defaulted loan as a guarantor. For a summary of the Private Lending Judicial Interpretations, see "Regulation—Regulations Relating to Online Consumer Lending—Regulations on Loans between Individuals."

In order to continue to attract new and retain existing investors and to remain consistent with the current industry practice in China, we transitioned from the risk reserve liability policy to a third-party insurance arrangement whereby Changan Insurance enters into an insurance policy with each investor to insure against borrower default. Subject to the terms and limits in the insurance policy, investors can fully recover their outstanding principal and accrued interest in the event of loan default. We intend to continue this practice for the foreseeable future. However, as the industry continues to evolve and becomes more sophisticated and our business develops, we may revisit our policy or the terms on which we offer protection to investors over borrower default risk.

As of the date of this prospectus, we have not been subject to any material fines or other penalties under any PRC laws or regulations including those governing the marketplace lending service industry in China. The Guidelines do not set out the liabilities that will be imposed on the service providers who fail to comply with the principles and requirements contained thereunder, nor do other applicable rules, laws and regulations contain specific liability provisions especially as to the marketplace lending platform or similar online marketplace like us. However, if our practice is deemed to violate any rules, laws or regulations, we may face injunctions, including orders to cease illegal activities, and may be exposed to other penalties as determined by the relevant government authorities as well. If such situations occur, our business, financial condition and prospects would be materially and adversely affected. In addition, given the evolving regulatory environment in which we operate, we cannot rule out the possibility that the PRC government will institute a licensing regime covering our industry. If such a licensing regime were introduced, we cannot assure you that we would be able to obtain any newly required license in a timely manner, or at all, which could materially and adversely affect our business and impede our ability to continue our operations.

***Any failure by us or our third-party service providers to comply with applicable anti-money laundering laws and regulations could damage our reputation.***

In cooperation with Jiangxi Bank, we have adopted various policies and procedures, such as internal controls and "know-your-customer" procedures, for anti-money laundering purposes. In addition, we rely on Jiangxi Bank and may in the future, rely on other third-party service providers, in particular the custody banks and payment agents that handle the transfer of funds between borrowers

and lenders, to have their own appropriate anti-money laundering policies and procedures. Custody banks and payment agents are subject to anti-money laundering obligations under applicable anti-money laundering laws and regulations and are regulated in that respect by the PBOC. If any of our third-party service providers fail to comply with applicable anti-money laundering laws and regulations, our reputation could suffer and we could become subject to regulatory intervention, which could have a material adverse effect on our business, financial condition and results of operations. Any negative perception of the industry, such as that arises from any failure of other consumer finance marketplaces to detect or prevent money laundering activities, even if factually incorrect or based on isolated incidents, could compromise our image or undermine the trust and credibility we have established.

The Guidelines jointly released by ten PRC regulatory agencies in July 2015 purport, among other things, to require Internet finance service providers, including online lending platforms, to comply with certain anti-money laundering requirements, including the establishment of a customer identification program, the monitoring and reporting of suspicious transactions, the preservation of customer information and transaction records, and the provision of assistance to the public security department and judicial authority in investigations and proceedings in relation to anti-money laundering matters. The PBOC will formulate implementing rules to further specify the anti-money laundering obligations of Internet finance service providers. We cannot assure you that the anti-money laundering policies and procedures we have adopted will be effective in protecting our marketplace from being exploited for money laundering purposes or will be deemed to be in compliance with applicable anti-money laundering implementing rules if and when adopted.

***The facilitation of loans through our marketplace could give rise to liabilities under PRC laws and regulations that prohibit illegal fundraising.***

PRC laws and regulations prohibit persons and companies from raising funds through advertising to the public a promise to repay premium or interest payments over time through payments in cash or in kind except with the prior approval of the applicable government authorities. Failure to comply with these laws and regulations may result in penalties imposed by the PBOC, the Administration for Industry and Commerce, or AIC, and other governmental authorities, and can lead to civil or criminal lawsuits.

To date, our marketplace has not been subject to any fines or other penalties under any PRC laws and regulations that prohibit illegal fundraising. Our marketplace only acts as a service provider in the facilitation of loans between borrowers and investors, and in this capacity, we do not raise funds or promise repayment of premium or interest obligations. Nevertheless, considerable uncertainties exist with respect to the PBOC, AIC and other governmental authorities' interpretations of the fundraising-related laws and regulations. While our agreements with investors require investors to guarantee the legality of all funds from investors, we do not verify the source of investors' funds separately, and therefore, to the extent that investors' funds are obtained through illegal fundraising, we may be negligently liable as a facilitator of illegal fundraising. In addition, while our loan agreements contain provisions that require borrowers to use the proceeds for purposes listed in their loan applications, we do not monitor the borrowers' use of funds on an on-going basis, and therefore, to the extent that borrowers use proceeds from the loans for illegal activities, we may be negligently liable as a facilitator of an illegal use. Although we have designed and implemented procedures to identify and eliminate instances of fraudulent conduct on our marketplace, as the number of borrowers and investors on our platform increases, we may not be able to identify all fraudulent conduct that may violate illegal fundraising laws and regulations.

***The facilitation of loans through our marketplace could give rise to liabilities under PRC laws and regulations that prohibit unauthorized public offerings.***

The PRC Securities Law stipulates that no organization or individual is permitted to issue securities for public offering without obtaining prior approval in accordance with the provisions of the law. The following offerings are deemed to be public offerings under the PRC Securities Law: (i) offering of securities to non-specific targets; (ii) offering of securities to more than 200 specific targets; and (iii) other offerings provided by the laws and administrative regulations. Additionally, private offerings of securities shall not be carried out through advertising, open solicitation and disguised publicity campaigns. If any transaction between one borrower and multiple investors on our marketplace is identified as a public offering by PRC government authorities, we may be subject to sanctions under PRC laws and our business may be adversely affected.

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

We are a holding company, and we rely on dividends and other distributions on equity paid by our PRC subsidiary 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 subsidiary incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. In addition, the PRC tax authorities may require Hexin Yongheng to adjust its taxable income under the contractual arrangements it currently has in place with our consolidated variable interest entity in a manner that would materially and adversely affect its ability to pay dividends and other distributions to us. See "—Risks Related to Our Relationship with Hexin Group and Our Corporate Structure—Our contractual arrangements with the variable interest entity may be subject to additional taxes, which would adversely affect our financials and your investment."

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

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

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

Under PRC laws and regulations, we are permitted to utilize the proceeds from this offering and the concurrent private placement to fund our PRC subsidiary by making loans to or additional capital contributions to our PRC subsidiary, subject to applicable government registration and approval requirements.

Any loans to our PRC subsidiary, which are treated as foreign-invested enterprises under PRC laws, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiary to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of the State Administration of Foreign Exchange, or SAFE. The statutory limit for the total amount of foreign debts of a foreign-invested company is the difference between the amount of total investment as approved by the MOC or its local counterpart and the amount of registered capital of such foreign-invested company.

We may also decide to finance our PRC subsidiary by means of capital contributions. These capital contributions must be approved by the MOC or its local counterpart. In addition, SAFE issued a circular in September 2008, SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency registered capital into RMB by restricting how the converted RMB may be used. SAFE Circular 142 provides that the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and unless otherwise provided by law, may not be used for equity investments within the PRC. Although on July 4, 2014, the SAFE issued the Circular of the SAFE on Relevant Issues Concerning the Pilot Reform in Certain Areas of the Administrative Method of the Conversion of Foreign Exchange Funds by Foreign-invested Enterprises, or SAFE Circular 36, which launched a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises in certain designated areas from August 4, 2014 and some of the restrictions under SAFE Circular 142 will not apply to the settlement of the foreign exchange capitals of the foreign-invested enterprises established within the designate areas and such enterprises mainly engaging in investment are allowed to use its RMB capital converted from foreign exchange capitals to make equity investment, our PRC subsidiary is not established within the designated areas. On March 30, 2015, SAFE promulgated Circular 19, to expand the reform nationwide. Circular 19 came into force and replaced both Circular 142 and Circular 36 on June 1, 2015. Circular 19 allows foreign-invested enterprises to make equity investments by using RMB fund converted from foreign exchange capital. However, Circular 19 continues to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, providing entrusted loans or repaying loans between non-financial enterprises. On June 9, 2016, the SAFE promulgated Circular 16, which expands the application scope from only the capital of the foreign-invested enterprises to the capital, the foreign debt funds and the funds from oversea public offerings. Also, Circular 16 allows enterprises to use their foreign exchange capitals under their capital account as stipulated by the relevant laws and regulations. In addition, SAFE strengthened its oversight of the flow and use of the RMB capital converted from foreign currency registered capital of a foreign-invested company. The use of such RMB capital may not be altered without SAFE's approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. Violations of these Circulars could result in severe monetary or other penalties. These circulars may significantly limit our ability to use RMB converted from the net proceeds of this offering and the concurrent private placement to fund the establishment of new entities in China by our PRC subsidiary, to invest in or acquire any other PRC companies through our PRC subsidiary, or to establish new variable interest entities in the PRC.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiary or future capital contributions by us to our PRC subsidiary. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we expect to receive from this offering and the concurrent private placement and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

***We may be subject to liabilities imposed by relevant governmental regulations due to the personal data and other confidential information of borrowers, investors and our offline cooperation partner which we collect or are provided access to.***

There are numerous laws regarding privacy and the storing, sharing, use, disclosure and protection of personally identifiable information and user data. We receive, transmit and store a large volume of personally identifiable information and other confidential data from borrowers, investors and our offline cooperation partner. Specifically, personally identifiable and other confidential information is increasingly subject to legislation and regulations in numerous domestic and international jurisdictions, the intent of which is to protect the privacy of personal information that is collected, processed and transmitted in or from the governing jurisdiction. This regulatory framework for privacy issues in China and worldwide is currently evolving and is likely to remain uncertain for the foreseeable future. In addition, there may be limits on the cross-border transmission of user data even to the extent that such transmission is within our company. We could be adversely affected if legislation or regulations are expanded to require changes in business practices or privacy policies, or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our business, financial condition and results of operations. In addition to laws, regulations and other applicable rules regarding privacy and privacy advocacy, industry groups or other private parties may propose new and different privacy standards. Because the interpretation and application of privacy and data protection laws and privacy standards are still uncertain, it is possible that these laws or privacy standards may be interpreted and applied in a manner that is inconsistent with our practices. Any inability to adequately address privacy concerns, even if unfounded, or to comply with applicable privacy or data protection laws, regulations and privacy standards, could result in additional cost and liability for us, damage our reputation, inhibit the use of our platform and harm our business.

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

Substantially all of our revenues and expenditures are denominated in RMB, whereas our reporting currency is the U.S. dollar. As a result, fluctuations in the exchange rate between the U.S. dollar and RMB will affect the relative purchasing power in RMB terms of our U.S. dollar assets and the proceeds from this offering. Our reporting currency is the U.S. dollar while the functional currency for our PRC subsidiary and consolidated variable interest entity is RMB. Gains and losses from the remeasurement of assets and liabilities that are receivable or payable in RMB are included in our consolidated statements of operations. The remeasurement has caused the U.S. dollar value of our results of operations to vary with exchange rate fluctuations, and the U.S. dollar value of our results of operations will continue to vary with exchange rate fluctuations. A fluctuation in the value of RMB relative to the U.S. dollar could reduce our profits from operations and the translated value of our net assets when reported in U.S. dollars in our financial statements. This could have a negative impact on our business, financial condition or results of operations as reported in U.S. dollars. If we decide to convert our RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us. In addition, fluctuations in currencies relative to the periods in which the earnings are generated may make it more difficult to perform period-to-period comparisons of our reported results of operations.

The value of the RMB against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar, and the RMB appreciated more than 20% against the U.S. dollar over the following three years. However, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals. During the period between July 2008 and June 2010, the exchange rate between the RMB and the U.S. dollar had been stable and traded within



a narrow range. However, the RMB fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. Since June 2010, the RMB has started to slowly appreciate against the U.S. dollar, though there have been periods when the U.S. dollar has appreciated against the RMB. On August 11, 2015, the PBOC allowed the RMB to depreciate by approximately 2% against the U.S. dollar. It is difficult to predict how long such depreciation of RMB against the U.S. dollar may last and when and how the relationship between the RMB and the U.S. dollar may change again.

There remains significant international pressure on the PRC government to adopt a flexible currency policy. Any significant appreciation or depreciation of the RMB may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, to the extent that we need to convert U.S. dollars we receive from this initial public offering into RMB to pay our operating expenses, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our ADSs.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to 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.

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

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our net revenues in RMB. Under our current corporate structure, our company in the Cayman Islands relies on dividend payments from our PRC subsidiary 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 subsidiary are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by the beneficial owners of our company who are PRC residents. But approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

***Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.***

We are required under PRC laws and regulations to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local government from time to time at locations where we operate our businesses. The requirement of

employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. We have not made adequate employee benefit payments. We may be required to make up the contributions for these plans as well as to pay late fees and fines. If we are subject to late fees or fines in relation to the underpaid employee benefits, our financial condition and results of operations may be adversely affected.

***The approval of the China Securities Regulatory Commission may be required in connection with this offering under a regulation adopted in August 2006, as amended, and, if required, we cannot predict whether 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 agencies in August 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 companies or individuals to obtain the approval of the China Securities Regulatory Commission, or the CSRC, prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. In September 2006, the CSRC published a notice on its official website specifying documents and materials required to be submitted to it by a special purpose vehicle seeking CSRC approval of its overseas listings. The application of the M&A Rules remains unclear.

Our PRC counsel, Han Kun Law Offices, has advised us based on their understanding of the current PRC laws, rules and regulations that the CSRC's approval is not required for the listing and trading of our ADSs on the NYSE in the context of this offering, given that:

- we establish our PRC subsidiary, Hexin Yongheng, by means of direct investment rather than by merger with or acquisition of PRC domestic companies; and
- no explicit provision in the M&A Rules classifies the respective contractual arrangements between Hexin Yongheng Hexin E-Commerce and its shareholders as a type of acquisition transaction falling under the M&A Rules.

However, there remains some uncertainty as to how the M&A Rules will be interpreted or implemented in the context of an overseas offering and the CSRC's opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules. We cannot assure you that relevant PRC government agencies, including the CSRC, would reach the same conclusion as we do. If the CSRC or any other PRC regulatory agencies subsequently determines that we need to obtain the CSRC's approval for this offering or if the CSRC or any other PRC government agencies promulgates any interpretation or implements rules before our listing that would require us to obtain CSRC or other governmental approvals for this offering, we may face adverse actions or sanctions by the CSRC or other PRC regulatory agencies. Sanctions may include fines and penalties on our operations in the PRC, limitations on our operating privileges in the PRC, delays in or restrictions on the repatriation of the proceeds from this offering into the PRC, restrictions on or prohibition of the payments or remittance of dividends by our PRC subsidiary, or other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for us, to halt this offering before the settlement and delivery of the ADSs that we are offering. Consequently, if you engage in market trading or other activities in anticipation of and prior to the settlement and delivery of the ADSs we are offering, you would be doing so at the risk that the settlement and delivery may not occur. In addition, if the CSRC or other PRC regulatory agencies later promulgate new rules or explanations requiring that we obtain their approvals for this offering, 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 and/or negative publicity regarding such approval requirement could have a material adverse effect on the trading price of the ADSs.

***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 discussed in the preceding risk factor and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex, including requirements in some instances that the MOC be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that the MOC shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the MOC that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOC, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOC or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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

SAFE promulgated the Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. SAFE Circular 37 is issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or SAFE Circular 75. SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment in February 2015, which took effect on June 1, 2015. This notice has amended SAFE Circular 37 requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

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

All of our shareholders who directly or indirectly hold shares in our Cayman Islands holding company and who are known to us as being PRC residents have completed the foreign exchange registrations required in connection with our recent corporate restructuring.

However, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest in our company, nor can we compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents or entities have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiary, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC subsidiary's ability to make distributions or pay dividends to us or affect our ownership structure, which could adversely affect our business and prospects.

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

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

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

Under the EIT Law and its implementation rules, 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 the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control 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 this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, 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 and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations

or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. See "Taxation—People's Republic of China Taxation." However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that 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 world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, dividends we pay to non-PRC holders may be subject to PRC withholding tax, and gains realized on the sale or other disposition of ADSs or ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such dividends or gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in the ADSs.

***We may not be able to obtain certain benefits under relevant tax treaty on dividends paid by our PRC subsidiary to us through our Hong Kong subsidiary.***

We are a holding company incorporated under the laws of the Cayman Islands and as such rely on dividends and other distributions on equity from our PRC subsidiary to satisfy part of our liquidity requirements. Pursuant to the EIT Law, a withholding tax rate of 10% currently applies to dividends paid by a PRC "resident enterprise" to a foreign enterprise investor, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for preferential tax treatment. Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, or the Double Tax Avoidance Arrangement, such withholding tax rate may be lowered to 5% if a Hong Kong resident enterprise owns at least 25% of a PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements, or Circular 81, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied, including without limitation that (a) the Hong Kong enterprise must be the beneficial owner of the relevant dividends; and (b) the Hong Kong enterprise must directly hold at least 25% share ownership in the PRC enterprise during the 12 consecutive months preceding its receipt of the dividends. However, a transaction or arrangement entered into for the primary purpose of enjoying a favorable tax treatment should not be a reason for the application of the favorable tax treatment under the Double Tax Avoidance Arrangement. If a taxpayer inappropriately is entitled to such favorable tax treatment, the competent tax authority has the power to make appropriate adjustments.

In August 2015, the State Administration of Taxation promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatments under Tax Treaties, or Circular 60, which became effective on November 1, 2015. Circular 60 provides that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax rate. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. However, if a competent tax authority finds out that it is necessary to apply the general anti-tax avoidance rules, it

may start general investigation procedures for anti-tax avoidance and adopt corresponding measures for subsequent administration. Accordingly, Hexindai HK, our Hong Kong subsidiary, may be able to enjoy the 5% withholding tax rate for the dividends they receive from Hexin Yongheng, our PRC subsidiary, if it satisfies the conditions prescribed under Circular 81 and other relevant tax rules and regulations. However, according to Circular 81 and Circular 60, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

***Enhanced scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.***

In connection with the EIT Law, the SAT issued the Circular on Strengthening the Administration of Enterprise Income Tax on Non-resident Enterprises' Equity Transfer Income, or Circular 698, which became effective as of January 1, 2008, the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business, or Circular 59 on April 30, 2009, and the Announcement of the State Administration of Taxation on Several Issues concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-Resident Enterprises, or the SAT Announcement 7, on February 3, 2015. By promulgating and implementing the above, the PRC tax authorities have strengthened their scrutiny over the direct or indirect transfer of equity interest in a PRC resident enterprise by a non-PRC resident enterprise. Pursuant to SAT Announcement 7, if a non-resident enterprise, or referred to as a transferor, transfers its equity in an offshore enterprise which directly or indirectly owns PRC taxable assets, including ownership interest in PRC resident companies, or the Taxable Properties, without a "reasonable commercial purpose", such transfer shall be deemed as a direct transfer of such Taxable Properties. The payer, or referred to as a transferee, in such transfer shall be the withholding agent, and is obligated to withhold and remit the enterprise income tax to the relevant PRC tax authority. If a transferor fails to declare for payment timely or in full of the tax due on proceeds from indirect transfer of PRC taxable assets and the withholding agent also fails to withhold such tax, the tax authority shall, in addition to supplementary collection of such tax, also charge for interest on a daily basis from the transferor according to the EIT Law and its implementation rules. Factors that may be taken into consideration when determining whether there is a reasonable commercial purpose include, among other factors, the value of the transferred equity, offshore taxable situation of the transaction, the offshore structure's economic essence and duration and trading fungibility. If an equity transfer transaction satisfies all the requirements mentioned above, such transaction will be considered an arrangement with reasonable commercial purpose.

Accordingly, we and non-resident enterprise investors face uncertainties on the reporting and consequences on future private equity-financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises. The PRC tax authorities may pursue such non-resident enterprises with respect to a filing or the transferees with respect to withholding obligation, and request our PRC subsidiaries to assist in the filing. As a result, we and non-resident enterprises in such transactions may become at risk of being subject to filing obligations or being taxed, under Circular 59 or Circular 698 and the SAT Announcement 7, and we may be required to expend valuable resources to comply with Circular 59, Circular 698 and the SAT Announcement 7 or to establish that we and our non-resident enterprises should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

Additionally, the PRC tax authorities have the discretion under SAT Circular 59, Circular 698 and the SAT Announcement 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. Although we currently have no plans to pursue any acquisitions in China or elsewhere in the world, we may pursue acquisitions in the future that may involve complex corporate structures. If we are considered a non-resident enterprise under the EIT Law and if the PRC tax authorities make adjustments to the taxable income of the transactions under SAT Circular 59 or Circular 698 and the SAT Announcement 7, our income tax costs associated with such potential acquisitions will be increased, which may have an adverse effect on our financial condition and results of operations.

## RISKS RELATED TO OUR ADSs AND THIS OFFERING

***An active trading market for our ordinary shares or our ADSs may not develop and the trading price for our ADSs may fluctuate significantly.***

Our ADSs have been approved for listing on . Prior to the completion of this offering, there has been no public market for our ADSs or our ordinary shares, and we cannot assure you that a liquid public market for our ADSs will develop. If an active public market for our ADSs does not develop following the completion of this offering, the market price and liquidity of our ADSs may be materially and adversely affected. The initial public offering price for our ADSs was determined by negotiation between us and the underwriter based upon several factors, and we can provide no assurance that the trading price of our ADSs after this offering will not decline below the initial public offering price. As a result, investors in our securities may experience a significant decrease in the value of their ADSs.

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

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

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

- variations in our revenues, earnings, cash flow and data related to our user base or user engagement;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new products, 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;
- 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 ADSs will trade.

In the past, shareholders of public companies have often brought securities class action suits against those companies following periods of instability in the market price of their securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not

successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

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

The trading market for our 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 ADSs, the market price for our ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume for our ADSs to decline.

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

Sales of substantial amounts of our ADSs in the public market after the completion of this offering, or the perception that these sales could occur, could adversely affect the market price of our ADSs and could materially impair our ability to raise capital through equity offerings in the future. The ADSs sold in this offering will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended, or the Securities Act, and shares held by our existing shareholders may also be sold in the public market in the future subject to the restrictions in Rule 144 and Rule 701 under the Securities Act and the applicable lock-up agreements. There will be ADSs (equivalent to ordinary shares) outstanding immediately after this offering. In connection with this offering, we and our officers, directors, existing shareholders and the holders of our incentive shares have agreed not to sell any ordinary shares or ADSs for 180 days after the date of this prospectus without the prior written consent of the underwriter, subject to certain exceptions. However, the underwriter may release these securities from these restrictions at any time, subject to applicable regulations of the Financial Industry Regulatory Authority, Inc. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs. See "Underwriting" and "Shares Eligible for Future Sale" for a more detailed description of the restrictions on selling our securities after this offering.

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

We currently intend to retain most, if not all, of our available funds and any future earnings after this offering 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 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 subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value after this offering or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment.



***Because the initial public offering price is substantially higher than the pro forma net tangible book value per share, you will experience immediate and substantial dilution.***

If you purchase ADSs in this offering, you will pay more for each ADS than the corresponding amount paid by existing shareholders for their ordinary shares. As a result, you will experience immediate and substantial dilution of US\$ \_\_\_\_\_ per ADS. This number represents the difference between the assumed initial public offering price of US\$ \_\_\_\_\_ per ADS, the midpoint of the estimated range of the offering price, and our pro forma as adjusted net tangible book value per ADS of US\$ \_\_\_\_\_ as of September 30, 2016, after giving effect to this offering, at the assumed initial public offering price of US\$ \_\_\_\_\_ per ADS, the midpoint of the estimated offering price range shown on the front cover page of this prospectus. See "Dilution" for a more complete description of how the value of your investment in our ADSs will be diluted upon the completion of this offering.

***We have not determined a specific use for a portion of the net proceeds from this offering, and we may use these proceeds in ways with which you may not agree.***

We have not determined a specific use for a portion of the net proceeds of this offering, and our management will have considerable discretion in deciding how to apply these proceeds. You will not have the opportunity to assess whether the proceeds are being used appropriately before you make your investment decision. You must rely on the judgment of our management regarding the application of the net proceeds of this offering. We cannot assure you that the net proceeds will be used in a manner that would improve our results of operations or increase our ADS price, nor that these net proceeds will be placed only in investments that generate income or appreciate in value.

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

Depending upon the value of our assets, which is determined in part by the market value of our ADSs or ordinary shares, and the composition of our assets and income over time, we could be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. Based on the projected composition of our assets and income, we do not believe that we were a PFIC for our taxable year ending March 31, 2017 and we do not anticipate becoming a PFIC for our taxable year ending March 31, 2018. While we do not anticipate becoming a PFIC, fluctuations in the market price of our ADSs or ordinary shares may cause us to become a PFIC for the current or any subsequent taxable year.

A non-U.S. corporation, such as our company, will be classified as a PFIC for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of "passive" income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. Whether we are a PFIC is a factual determination and we must make a separate determination each taxable year as to whether we are a PFIC (after the close of each taxable year). Accordingly, we cannot assure you that we will not be a PFIC for our taxable year ending March 31, 2018, or any future taxable year. The determination of whether we will become a PFIC will depend, in part, on how, and how quickly, we use our liquid assets and the cash raised in this offering.

If we were to be classified as a PFIC for any taxable year during which a U.S. Holder (as defined in "Taxation—U.S. Federal Income Tax Considerations") holds an ADS or an ordinary share, such U.S. Holder would generally be subject to reporting requirements and might incur significantly increased U.S. federal income tax on gain recognized on the sale or other disposition of the ADSs or ordinary shares and on the receipt of distributions on the ADSs or ordinary shares to the extent such gain or distribution is treated as an "excess distribution" under the applicable U.S. federal income tax

rules. Further, if we were to be classified as a PFIC for any year during which a U.S. Holder holds our ADSs or ordinary shares, we generally would continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or ordinary shares even if we cease to qualify as a PFIC under the rules set forth above. You are urged to consult your tax advisor concerning the U.S. federal income tax consequences of acquiring, holding, and disposing of ADSs or ordinary shares if we were to be classified as a PFIC. For more information see "Taxation—U.S. Federal Income Tax Considerations—PFIC Rules."

***The amended and restated memorandum and articles of association that we expect to adopt contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our ordinary shares and ADSs.***

We expect to adopt amended and restated memorandum and articles of association that will become effective immediately upon completion of this offering. Our amended and restated memorandum and articles of association will 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. In addition, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares underlying the ADSs. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our ordinary shares underlying the ADSs may be materially and adversely affected.

***Our principal shareholders have substantial influence over our company. Their interests may not be aligned with the interests of our other shareholders, and they could prevent or cause a change of control or other transactions.***

As of the date of this prospectus, Mr. Xiaobo An, our founder and chairman beneficially owns an aggregate of \_\_\_\_\_ % of our share capital. Upon the completion of this offering, our executive officers and directors, together with our existing shareholders, will beneficially own approximately \_\_\_\_\_ ordinary shares, or approximately \_\_\_\_\_ % of our outstanding ordinary shares.

Accordingly, our executive officers and directors, together with our existing shareholders, could have significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations, election of directors and other significant corporate actions. In cases where their interests are aligned and they vote together, these shareholders will also have the power to prevent or cause a change in control. Without the consent of some or all of these shareholders, we may be prevented from entering into transactions that could be beneficial to us or our minority shareholders. In addition, our directors and officers could violate their fiduciary duties by diverting business opportunities from us to themselves or others. The interests of our largest shareholders may differ from the interests of our other shareholders. The concentration in ownership of our ordinary shares may cause a material decline in the value of our ADSs. For more information regarding our principal shareholders and their affiliated entities, see "Principal Shareholders."

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

We are an exempted company incorporated under the laws of the Cayman Islands with limited liability. Our corporate affairs are governed by our memorandum and articles of association, the Companies Law (2016 Revision) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary 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 the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

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 register of members of these companies. Our directors have discretion under our articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the U.S. Currently, we do not plan to rely on home country practice with respect to any corporate governance matter. However, if we choose to follow home country practice in the future, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States. For a discussion of significant differences between the provisions of the Companies Law of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders, see "Description of Share Capital—Differences in Corporate Law."

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

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

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

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 for so long as we are an emerging growth company.

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

***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 non-public information under Regulation FD.

We will be required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis through press releases, distributed pursuant to the rules and regulations of . 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 compared to 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, which would be made available to you, were you investing in a U.S. domestic issuer.

***The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise any right to vote the ordinary shares which are represented by your ADSs.***

As a holder of our ADSs, you will only be able to direct the exercise of the voting rights attaching to the ordinary shares which are represented by your ADSs in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the depository. Upon receipt of your voting instructions, the depository will use its best endeavors to vote the ordinary shares which are represented by your ADSs in accordance with your instructions. You will not be able to directly exercise any right to vote with respect to the shares represented by your ADSs unless you withdraw the shares from the depository. Under our amended and restated memorandum and articles of association that will become effective immediately upon completion of this offering, the minimum notice period required for convening a general meeting is days. When a general

meeting is convened, you may not receive sufficient advance notice to withdraw the shares represented by your ADSs to allow you to vote with respect to any specific resolution or matter to be considered and voted upon at such general meeting. If we give notice to our shareholders of any general meeting, the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the shares represented by your 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 your voting instructions. This means that you may not be able to exercise your right to vote and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested.

***The depositary for our ADSs will give us a discretionary proxy to vote the ordinary shares represented by your ADSs if you do not vote at shareholders' meetings, except in limited circumstances, which could adversely affect your interests.***

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

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

The effect of this discretionary proxy is that if you do not give proper or timely voting instructions to the depositary as to how to vote at shareholders' meetings, you cannot prevent the ordinary shares represented by your ADSs from being voted, except under the circumstances described above. This may make it more difficult for shareholders to influence the management of our company. Holders of our ordinary shares are not subject to this discretionary proxy.

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

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

them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of our ADSs.

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

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

***You may be subject to limitations on transfer of your ADSs.***

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

***We will incur significantly increased costs and devote substantial management time as a result of the listing of our ADSs.***

We will incur additional legal, accounting and other expenses as a public reporting company, particularly after we cease to qualify as an emerging growth company. For example, we will be required to comply with additional requirements of the rules and regulations of the SEC and requirements of the , including applicable corporate governance practices. We expect that compliance with these requirements will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. In addition, we expect that our management and other personnel will need to divert attention from operational and other business matters to devote substantial time to these public company requirements. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may also initiate legal proceedings against us and our business may be adversely affected.

## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA**

This prospectus contains forward-looking statements that reflect our current expectations and views of future events. The forward-looking statements are contained principally in the sections entitled "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and "Regulations". Known and unknown risks, uncertainties and other factors, including those listed under "Risk Factors," 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 some of these forward-looking statements by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "is/are likely to," "potential," "continue" or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include statements relating to:

- our goals and strategies;
- our future business development, financial condition and results of operations;
- the expected growth of the credit industry, and marketplace lending in particular, in China;
- our expectations regarding demand for and market acceptance of our marketplace's products and services;
- our expectations regarding our marketplace's bases of borrowers and investors;
- our plans to invest in our platform;
- our relationships with our strategic cooperation partners;
- competition in our industry; and
- relevant government policies and regulations relating to our industry.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should thoroughly read this prospectus and the documents that we refer to herein with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements.

This prospectus contains certain data and information that we obtained from various government and private publications including industry data and information from Oliver Wyman. Statistical data in these publications also include projections based on a number of assumptions. The Chinese credit industry, and marketplace lending in particular, may not grow at the rate projected by market data, or at all. Failure of this industry to grow at the projected rate may have a material and adverse effect on our business and the market price of our ADSs. In addition, the new and rapidly changing nature of the credit and marketplace lending industry results in significant uncertainties for any projections or estimates relating to the growth prospects or future condition of our industry. Furthermore, if any one or more of the assumptions underlying the market data are later found to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

## USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US\$            million after deducting underwriting discounts and commissions and the estimated offering expenses payable by us. These estimates are based upon an assumed initial public offering price of US\$            per ADS, the midpoint of the price range shown on the front cover page of this prospectus. A US\$1.00 increase (decrease) in the assumed initial public offering price of US\$            per ADS would increase (decrease) the net proceeds to us from this offering by US\$            million as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The primary purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our shares, retain talented employees by providing them with equity incentives and enable access to the public equity markets for us and our shareholders. As of the date of this prospectus, we cannot specify with certainty all of the particular uses for the net proceeds to us from this offering. Currently, we intend to use the net proceeds from this offering for marketing purposes to further build our brand, upgrade our risk management, anti-fraud and billing operations systems. We intend to use the remaining portion of the net proceeds for general corporate purposes, including working capital, operating expenses and capital expenditures. Accordingly, our management will have discretion in the application of net proceeds to us from this offering, and investors will be relying on the judgment of our management regarding the use of these net proceeds.

In using the proceeds of this offering, we are permitted under PRC laws and regulations as an offshore holding company to provide funding to our PRC subsidiaries only through loans or capital contributions. Subject to satisfaction of applicable government registration and approval requirements, we may extend inter-company loans to our PRC subsidiary or make additional capital contributions to our PRC subsidiaries to fund their capital expenditures or working capital. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, which may delay or prevent us from providing the proceeds of this offering to our PRC subsidiaries. See "Risk Factors—Risks Related to PRC Laws Regulating Our Business and Industry—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of this offering and the concurrent private placement to make loans to or make additional capital contributions to our PRC subsidiary, which could materially and adversely affect our liquidity and our ability to fund and expand our business."



## DIVIDEND POLICY

Our board of directors has discretion regarding whether to declare or pay dividends. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. In either case, all dividends are 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 we are able to pay our 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 have never declared or paid cash dividends on our shares. We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future after this offering. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and grow 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. See "Risk Factors—Risks Related to Doing Business in China—Any limitation on the ability of our PRC subsidiaries to pay dividends or other distributions to us and repay their debts to creditors could limit our ability to distribute profits to our shareholders and fulfill our repayment obligations." and "Risk Factors—Risks Related to Doing Business in China—The PRC tax authorities' heightened scrutiny over acquisition transactions may have a negative impact on our business operations or our acquisitions or the value of your investment in us."

If we pay any dividends, we will pay such dividends on the shares represented by ADSs to the depositary, and the depositary will pay such dividends to our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See "Description of American Depositary Shares." Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

## EXCHANGE RATE INFORMATION

Our business is conducted in China, and our financial records are maintained in RMB, our functional currency. However, we use the U.S. dollar as our reporting currency; therefore, periodic reports made to shareholders will include current period amounts translated into U.S. dollars using the then-current exchange rates, for the convenience of the readers. Our financial statements have been translated into U.S. dollars in accordance with Statement of Financial Accounting Standard, or SFAS, No. 52, "Foreign Currency Translation," which was subsequently codified within ASC 830, "Foreign Currency Matters." The financial information is first prepared in RMB and then is translated into U.S. dollars at period-end exchange rates as to assets and liabilities and average exchange rates as to revenue and expenses. Capital accounts are translated at their historical exchange rates when the capital transactions occurred. The effects of foreign currency translation adjustments are included as a component of accumulated other comprehensive income (loss) in shareholders' equity.

We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. We do not currently engage in currency hedging transactions.

The following table sets forth, for the periods indicated, information concerning exchange rates between the RMB and the U.S. dollar based on the exchange rates set forth in the H.10 statistical release of the Federal Reserve Board. These rates are provided solely for your reference and convenience. Other than in accordance with relevant accounting rules and as otherwise stated, all translations of Renminbi into U.S. dollars in this prospectus were made at the rate of RMB6.9430 to US\$1.00, the noon buying rate on December 31, 2016, as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. We make no representation that the Renminbi or U.S. dollar amounts referred to in this prospectus 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 March 31 2017, the noon buying rate for Renminbi was RMB6.8832 to US\$1.00.

Period	Midpoint of Buy and Sell Prices for RMB per US\$1.00			
	Period-End	Average(1)	Low	High
2011	6.2939	6.4475	6.6017	6.2939
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2827	6.1870	6.4896
2016				
September	6.6685	6.6701	6.6600	6.6790
October	6.7735	6.7303	6.6685	6.7819
November	6.8837	6.8402	6.7534	6.9195
December	6.9430	6.9200	6.8771	6.9580
2017				
January	6.8768	6.8907	6.8360	6.9575
February	6.8665	6.8694	6.8517	6.8821
March	6.8832	6.8940	6.8687	6.9132

- (1) Annual averages are calculated using the average of the rates on the last business day of each month during the relevant year. Monthly averages are calculated using the average of the daily rates during the relevant month.

## CAPITALIZATION

The following table sets forth cash and cash equivalents, as well as our capitalization, as of September 30, 2016 as follows:

- on an actual basis; and
- on a pro forma as adjusted basis to reflect the sale of                      ordinary shares in the form of ADSs by us in this offering at an assumed initial public offering price of                      per ADS, the midpoint of the estimated range of the initial public offering price shown on the front cover of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

You should read this table together with the consolidated financial statements and related notes, and the sections titled "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" that are included in this prospectus.

<b><u>Shareholders' Equity</u></b>	<b><u>As of September 30, 2016 (unaudited) (US\$)</u></b>
Common stock, \$0.0001 par value, 500,000,000 shares authorized, 105,200 shares issued and outstanding	11
Additional paid-in capital	11,284,230
Accumulated other comprehensive loss	(957,308)
Retained earnings	5,936,775
<b>Total Shareholders' Equity</b>	<b>16,263,708</b>
<b>Total Capitalization</b>	<b>16,263,708</b>

## DILUTION

If you invest in our ADSs, your interest will be diluted to the extent of the difference between the initial public offering price per ADS and our net tangible book value per ADS after this offering. Dilution results from the fact that the initial public offering price per ordinary share is substantially in excess of the book value per ordinary share attributable to the existing shareholders for our presently outstanding ordinary shares.

Our net tangible book value as of September 30, 2016 was approximately US\$16.2 million, or US\$                      per ordinary share as of that date and US\$                      per ADS. Net tangible book value represents the amount of our total consolidated tangible assets, less the amount of our total consolidated liabilities. Dilution is determined by subtracting net tangible book value per ordinary share, after giving effect to the additional proceeds we will receive from this offering, from the assumed initial public offering price of \$                      per ordinary share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus adjusted to reflect the ADS-to-ordinary share ratio, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Without taking into account any other changes in net tangible book value after September 30, 2016, other than to give effect to (i) the sale of the ADSs offered in this offering at the assumed initial public offering price of US\$                      per ADS, the midpoint of the estimated range of the offering price, after deduction of the underwriting discounts and commissions and estimated offering expenses payable by us, and (ii) the exercise of options to subscribe 15,780 shares by                      under the 2016 Equity Incentive Plan, our pro forma as adjusted net tangible book value as of December 31, 2016 would have been approximately US\$                      million, or US\$                      per ordinary share and US\$                      per ADS. This represents an immediate increase in net tangible book value of US\$                      per ordinary share and US\$                      per ADS to the existing shareholders and an immediate dilution in net tangible book value of US\$                      per ordinary share and US\$                      per ADS to investors purchasing ADSs in this offering. The following table illustrates such dilution:

	<u>Per Ordinary Share (US\$)</u>	<u>Per ADS</u>
Assumed initial public offering price per ordinary share	\$	\$
Net tangible book value as per ordinary share of September 30, 2016	\$	\$
Pro forma as adjusted net tangible book value per ordinary share after giving effect to this offering	\$	\$
Amount of dilution in net tangible book value per ordinary share to new investors in this offering	\$	\$

A US\$1.00 change in the assumed public offering price of US\$                      per ADS would increase (decrease), in the case of an increase (decrease), our pro forma as adjusted net tangible book value after giving effect to this offering by approximately US\$                      million, the pro forma as adjusted net tangible book value per ordinary share and per ADS after giving effect to this offering by US\$                      per ordinary share and US\$                      per ADS and the dilution in pro forma as adjusted net tangible book value per ordinary share and per ADS to new investors in this offering by US\$                      per ordinary share and US\$                      per ADS, assuming no change to the number of ADSs offered by us as set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and other offering expenses.

The following table summarizes, on a pro forma as adjusted basis as of September 30, 2016, the differences between existing shareholders and the new investors with respect to the number of ordinary shares (in the form of ADSs or shares) purchased from us in this offering, the total consideration paid

and the average price per ordinary share and per ADS paid before deducting the underwriting discounts and commissions and estimated offering expenses.

	Ordinary Shares Purchased		Total Consideration		Average Price Per Ordinary Share (in US\$)	Average Price Per ADS (in US\$)
	Number	Percent	Amount (in US\$ thousands)	Percent		
Existing shareholders			%\$		%\$	\$
New investors			%\$		%\$	\$
Total			%\$		%	

The pro forma as adjusted information discussed above is illustrative only. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual initial public offering price of our ADSs and other terms of this offering determined at pricing.

As of the date of this prospectus, we had granted 15,780 options to our employees under our 2016 Equity Incentive Plan.

## ENFORCEMENT OF CIVIL LIABILITIES

We are incorporated in the Cayman Islands to take advantage of certain benefits associated with being a Cayman Islands exempted company, such as:

- political and economic stability;
- an effective judicial system;
- a favorable tax system;
- the absence of exchange control or currency restrictions; and
- the availability of professional and support services.

However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include, but are not limited to:

- the Cayman Islands has a less developed body of securities laws as compared to the United States and these securities laws provide significantly less protection to investors as compared to the United States; and
- Cayman Islands companies may not have standing to sue before the federal courts of the United States.

Substantially all of our operations are conducted in China, and substantially all of our assets are located in China. Some of our directors and executive officers are nationals or residents of jurisdictions other than the United States and some of their assets are located outside the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

We have appointed \_\_\_\_\_ as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

Maples and Calder (Hong Kong) LLP, our legal counsel as to Cayman Islands law, and Han Kun Law Offices, our legal counsel as to PRC law, have advised us, respectively, that there is uncertainty as to whether the courts of the Cayman Islands and China, respectively, would:

- recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or
- entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

There is uncertainty with regard to Cayman Islands law relating to whether a judgment obtained from the United States courts under civil liability provisions of the securities laws of the United States will be determined by the courts of the Cayman Islands as penal or punitive in nature. If such a determination is made, the courts of the Cayman Islands will not recognize or enforce the judgment against a Cayman Islands company. Because the courts of the Cayman Islands have yet to rule on whether such judgments are penal or punitive in nature, it is uncertain whether they would be enforceable in the Cayman Islands. Maples and Calder (Hong Kong) LLP, has advised us that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States, 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.

Han Kun Law Offices has further advised us that 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. China does not have any treaties or other form of reciprocity with the United States or the Cayman Islands that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law 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. Under the PRC Civil Procedures Law, foreign shareholders may originate actions based on PRC law against us in the PRC, if they can establish sufficient nexus to the PRC for a PRC court to have jurisdiction, and meet other procedural requirements, including, among others, the plaintiff must have a direct interest in the case, and there must be a concrete claim, a factual basis and a cause for the suit. However, it would be difficult for foreign shareholders to establish sufficient nexus to the PRC by virtue only of holding our ADSs or ordinary shares.

## CORPORATE HISTORY AND STRUCTURE

We commenced our online consumer finance marketplace business in March 2014. Hexindai Inc. was incorporated in Cayman Islands to be our holding company in April 2016. Hexindai Inc. then established a wholly owned subsidiary in Hong Kong, Hexindai Hong Kong Limited, or Hexindai HK, in May 2016, and Hexindai HK further established Beijing Hexin Yongheng Technology Development Co. Ltd., or Hexin Yongheng, our wholly owned subsidiary in China, in August 2016.

Hexin E-Commerce Co., Ltd, or Hexin E-Commerce, was established in China in March 2014. Mr. Xiaobo An, Mr. Xiaoning An and Mr. Xiaobin Zhai are the shareholders of Hexin E-Commerce, owning 94.99%, 0.01% and 5% of the equity interests in Hexin E-Commerce, respectively, as of the date of this prospectus. We obtained control and became the primary beneficiary of Hexin E-Commerce in November 2016 by entering into a series of contractual arrangements with Hexin E-Commerce and its shareholders.

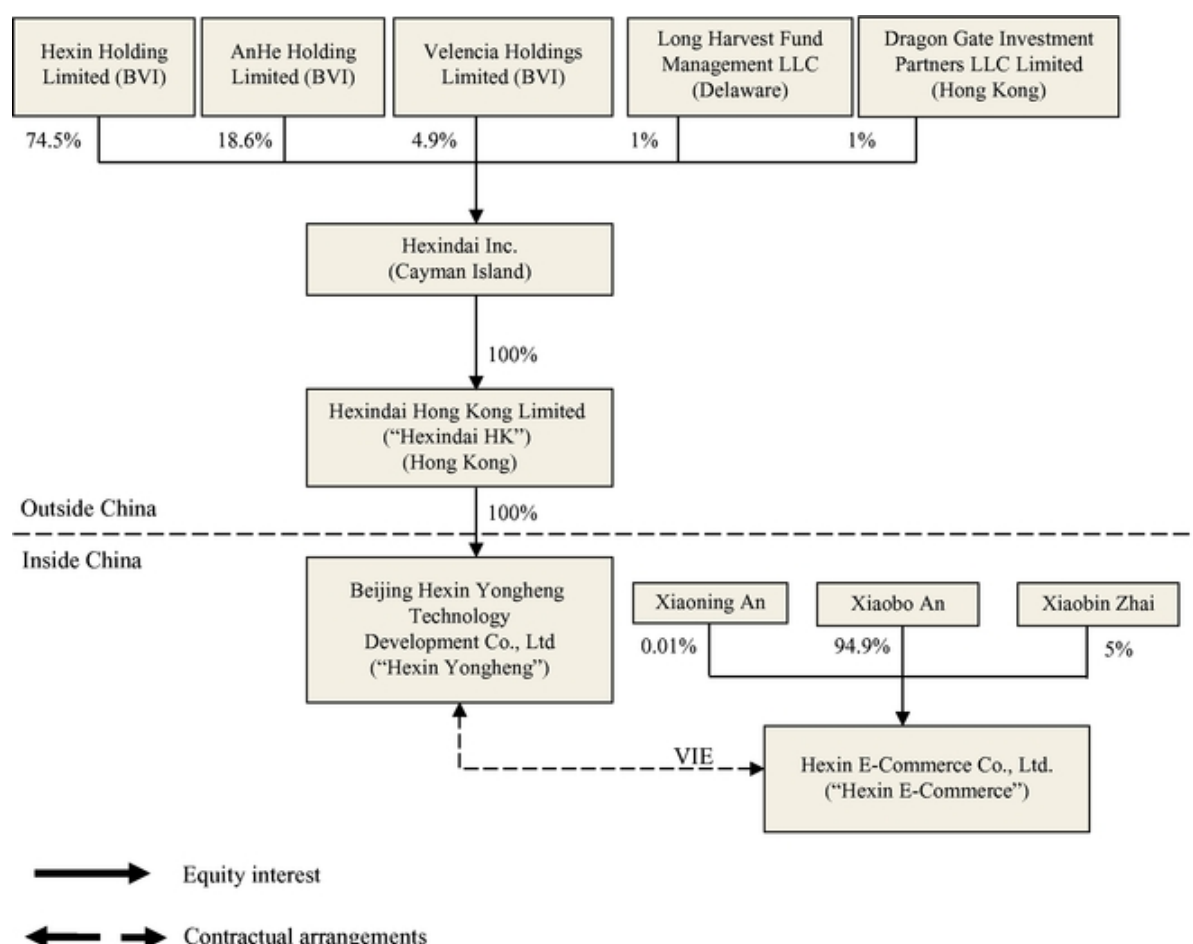
We currently conduct our online consumer finance marketplace business in China through Hexin Yongheng and our consolidated variable interest entity, Hexin E-Commerce. Hexin E-Commerce operates our website [www.hexindai.com](http://www.hexindai.com) and has an ICP license as an internet information provider.

We achieved the following milestones in connection with the development of our marketplace lending business:

- In December 2014, in recognition of our market position we became a founding member of the Beijing P2P Association. In the same month, we launched our mobile application for investors.
- In April 2015, we became a member of the China Association of Microfinance.
- In May 2016, we were awarded the "Gold Award for China's Top Ten Online Finance Platforms in terms of Risk Management Capability".
- In January 2017, we entered into a strategic cooperation agreement with China Everbright Bank, which will provide integrated financial services to our Company.
- In January 2017, we successfully integrated our asset custody system with Jiangxi Bank.
- In January 2017, we entered into a framework agreement with a reputable third-party insurance provider, Changan Insurance, to provide insurance coverage to investors and transitioned from the risk reserve liability policy to the insurance arrangement.



The following diagram illustrates our corporate structure, including our subsidiaries and consolidated variable interest entity, immediately upon the completion of this offering:



### Contractual Arrangements with Hexin E-Commerce

Due to PRC legal restrictions on foreign ownership and investment in value-added telecommunications services, and Internet content provision services in particular, we currently conduct these activities through Hexin E-Commerce, which we effectively control through a series of contractual arrangements. These contractual arrangements allow us to:

- exercise effective control over Hexin E-Commerce;
- receive substantially all of the economic benefits of Hexin E-Commerce; and
- have an exclusive option to purchase all or part of the equity interests in Hexin E-Commerce when and to the extent permitted by PRC law.

As a result of these contractual arrangements, we have become the primary beneficiary of Hexin E-Commerce, and we treat Hexin E-Commerce as our variable interest entity under U.S. GAAP. We have consolidated the financial results of Hexin E-Commerce in our consolidated financial statements in accordance with U.S. GAAP.

The following is a summary of the currently effective contractual arrangements by and among our wholly-owned subsidiary, Hexin Yongheng, our consolidated variable interest entity, Hexin E-Commerce, and the shareholders of Hexin E-Commerce.

***Agreements that Provide us Effective Control over Hexin E-Commerce***

***Equity Interest Pledge Agreements*** Pursuant to the equity interest pledge agreements, each shareholder of Hexin E-Commerce has pledged all of his equity interest in Hexin E-Commerce to guarantee the shareholder's and Hexin E-Commerce's performance of their obligations under the exclusive business cooperation agreement, loan agreement, exclusive option agreement and power of attorney. If Hexin E-Commerce or any of its shareholders breaches their contractual obligations under these agreements, Hexin Yongheng, as pledgee, will be entitled to certain rights regarding the pledged equity interests, including being paid in priority based on the monetary valuation that the equity interest is converted into or receiving proceeds from the auction or sale of the pledged equity interests of Hexin E-Commerce in accordance with the PRC law. Each of the shareholders of Hexin E-Commerce agrees that, during the term of the equity interest pledge agreements, he will not transfer the pledged equity interests or place or permit the existence of any security interest or encumbrance on the pledged equity interests without the prior written consent of Hexin Yongheng. The equity interest pledge agreements remain effective until Hexin E-Commerce and its shareholders discharge all of their obligations under the contractual arrangements. We have registered the equity pledge with the relevant office of the Administration for Industry and Commerce in accordance with the PRC Property Rights Law.

***Powers of Attorney*** Pursuant to the powers of attorney, each shareholder of Hexin E-Commerce has irrevocably appointed Hexin Yongheng to act as such shareholder's exclusive attorney-in-fact to exercise all shareholder rights, including, but not limited to, voting on all matters of Hexin E-Commerce requiring shareholder approval, disposing of all or part of the shareholder's equity interest in Hexin E-Commerce, and appointing directors and executive officers. Hexin Yongheng is entitled to designate any person to act as such shareholder's exclusive attorney-in-fact without notifying or the approval of such shareholder, and if required by PRC law, Hexin Yongheng shall designate a PRC citizen to exercise such right. Each power of attorney will remain in force for so long as the shareholder remains a shareholder of Hexin E-Commerce. Each shareholder has waived all the rights which have been authorized to Hexin Yongheng and will not exercise such rights.

***Agreement that Allows us to Receive Economic Benefits from Hexin E-Commerce***

***Exclusive Business Cooperation Agreement*** Under the exclusive business cooperation agreement between Hexin Yongheng and Hexin E-Commerce, Hexin Yongheng has the exclusive right to provide Hexin E-Commerce with technical support, consulting services and other services. Without Hexin Yongheng's prior written consent, Hexin E-Commerce agrees not to accept the same or any similar services provided by any third party. Hexin Yongheng may designate other parties to provide services to Hexin E-Commerce. Hexin E-Commerce agrees to pay service fees on a monthly basis and at an amount determined by Hexin Yongheng after taking into account multiple factors, such as the complexity and difficulty of the services provided, the time consumed, the content and commercial value of services provided and the market price of comparable services. Hexin Yongheng owns the intellectual property rights arising out of the performance of this agreement. In addition, Hexin E-Commerce has granted Hexin Yongheng an irrevocable and exclusive option to purchase any or all of the assets and businesses of Hexin E-Commerce at the lowest price permitted under PRC law. Unless otherwise agreed by the parties or terminated by Hexin Yongheng unilaterally, this agreement will remain effective permanently.

### ***Agreements that Provide Us with the Option to Purchase the Equity Interest in Hexin E-Commerce***

***Exclusive Option Agreements*** Pursuant to the exclusive option agreements, each shareholder of Hexin E-Commerce has irrevocably granted Hexin Yongheng an exclusive option to purchase, or have its designated person or persons to purchase, at its discretion, to the extent permitted under PRC law, all or part of the shareholder's equity interests in Hexin E-Commerce. The purchase price is RMB1 or the minimum price required by PRC law. If Hexin Yongheng exercises the option to purchase part of the equity interest held by a shareholder, the purchase price shall be calculated proportionally. Hexin E-Commerce and each of its shareholders have agreed to appoint any persons designated by Hexin Yongheng to act as Hexin E-Commerce's directors. Without Hexin Yongheng's prior written consent, Hexin E-Commerce shall not amend its articles of association, increase or decrease the registered capital, sell or otherwise dispose of its assets or beneficial interest, create or allow any encumbrance on its assets or other beneficial interests, provide any loans to any third parties, enter into any material contract with a value of more than RMB100,000 (US\$14,403) (except those contracts entered into in the ordinary course of business), merge with or acquire any other persons or make any investments, or distribute dividends to the shareholders. The shareholders of Hexin E-Commerce have agreed that, without Hexin Yongheng's prior written consent, they will not dispose of their equity interests in Hexin E-Commerce or create or allow any encumbrance on their equity interests. These agreements will remain effective until all equity interests of Hexin E-Commerce held by its shareholders have been transferred or assigned to Hexin Yongheng or its designated person(s).

***Loan Agreements*** Pursuant to the loan agreements between Hexin Yongheng and the shareholders of Hexin E-Commerce, Hexin Yongheng made loans in an aggregate amount of RMB510.0 million (US\$73.5 million) to the shareholders of Hexin E-Commerce solely for the capitalization of Hexin E-Commerce. Pursuant to the loan agreement, the method of repayment shall be at the sole discretion of Hexin Yongheng. At the option of Hexin Yongheng, shareholders shall repay the loans by the transfer of all their equity interest in Hexin E-Commerce to Hexin Yongheng or its designated person(s) pursuant to their respective exclusive option agreements. The shareholders must pay all of the proceeds from sale of such equity interests to Hexin Yongheng. In the event that shareholders sell their equity interests to Hexin Yongheng or its designated person(s) with a price equivalent to or less than the amount of the principal, the loans will be interest free. If the price is higher than the amount of the principal, the excess amount will be paid to Hexin Yongheng as the loan interest. The loan must be repaid immediately under certain circumstances, including, among others, if a foreign investor is permitted to hold majority or 100% equity interest in Hexin E-Commerce and Hexin Yongheng elects to exercise its exclusive equity purchase option. The term of the loans is ten years and can be extended upon mutual written consent of the parties.

In the opinion of Han Kun Law Offices, our PRC counsel:

- the ownership structures of Hexin Yongheng and Hexin E-Commerce, currently and immediately after giving effect to this offering, will not result in any violation of PRC laws or regulations currently in effect; and
- the contractual arrangements among Hexin Yongheng, Hexin E-Commerce and the shareholders of Hexin E-Commerce governed by PRC law, currently and immediately after giving effect to this offering, are valid, binding and enforceable, and do not and will not result in any violation of PRC laws or regulations currently in effect.

However, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. In particular, in January 2015, the MOC published a discussion draft of the proposed Foreign Investment Law for public review and comments. Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of "actual control" in determining whether a company is considered a foreign-invested enterprise, or an FIE. Under the draft Foreign Investment Law, variable interest entities

would also be deemed as FIEs, if they are ultimately "controlled" by foreign investors, and be subject to restrictions on foreign investments. However, the draft law has not taken a position on what actions will be taken with respect to the existing companies with the "variable interest entity" structure, whether or not these companies are controlled by Chinese parties. It is uncertain when the draft may be signed into law, if at all, and whether any final version would have substantial changes from the draft. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to the above opinion of our PRC counsel. If the PRC government finds that the agreements that establish the structure for operating our online consumer finance marketplace business do not comply with PRC government restrictions on foreign investment in value-added telecommunications services businesses, such as internet content provision services, we could be subject to severe penalties, including being prohibited from continuing operations. See "Risk Factors—Risks Related to Our Relationship with Hexin Group and Our Corporate Structure—If the PRC government decides that our contractual arrangements under the variable interest entity structure do not comply with PRC regulations, or if the regulatory environment changes, we may have to change our business model and/or be subject to penalties", "Risk Factors—Risks Related to PRC Laws Regulating Our Business and Industry—We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of Internet-related businesses and companies, and any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business and results of operations", "Risk Factors—Risks Related to PRC Laws Regulating Our Business and Industry—Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to us" and "Risk Factors—Risks Related to PRC Laws Regulating Our Business and Industry—Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations."

## **Our Relationship with Hexin Group**

Hexin Information Services Co., Ltd. ("Hexin Information") and Hexin Financial Information Services (Beijing) Co., Ltd. ("Hexin Financial Information") (collectively, the "Hexin Group"), are under common control of our chairman, Mr. Xiaobo An. Hexin Information was incorporated in December 2015 and 99.0% held by Mr. Xiaobo An. Hexin Financial Information was incorporated in April 2014 and 95.0% held by Mr. Xiaobo An. Hexin Information and Hexin Financial Information are both engaged in the provision of financial advisory services to urban and rural residents in China, including small and micro-enterprise owners, fixed income employees, college students and rural households. Except as otherwise disclosed in this prospectus, the operations, financial and business administration functions of Hexin Information and Hexin Financial Information are separate from Hexin E-Commerce and our Company.

Before Hexin E-Commerce was fully operational, in order to achieve a more efficient use of funds, Hexin Group and we implemented centralized treasury management. As a result, from its incorporation up to March 2016, Hexin E-Commerce's cash flows representing its revenues and expenses were managed through the bank accounts of Hexin Group. On January 12, 2017, Hexin E-Commerce separated its treasury management function from the Hexin Group. The net balance of funds, totaling approximately RMB77.1 million, which was the amount due to Hexin E-Commerce as of September 30, 2016, shall be paid to us in instalments under a collection plan before September 30, 2017, according to a memorandum signed by Hexin Information, Hexin Financial Information and us.

Hexin E-Commerce has relied on Hexin Information and Hexin Financial Information with respect to acquisition of borrowers through offline networks. Hexin Information and Hexin Financial Information are both engaged in provision of financial advisory services to urban and rural residents in China, including small and micro-enterprise owners, fixed income employees, college students and rural households. Hexin Information and Hexin Financial Information had extensive on-the-ground sales

networks through 39 and 60 physical branches in China as of December 31, 2016, respectively, and have each accumulated an extensive borrower base. Hexin E-Commerce's offline borrowers are mainly referred by Hexin Information with respect to unsecured credit loans and by Hexin Financial Information with respect to secured loans. In the fiscal years ended March 31, 2015 and 2016 and the six months ended September 30, 2016, over 90% of our borrowers were referred from Hexin Information and Hexin Financial Information. Borrowers referred by Hexin Information or Hexin Financial Information enter into separate agreements with each of Hexin E-Commerce and Hexin Information or Hexin Financial Information and pay consultation fees separately. Hexin E-Commerce does not pay fees to Hexin Information or Hexin Financial Information with respect to such referrals.

In the future, we will focus on unsecured credit loans and expect Hexin Group to continue to provide referrals of borrowers through offline networks. Hexin E-Commerce has entered into a framework cooperation agreement with Hexin Information and Hexin Financial Information with respect to their borrower referral and service arrangements. Pursuant to this agreement, the parties will continue the referral cooperation under the existing business model and no direct fees will incur between them.

Under the cooperation agreement, Hexin Group shall direct offline borrowers to Hexin E-Commerce for the facilitation of loan products on our online marketplace, and should obtain the explicit consent of Hexin E-Commerce before Hexin Group pursues any business opportunity by offering loan services and/or products to any offline borrower.

## SELECTED CONSOLIDATED FINANCIAL DATA

We were incorporated and commenced operations in March 2014. The following tables present selected consolidated financial data for the two fiscal years ended March 31, 2015 and 2016 and as of March 31, 2015 and 2016 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The following summary consolidated financial data for the six months ended September 30, 2015 and 2016 and as of September 30, 2016 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus and have been prepared on the same basis as our audited consolidated financial statements.

Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. Our historical results do not necessarily indicate results expected for any future periods. You should read this Summary Consolidated Financial Data section together with our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	For six months ended September 30,		For years ended March 31,	
	2015	2016	2015	2016
	(unaudited) (US\$)		(US\$)	
Statement of Income and Comprehensive Income (Loss):				
Net revenue	3,951,191	9,064,020	4,645,973	11,894,226
Loan facilitation, post-origination and other service, net	3,953,325	9,090,021	4,648,318	11,917,870
Business and sales related taxes	(2,134)	(26,001)	(2,345)	(23,644)
Operating expenses				
Sales and marketing expenses	1,634,537	1,853,748	2,605,042	3,840,143
Service and development expenses	854,306	2,381,367	1,605,636	2,358,867
General and administrative expenses	642,551	1,118,349	733,920	1,554,833
Total operating expense	3,131,394	5,353,464	4,944,598	7,753,843
Income (loss) from operations	819,797	3,710,556	(298,625)	4,140,383
Total other income (expense)	10,457	139,995	(7,704)	26,270
Income before income taxes	830,254	3,850,551	(306,329)	4,166,653
Provision (recovery) for income taxes	125,676	1,102,012	43,842	628,246
Net income(loss)	704,578	2,748,539	(350,171)	3,538,407
Basic and diluted earnings (loss) per common share	6.7	26.1	(3.3)	33.6
Weighted average number of shares outstanding	105,200	105,200	105,200	105,200

The following table presents our summary consolidated balance sheet data as of March 31, 2015 and 2016 and September 30, 2016.

	<u>As of September 30, 2016</u> (unaudited) (US\$)	<u>As of March 31,</u> <u>2015</u> <u>2016</u>	
<b>Balance sheet data</b>		(US\$)	
Total current assets	26,890,131	1,843,604	9,616,255
Total assets	28,163,267	7,391,838	22,388,695
Total current liabilities	11,899,559	4,041,450	8,380,935
Total liabilities	11,899,559	4,041,450	8,380,935
Total equity	16,263,708	3,350,388	14,007,760

The following table presents our summary operating for the fiscal years ended March 31, 2015 and 2016 and the six months ended September 30, 2015 and 2016.

	For the years ended March 31,		For the six months ended September 30,	
	2015	2016	2015	2016
(RMB'000, except percentages and numbers)				
<b>Loan volume facilitated<sup>(1)</sup></b>				
Credit loan principal	38,729	640,120	106,920	848,168
Secured loan principal	2,043,315	2,335,945	1,317,500	784,274
Total	<b>2,082,044</b>	<b>2,976,065</b>	<b>1,424,420</b>	<b>1,632,442</b>
<b>Number of transactions facilitated<sup>(2)</sup></b>				
Credit loan transactions	751	10,292	2,099	11,321
Secured loan transactions	2,691	2,957	1,663	1,010
Total	<b>3,442</b>	<b>13,249</b>	<b>3,762</b>	<b>12,331</b>
<b>Average individual transaction amount</b>				
Credit loan transactions	52	62	51	75
Secured loan transactions	759	790	792	777
Overall average	605	225	379	132
<b>Gross billing amount (net of VAT)<sup>(3)</sup></b>				
Credit loan	1,827	45,733	4,978	62,848
Secured loan	41,876	37,446	22,119	10,037
Total	<b>43,704</b>	<b>83,180</b>	<b>27,097</b>	<b>72,885</b>
<b>Gross billing ratio (net of VAT)</b>				
Credit loan	4.70%	7.10%	4.66%	7.40%
Secured loan	2.00%	1.60%	1.68%	1.30%
Total	2.10%	2.80%	1.90%	4.50%
<b>Number of borrowers</b>				
Credit loan transactions	751	10,292	2,099	11,321
Secured loan transactions	885	828	559	353
Total	<b>1,636</b>	<b>11,120</b>	<b>2,658</b>	<b>11,674</b>
<b>Number of investors</b>	<b>17,483</b>	<b>31,783</b>	<b>18,141</b>	<b>31,250</b>

- (1) Loan volume is defined as the total principal amount of loans facilitated on our marketplace during the relevant period.
- (2) Number of loan transactions facilitated is defined as the total number of loans facilitated on our marketplace during the relevant period.
- (3) Gross billings is defined as the total loan facilitation fees and loan management fees billed to borrowers before cash incentives, net of value added tax. It differs from the revenue recognized in the time of recognition.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section headed "Selected Consolidated Financial Information" and our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.*

### Overview

We are a fast-growing consumer lending marketplace facilitating loans to meet the increasing consumption demand of the emerging middle class in China. The "emerging middle class" consists largely of the lower mass population in China. We facilitated RMB7.6 billion loans from our inception of business in March 2014 through December 31, 2016. We provide borrowers with convenient and ready access to credit and investors with risk-adjusted investment returns. We offer borrowers a wide variety of loan products based on their specific financing needs and risk profiles through our online marketplace. We also service different investors through our online platform by offering them portfolio investments ("Wallets"), individual investments and loan-transfer services.

Through the nationwide physical networks of our cooperation partner, Hexin Group, which is majority-owned by our controlling shareholder, we source borrowers offline and conduct physical interviews as an integral part of our credit assessment and risk management process. We have also implemented risk-based pricing by assessing the credit risks of borrowers and then determining an appropriate loan amount and interest rate, taking into account the specific risk profiles of the borrowers.

Borrowers and investors can access our marketplace through multiple channels, including Internet, mobile applications, H5 and social media (such as Wechat and Weibo). These channels allow borrowers and investors to conveniently monitor the status of their loans or investments online and access our live support services. Throughout the term of the loan, we offer other post-origination services to borrowers including repayment-related management services. We provide investors with investment services and products including portfolio investments ("Wallets") and individual investments. Investors can use these tools to choose and customize their preferred loan investments. In addition, our online marketplace allows investors to transfer their loan commitments to other investors under certain circumstances and access our live support services.

We generate revenue primarily from fees charged for our services in matching investors with individual borrowers and for other services we provide to our users over the term of a loan. We primarily charge borrowers loan facilitation fees for services provided through our marketplace in facilitating credit loan transactions and loan management fees for secured loan transactions, and we also charge investors management fees for investing in our portfolio investments or individual investments.

We have experienced significant growth since we launched our marketplace in March 2014. Our total net revenue increased from US\$4.6 million in the fiscal year ended March 31, 2015 to US\$11.9 million in the fiscal year ended March 31, 2016, and increased from US\$4.0 million in the six months ended September 30, 2015 to US\$9.1 million in the six months ended September 30, 2016. Our net profit was US\$3.5 million in the fiscal year ended March 31, 2016, while our net loss was US\$350,171 in the fiscal year ended March 31, 2015. Our net profit increased by 290.0% from US\$704,578 in the six months ended September 30, 2015 to US\$2.7 million in the six months ended September 30, 2016.



## **Our Relationship with Hexin Group**

Hexin Information Services Co., Ltd. ("Hexin Information") and Hexin Financial Information Services (Beijing) Co., Ltd. ("Hexin Financial Information") (collectively, the "Hexin Group"), are under common control of our chairman, Mr. Xiaobo An. Hexin Information was incorporated in December 2015 and 99.0% held by Mr. Xiaobo An, whereas Hexin Financial Information was incorporated in April 2014 and 95.0% held by Mr. Xiaobo An. Hexin Information and Hexin Financial Information are both engaged in the provision of financial advisory services for financial products to urban and rural residents in China, including small and micro-enterprise owners, fixed income employees, college students and rural households. Except as otherwise disclosed in this prospectus, the operations, financial and business administration functions of Hexin Group are separate from Hexin E-Commerce and our Company. We have entered into a cooperation agreement with Hexin Group, under which Hexin Information or Hexin Financial Information refers offline borrowers to us for credit loans and secured loans, respectively, and we then provide online platform services to match investors with these borrowers. Our cooperation partners receive consultation fees from borrowers whereas we independently receive loan facilitation fees and loan management fees from borrowers. During the course of the facilitation of a loan, we do not receive any fees from our cooperation partners, and vice versa. See "Corporate History and Structure—Our Relationship with Hexin Group".

Before Hexin E-Commerce was fully operational, in order to achieve a more efficient use of funds, the Hexin Group entities implemented centralized treasury management. As a result, from its incorporation up to March 2016, Hexin E-Commerce's cash flows were managed through the bank accounts of Hexin Information and Hexin Financial Information. On January 12, 2017, Hexin E-Commerce separated its treasury management function from the Hexin Group. According to a memorandum signed by each of Hexin Information, Hexin Financial Information and us, the amount due to Hexin E-Commerce, shall be remitted to our bank account in instalments under a collection plan before September 30, 2017.

## Key Operation data

	For the years ended March 31,		For the six months ended September 30,	
	2015	2016	2015	2016
(RMB'000, except percentages and numbers)				
<b>Loan volume facilitated<sup>(1)</sup></b>				
Credit loan principal	38,729	640,120	106,920	848,168
Secured loan principal	2,043,315	2,335,945	1,317,500	784,274
Total	<b>2,082,044</b>	<b>2,976,065</b>	<b>1,424,420</b>	<b>1,632,442</b>
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<b>Average individual transaction amount</b>				
Credit loan transactions	52	62	51	75
Secured loan transactions	759	790	792	777
Overall average	605	225	379	132
<b>Gross billing amount (net of VAT)<sup>(3)</sup></b>				
Credit loan	1,827	45,733	4,978	62,848
Secured loan	41,876	37,446	22,119	10,037
Total	<b>43,704</b>	<b>83,180</b>	<b>27,097</b>	<b>72,885</b>
<b>Gross billing ratio (net of VAT)</b>				
Credit loan	4.70%	7.10%	4.66%	7.40%
Secured loan	2.00%	1.60%	1.68%	1.30%
Total	2.10%	2.80%	1.90%	4.50%
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- (2) Number of loan transactions facilitated is defined as the total number of loans facilitated on our marketplace during the relevant period
- (3) Gross billings is defined as the total loan facilitation fees and loan management fees billed to borrowers before cash incentives, net of value added tax. It differs from the revenue recognized in the time of recognition.

## Key Factors Affecting Our Results of Operations

We believe the key factors affecting our financial condition and results of operations include the following:

### ***Product Mix and Pricing***

Our ability to maintain profitability largely depends on our ability to continually optimize our product mix and to accurately price the loan products facilitated through our platform. We facilitate primarily medium-sized credit loans with terms of up to 36 months and secured loans with terms ranging from one to three months in the amount ranging from RMB20,000 to RMB140,000 to borrowers on our online marketplace.

As part of our business strategy, we have shifted our focus from secured loans to credit loans due to the higher gross billing ratio of credit loans. We have experienced rapid growth in the credit loans facilitated on our marketplace. In the six months ended September 30, 2016, credit loans represented approximately 52.0% of the total loans facilitated on our marketplace, as compared to 7.5% in the six months ended September 30, 2015. The total amount of credit loans facilitated on our marketplace experienced an increase of 693.3% from RMB106.9 million (US\$17.3 million) in the six months ended September 30, 2015 to RMB848.2 million (US\$128.5 million) in the six months ended September 30, 2016. The gross billing ratio of credit loans increased from 4.7% in the six months ended September 30, 2015 to 7.4% in the six months ended September 30, 2016. We expect to continue to focus on credit loans going forward.

We further categorize and tailor our loan products according to the borrowers' segmentation and different consumption financing needs. We currently offer several tailored loan products, including provident fund loans, property-owner loans, car-owner loans, insurance-holder loans and premier customer loans. We also segment our borrowers into five different credit grades, which we refer to as Grades A to Grade E. Among the five credit grades, Grade A represents the lowest risks associated with the borrowers, while Grade E represents the highest risks. Because of the different level of risk required to facilitate loans to Grade A, B, C, D and E borrowers, the rate of the loan facilitation or management service fee that we charge borrowers varies depending on the pricing grade of the loan facilitated. Any material change in the product mix and pricing could have a significant impact on our profitability and net income.

### ***Ability to Acquire Borrowers and Investors Effectively***

Our ability to increase the loan volume facilitated through our marketplace largely depends on our ability to attract potential borrowers and investors through sales and marketing efforts. Our sales and marketing efforts include those related to borrower and investor acquisition and retention, and general marketing. We intend to continue to dedicate significant resources to our sales and marketing efforts and constantly seek to improve the effectiveness of these efforts, in particular with regard to borrower and investor acquisition.

We utilize an O2O model to acquire borrowers, combining both an online platform and the extensive offline networks of our offline cooperation partners. We acquire borrowers through referrals from our offline cooperation partners' extensive nationwide on-the-ground sales network in China as part of our contractual arrangements with Hexin Information and Hexin Financial Information, which are owned by our controlling shareholder. Under the contractual arrangements, Hexin Group refers offline borrowers to us and we then offer our online loan facilitation services to these borrowers. See "Corporate History and Structure—Our Relationship with Hexin Group". In the fiscal years ended March 31, 2015 and 2016 and the six months ended September 30, 2016, over 90% of our borrowers were referred from Hexin Group. See "Risk Factors —Risks related to our relationship with Hexin Group and our corporate structure—If Hexin Group's business, results of operations or brand is

adversely affected, we may not be able to source new offline borrowers and our business, results of operations and brand will in turn be negatively affected." We primarily acquire investors through our online platform. Our investor acquisition channels primarily include sales and marketing campaigns for our mobile applications, customer referrals and promotional activities for institutional investors. If any of our current borrower or investor acquisition channels becomes less effective, if we are unable to continue to use any of these channels or if we are not successful in using new channels, we may not be able to attract new borrowers and investors in a cost-effective manner or convert potential borrowers and investors into active borrowers and investors, and may even lose our existing borrowers and investors to our competitors.

### ***The Economic Environment and Demand for Consumer Credit in China***

The success of our online platform is largely dependent on the demand for consumer credit in China, which is in turn dependent upon the overall economic conditions in China. Any downturn in China's economic growth may negatively affect borrowers' demand for loans as such economic uncertainty may affect individuals' level of disposable income and cause consumers to defer consumption of premium goods and services. An economic downturn may also negatively affect borrowers' repayment capability, which in turn may decrease their willingness to seek loans and potentially cause an increase in default rates. If actual or expected default rates increase generally in China or the consumer finance market, investors may delay or reduce their investments in loan products in general, including on our marketplace.

### ***The Regulatory Environment in China***

The regulatory environment for the consumer lending industry in China is developing and evolving, creating both challenges and opportunities that could affect our financial condition and results of operations. Most recently, multiple PRC governmental authorities have published various new laws and rules to further regulate the marketplace lending industry in China. See "Regulations—Regulations Relating to Online Consumer Lending—Regulations on Consumer Lending Service Providers". We will continue to make efforts to ensure that we are in compliance with the existing laws, regulations and governmental policies relating to our industry and will comply with new laws and regulations or changes under existing laws and regulations that may arise in the future. While new laws and regulations or changes to existing laws and regulations could make loans more difficult to be accepted by investors or borrowers on terms favorable to us, or at all, these laws and regulations could also provide new market opportunities. In addition, compliance with new laws and regulations may increase our operating expenses but may also drive increased loan volume to our marketplace and thus increase our revenue.

### ***Effectiveness of Risk Management***

Our ability to effectively assess the credit risk of borrowers, generate credit scores and segment borrowers into appropriate risk profiles affects our ability to facilitate suitable loans between borrowers and investors and implement risk-based pricing. With our proprietary technology, we have implemented a multi-stage credit assessment and risk management system to ensure the quality of borrowers and to prevent fraud. For more information on our risk management system, please see "Business—Our Technology and Risk Management System". The information and data we use may not be sufficient to allow us to adequately capture a borrower applicant's credit risk. We constantly update and optimize our risk management system, but the system may have loopholes or defects which may prevent us from effectively identifying risks, or the data provided by users may be inaccurate or stale or insufficient, such that we may misjudge the risk and misalign the risk profile and loan price. The information may also not be sufficient for prediction of future non-payment. Such risks and errors may erode investor

confidence in our marketplace and therefore harm our reputation and adversely affect our business and results of operations.

In addition, we maintained a risk reserve liability policy from March 2014 to January 2017. The funding and operation of a risk reserve might have a material impact on our financial conditions. A significant increase in our expected risk reserve liability would have a negative impact on our net revenue and net income. Our ability to assess the expected risk reserve liability depends on our ability to manage and forecast the performance, the delinquency or the M3+ Net Charge Off Rates, of the loans facilitated through our marketplace. Due to our limited operating history, we have limited amount of information to assess the overall default risk on non-payment of consumer loans, so that our forecast of loan loss may not be accurate.

We have also entered into a framework agreement with a reputable third-party insurance provider, Changan Insurance, to provide insurance coverage to investors for loans since February 1, 2017. In the event of borrower default, the insurance provider should compensate the investor for his principal investment amount and accrued interests, up to the insured amount specified in the insurance policy. During the transition from our risk reserve liability policy to our insurance arrangement, Changan Insurance took custody of the balance of our risk reserve and assumed the outstanding loan balances covered under the previous risk reserve. If the insurance provider decides an investor is not entitled to compensation, the investor may demand that we compensate him or her for the loss, which may adversely affect our reputation.

### ***Seasonality***

Our operating results are influenced by seasonal factors, including the timing of national holidays, as well as consumer spending habits, patterns and Internet usage. We generally experience lower transaction value on our online marketplace during national holidays in China, particularly during and after the Chinese New Year holiday season. Due to general consumer spending habits, demand for credit loans facilitated on our marketplace is generally higher in the third and fourth quarters before the Chinese New Year. As a result, we earn a higher portion of our revenue and net income during the third and fourth quarters. However, as we only have a relatively short operating history, the seasonal impact on our financial results is unclear. Therefore, while the seasonality of borrowing habits in China has an impact on our financial results, this impact may change depending on changes in consumer spending habits and the relative rates of growth in the volumes of our different loan products.

### **Key Components of Results of Operations**

#### ***Revenue***

Our revenue is generated from fees charged for providing services, including loan facilitation service fees, loan management service fees, post-origination service fees and others. We charge borrowers loan facilitation fees for services provided through our marketplace in facilitating credit loan transactions, and loan management service fees for services provided through our marketplace in facilitating secured loan transactions. We also charge investors a post-origination service fee. In addition, we charge other fees contingent on future events, such as penalty fees for late payment, one-time fees for investors transferring their creditor rights, and other service fees.

Our revenue is presented net of VAT and related surcharges. Our net revenue comprises fees earned net of liabilities associated with the risk reserve liability and cash incentives to investors, and is recognized as revenue from loan facilitation services, loan management services, post-origination services and other services.

The following table sets forth the reconciliation of our net revenue with fees billed for the periods presented:

	For years ended March 31,				For six months ended September 30,			
	2015		2016		2015		2016	
	(US\$)	% of revenue	(US\$)	% of revenue	(US\$)	% of revenue (unaudited)	(US\$)	% of revenue
<b>Revenue</b>								
Loan facilitation service	297,026	4.5%	7,228,135	49.4%	804,246	16.1%	9,522,355	78.8%
Loan management service	5,626,695	84.9%	6,166,334	42.2%	3,520,448	70.6%	1,901,708	15.7%
Post-origination service	700,627	10.6%	1,193,737	8.2%	641,839	12.9%	641,502	5.3%
Others	—	—	39,591	0.3%	22,091	0.4%	25,039	0.2%
Total revenue	<u>6,624,348</u>	<u>100.0%</u>	<u>14,627,797</u>	<u>100.0%</u>	<u>4,988,624</u>	<u>100.0%</u>	<u>12,090,604</u>	<u>100.0%</u>
Business and sales related taxes	2,345	0.0%	23,644	0.2%	2,134	0.0%	26,001	0.2%
Cash incentives	1,053,153	15.9%	837,418	5.7%	455,544	9.1%	592,925	4.9%
Risk reserve liability charge	922,877	13.9%	1,872,509	12.8%	579,755	11.6%	2,407,658	19.9%
<b>Net Revenue</b>	<u>4,645,973</u>	<u>—</u>	<u>11,894,226</u>	<u>—</u>	<u>3,951,191</u>	<u>—</u>	<u>9,064,020</u>	<u>—</u>

**Loan facilitation revenue** Loan facilitation fees are paid by credit loan borrowers upfront to us for the work we perform on our online platform. The amount of these fees is based upon the loan amount and other terms of the loan, including credit grade, maturity and other factors. Borrowers pay such fees upon loan issuance. Since inception of our business to September 30, 2016, these fees ranged from 2.7% to 25.2% of the loan principal amount.

Loan facilitation revenue was approximately US\$0.3 million, US\$7.2 million, US\$0.8 million and US\$9.5 million for the fiscal years ended March 31, 2015 and 2016 and the six months ended September 30, 2015 and 2016, respectively.

**Loan management revenue** Secured loan borrowers pay us a fixed monthly management service fee for services performed, which includes assessment service for the pledged assets, information service for borrower's monthly account statement and repayment. We recognize the loan management revenue over the loan period in accordance with the monthly services provided.

Loan management revenue was approximately US\$5.6 million, US\$6.2 million, US\$3.5 million and US\$1.9 million in the fiscal years ended March 31, 2015 and 2016 and the six months ended September 30, 2015 and 2016, respectively.

**Post-origination revenue** Investors typically pay us a post-origination service fee upon receipt of borrowers' interest payments. The post-origination service fee compensates us for facilitating loans on our marketplace so that investors can invest in suitable loan products. The amount of post-origination service fees charged depends on an investor's membership grade and can be modified or waived at management's discretion. We recognize the post-origination service fee upon receipt of borrowers' interest payments.

Post-origination revenue was approximately US\$0.7 million, US\$1.2 million, US\$0.6 million and US\$0.6 million in the fiscal years ended March 31, 2015 and 2016 and the six months ended September 30, 2015 and 2016, respectively.

**Cash incentives** In order to expand our market share, we provide cash incentives to new investors under our referral incentive program, as well as promotional cash incentives to existing investors from time to time. Upon the satisfaction of the terms and conditions under our referral incentive program or promotional campaigns, investors can redeem their cash incentives for credit to be used on our online marketplace. The cash incentives provided are accounted for as a reduction of revenue.

We paid cash incentives to investors in the amount of approximately US\$1.1 million, US\$0.8 million, US\$0.5 million and US\$0.6 million in the fiscal years ended March 31, 2015 and 2016 and the six months ended September 30, 2015 and 2016, respectively.

**Risk reserve liability** Since the inception of our business, we launched an investor protection service in the form of a risk reserve liability policy. In accordance with the agreements between our investors and us, if a borrower defaults under a loan, we are obligated to repay the investors the principal and accrued interest repayment of the defaulted loan liability. In accordance with the terms of the risk reserve liability policy, an amount equal to 1% and 2% of the loan amounts of all secured loans and credit loans including the principal and the interest, respectively, is set aside during a given period. We reserve the right to revise the percentage upwards or downwards based on our continuous evaluation of factors such as market dynamics as well as our product lines, profitability and cash position. Since February 1, 2017, we have terminated this risk reserve liability policy and introduced an insurance arrangement with a third-party insurer to protect investors against the risk of borrower defaults. See "Business—Risk Reserve Liability and Insurance".

Our risk reserve liabilities charge amounted to approximately US\$0.9 million, US\$1.9 million, US\$0.6 million and US\$2.4 million in the fiscal years ended March 31, 2015 and 2016 and the six months ended September 30, 2015 and 2016, respectively.

The following table sets forth the changes of the risk reserve liability for the periods indicated:

	For years ended March 31,		For six months ended September 30,	
	2015	2016	2015	2016
	(US\$)		(unaudited) (US\$)	
<b>Opening balance</b>	—	927,763	927,763	2,717,335
Liability arising at the inception of loans	3,447,105	5,715,313	2,471,528	3,758,620
Release on expiration	(2,524,228)	(3,699,071)	(1,886,156)	(1,350,962)
Payout	—	(143,733)	(5,616)	(1,759,963)
Foreign exchange translation impact	4,886	(82,937)	(49,900)	(96,766)
<b>Ending Balance</b>	<u>927,763</u>	<u>2,717,335</u>	<u>1,457,619</u>	<u>3,268,264</u>

## Operating expenses

Our operating expenses primarily consist of sales and marketing expenses, service and development expenses and general and administrative expenses. The following table sets forth a breakdown of our operating expenses for the periods indicated:

	For years ended March 31,		For six months ended September 30,	
	2015	2016	2015	2016
	(US\$)		(unaudited) (US\$)	
<b>Operating expenses</b>				
Sales and marketing expenses	2,605,042	3,840,143	1,634,537	1,853,748
Service and development expenses	1,605,636	2,358,867	854,306	2,381,367
General and administrative expenses	733,920	1,554,833	642,551	1,118,349
<b>Total operating expenses</b>	<u>4,944,598</u>	<u>7,753,843</u>	<u>3,131,394</u>	<u>5,353,464</u>

**Sales and marketing expenses** Sales and marketing expenses consist primarily of advertising expenses for acquiring borrowers and investors, building our brand recognition and salaries and benefits related to our sales and marketing team.

Sales and marketing expenses were US\$2.6 million, US\$3.8 million, US\$1.6 million and US\$1.9 million in the fiscal years ended March 31, 2015 and 2016 and the six months ended September 30, 2015 and 2016, respectively.

**Service and development expenses** Service and development expenses consist primarily of salaries, benefits and service costs directly relating to originating, developing and servicing loans for borrowers and investors. These expenses relate to credit assessment, maintenance and upgrading of our proprietary technology and risk management systems, live customer support, and third-party payment agent for fund management, payment, settlement and clearing services.

Service and development expenses were US\$1.6 million, US\$2.4 million, US\$0.9 million and US\$2.4 million in the fiscal years ended March 31, 2015 and 2016 and the six months ended September 30, 2015 and 2016, respectively.

**General and administrative expenses** General and administrative expenses consist primarily of salaries and benefits related to our management, accounting and finance, legal and human resources teams and other operating expenses

General and administrative expenses were US\$0.7 million, US\$1.6 million, US\$0.6 million and US\$1.1 million in the fiscal years ended March 31, 2015 and 2016 and the six months ended September 30, 2015 and 2016, respectively.

## Income Taxes

### *Cayman Islands*

We are incorporated in the Cayman Islands and are not subject to income taxes or capital gain under the current laws of Cayman Islands.

### *Hong Kong*

Our wholly-owned Hong Kong subsidiary is an investment holding company registered in Hong Kong and is exempted from income tax on its foreign-derived income.

### *PRC*

Our subsidiary, Hexin Yongheng, and our consolidated VIE, Hexin E-Commerce, both established in the PRC, are subject to the PRC statutory income tax rate of 25%, according to the PRC Enterprise Income Tax, or EIT, law. Our VIE, Hexin E-Commerce, was granted the "high technology enterprise" status in the fiscal year ended March 31, 2016 and thus qualified to a preferred income tax rate of 15%. Substantially all our pre-tax income originates from Hexin E-Commerce. Tianjin Hexin E-Commerce, a wholly-owned subsidiary of Hexin E-Commerce, does not qualify as a "high technology enterprise", and therefore is subject to 25% statutory income tax rate.

Pursuant to the EIT law and its implementation rules, dividends paid to non-PRC resident enterprise investors that are considered PRC-sourced are subject to a 10% withholding tax. Under the Arrangement between Mainland China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion on Income (the "Arrangement"), a qualified Hong Kong tax resident which is determined by the competent PRC tax authority to have satisfied relevant requirements under the Arrangement and other applicable PRC laws is entitled to a reduced withholding tax rate of 5%.

In the fiscal years ended March 31, 2015 and 2016, the income tax provision was US\$0.04 million and US\$0.6 million, respectively. Our effective tax rates for the fiscal years ended March 31, 2015 and 2016 was (14.3%) and 15.1%, respectively. In the six months ended September 30, 2015 and 2016, the income tax provision was US\$0.1 million and US\$1.1 million, respectively. Our effective tax rates in the six months ended September 30, 2015 and 2016, were 15.1% and 28.6%, respectively.



Effective January 1, 2012, the PRC Ministry of Finance and the State Administration of Taxation launched a Business Tax to Value-Added Tax Transformation Pilot Program, which imposes VAT in lieu of business tax for certain "modern service industries" in certain regions and eventually expanded to nation-wide application in 2013. On March 23, 2016, the PRC Ministry of Finance and the SAT released the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax, or Circular 36. According to the Circular 36, the "modern service industries" include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties and attestation and consulting services. According to the Circular 36, our PRC subsidiary was subject to VAT at a rate of 6% in lieu of business tax. With the adoption of the VAT Pilot Program, the amount of our revenue that is subject to VAT payable on goods sold or taxable services provided by a general VAT taxpayer for a taxable period is the net balance of the output VAT for the period after crediting the input VAT for the period. Hence, the amount of VAT payable does not result directly from output VAT generated from goods sold or taxable services provided. Therefore, we have adopted the net presentation of VAT.

### **Critical Accounting Policies, Judgments and Estimates**

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

Our consolidated financial statements have been prepared in accordance with U.S GAAP and include the financial statements of Hexindai Inc., Hexindai Hong Kong Limited, Beijing Hexin Yongheng Technology Development Co., Ltd., Hexin E-Commerce and Hexin E-Commerce's Tianjin branch.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during each reporting period. Actual results could differ from those estimates. Significant accounting estimates reflected in our consolidated financial statements include: the Company's ability to realize deferred tax assets, estimated useful lives and fair value in connection with the impairment of property and equipment, risk reserve liability and accruals for income tax uncertainties.

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

### ***Basis of Presentation and Consolidation***

We are a Cayman Islands company and our PRC subsidiary is considered a foreign invested enterprise. In order to comply with PRC laws and regulations, we conduct our operations in China through a series of contractual arrangements entered into among Hexin Yongheng, Hexin E-Commerce and the shareholders of Hexin E-Commerce. As a result of these contractual arrangements, we exert control over Hexin E-Commerce and consolidate its operating results in our financial statements under U.S. GAAP. Hexin E-Commerce holds assets material to our business operations, including the ICP License, domain names and trademarks and software licences. Most of our revenues, costs and expenses directly related to loan facilitation and servicing in China are generated through Hexin E-Commerce. As a result of the contractual arrangements, we have the ability to direct the activities of

Hexin E-Commerce that most significantly impact its economic performance, and to obtain a majority of the residual returns of Hexin E-Commerce. We are considered the primary beneficiary of Hexin E-Commerce, and accordingly the entity is our variable interest entity under U.S. GAAP and we consolidate its results in our consolidated financial statements. Any changes in PRC laws and regulations that affect our ability to control Hexin E-Commerce might preclude us from consolidating the entity in the future.

Our historical results for any period presented are not necessarily indicative of the results to be expected for any future period. Although we believe that the assumptions underlying our consolidated financial statements and the allocations made to us are reasonable, our basis of presentation and allocation methodologies required significant assumptions, estimates and judgments. Using a different set of assumptions, estimates and judgments would have materially impacted our financial position and results of operations.

### ***Revenue Recognition***

We are an online marketplace connecting borrowers and investors. We perform loan facilitation and management services to borrowers and post-origination services to investors and earn revenue accordingly. We charge borrowers loan facilitation fees or management service fees for facilitating loan transactions, and we charge investors post-origination service fees for their participation in portfolio investments ("Wallets") and individual investments. These fees are collectively referred to as non-contingent fees. We also receive fees contingent on future events, such as penalty fees for loan prepayment or late payment, fees for transferring loans and other management fees.

Revenue is recognized when all of the following conditions are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collectability is reasonably assured. These criteria as they relate to each of the following major revenue generating activities are described below.

#### ***Multiple element revenue recognition***

**Revenue from credit loan transactions** We consider the loan facilitation services, post-facilitation services and the risk reserve liability as a multiple deliverable revenue arrangement, and that both investors and borrowers are our customers. We receive loan facilitation service fees paid by credit loan borrowers upfront at the time of credit loan issuance and post-facilitation service fees from investors when investors receive each interest payment from borrowers over the term of the credit loan. During the period of time we maintained the risk reserve liability policy, the amount equal to the fair value of the risk reserve liability was first allocated to the risk reserve liability in accordance with ASC Topic 460, "Guarantees" at fair value, including a margin. The remaining amount from investors and borrowers were allocated to loan facilitation fees and post-facilitation service fees using the best estimated selling price, as neither vendor specific objective evidence nor third party evidence of selling price is available. Loan facilitation revenue is recognized at loan inception. Revenue earned from investors for post-facilitation services is recognized over the term of the loan as cash is received.

**Revenue from secured loan transactions** We consider the loan management services, post-facilitation management services and the risk reserve liability as a multiple deliverable revenue arrangement, and that both investors and borrowers are our customers. We receive loan management service fees paid by secured loan borrowers over the term of secured loan and post-facilitation service fees from investors when investors receive each interest payment from borrowers over the term of the secured loan. During the period of time we maintained the risk reserve liability policy, the amount equal to the fair value of the risk reserve liability was first allocated to the risk reserve liability in accordance with ASC Topic 460, "Guarantees" at fair value, including a margin. The remaining amount from investors and borrowers was allocated to loan management service fees and post-facilitation

service fees using the best estimated selling price, as neither vendor specific objective evidence nor third party evidence of selling price is available. Loan management service fee is recognized over the loan period in accordance with the monthly service provided. Revenue earned from investors for post-facilitation services is recognized over the term of the loan as cash is received.

#### ***Other revenue***

Other revenue charged to investors includes membership fees, banking fees and one-time fees for loan transfers. Other revenue is recognized as earned.

#### ***Cash incentives reward program***

To expand our market presence, we provide cash incentives to new investors under our referral incentive program, as well as promotional cash incentives to existing investors from time to time. Upon the satisfaction of the terms and conditions under our referral incentive program or promotional campaigns, investors can redeem their cash incentives for credit to be used on our online marketplace. The cash incentives provided are accounted for as a reduction of revenue in accordance with ASC subtopic 605-50.

#### ***Risk reserve liability***

Since the inception of our business, we launched an investor protection service in the form of a risk reserve liability policy. In accordance with the risk reserve liability policy if a borrower defaults under a loan, we are obligated to repay the investors the principal and accrued interest repayment of the defaulted loan liability up to the amount of the risk reserve. See "Risk Factors—Risks Related to PRC Laws Regulating Our Business and Industry—Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to us", "Risk Factors—Risks Related to PRC Laws Regulating Our Business and Industry—The laws and regulations governing the marketplace lending service industry in China are developing and evolving and subject to changes. If our practice is deemed to violate any PRC laws or regulations, our business, financial conditions and results of operations would be materially and adversely affected."

In accordance with the terms of the risk reserve liability policy, an amount equal to 1% and 2% of the loan amounts of all secured loans and credit loans including the principal and the interest, respectively, is set aside during a given period ("Risk Reserve Liability Rate"). In accordance with ASC 460-10-55-23 (b), at the inception of each loan, we recognize a risk reserve liability based on the contractual term and offset the revenue. According to ASC 460-10-35-1, the risk reserve liability initially recognized would typically be reduced as we are released from risk under the risk reserve liability policy either through expiry or performance. We track our risk reserve liability on a loan-by-loan basis to monitor the expiration.

We reserve the right to revise the percentage of the Risk Reserve Liability Rate upwards or downwards as a result of our continuing evaluation of factors such as working capital and market conditions. There is no limit on the period of time in which an investor can receive payments for unpaid interest and principal from the risk reserve liability policy, but our obligation under the risk reserve liability policy to make payments is limited to the balance of the risk reserve liability at any point in time.

In accordance with ASC 460-10-55-23 (b), at the inception of each loan, we recognize a stand-ready liability based on the Risk Reserve Liability Rate of the total loan facilitation amount under all secured loans and credit loans, respectively, and offset the revenue. We estimate the fair value of the risk reserve liability based on the expected future payouts from the estimated M3+ Net Charge off Rates, which is assessed from the underlying borrower's risk assessment and historical and estimated future loan defaults. We believe the recognition of a stand-ready liability based on a Risk Reserve

Liability Rate of loan facilitation amount under all secured loans and credit loans is a more conservative approach given that we only have a short operating history. We regularly review the borrower's risk profile, actual loss rate of each loan performance to ensure the estimation are kept up-to-date.

On a portfolio basis, when the aggregate contingent liability required to be recognized under ASC 450-20-25 exceeds the risk reserve liability balance, we will record the excess as expense.

On January 25, 2017, we entered into an agreement with Changan Insurance, a third party insurance company (the "Insurance Agreement"). Pursuant to the Insurance Agreement, effective as of February 1, 2017, the insurance company charges borrowers an insurance premium at 2% of the loan principal amount plus interest for loans facilitated on our marketplace, which is to be collected by us on behalf of the insurance company at the inception of each loan. Additionally, we paid the balance of the risk reserve liability to the insurance company as a one-time premium at the inception of the Insurance Agreement. In return, the insurance company assumes our risk reserve liability obligation on the outstanding loan balances that were covered under the risk reserve liability policy and insures future defaults. We will no longer record risk reserve liability because we only facilitate but do not enter into the insurance policies between Changan Insurance and investors and therefore investors have no recourse towards us.

### ***Income taxes***

Our subsidiary and VIE in China are subject to the income tax laws of the relevant tax jurisdiction. No taxable income was generated outside the PRC for the fiscal years ended March 31, 2015 and 2016. We account for income tax under the asset and liability method, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of the events that have been included in the financial statements or tax returns. Deferred income taxes will be recognized if significant temporary differences between tax and financial statements occur. Valuation allowances are established against net deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized. As of March 31, 2015 and 2016, no valuation allowance is considered necessary.

In the normal course of business, we may be subject to challenges from taxing authorities regarding the amounts of taxes due. These challenges may alter the timing or amount of taxable income or deductions. Management determines whether the benefits of our tax positions are "more likely than not" to be sustained upon audit based on the technical merits of the tax position. We record a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated.

We continually evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. An uncertain tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. According to our management's assessment, no significant penalties or interest relating to income taxes were incurred for the years ended March 31, 2015 and 2016. All tax returns since our inception of business are still subject to examination by tax authorities.

### ***Foreign currency translation***

Since we operate primarily in the PRC, our functional currency is the Chinese Yuan ("RMB"). Our financial statements have been translated into the reporting currency the United States Dollar. Our assets and liabilities are translated at the exchange rate at each reporting period end date. Equity

is translated at historical rates. Income and expense accounts are translated at the average rate of exchange during the reporting period. The resulting translation adjustments are reported under other comprehensive income. Gains and losses resulting from the translations of foreign currency transactions and balances are reflected in the statements of income.

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into USD at the rates used in translation.

## **Internal Control Over Financial Reporting**

In connection with the audit of our consolidated financial statements as of and for the two fiscal years ended March 31, 2015, 2016 and the six months ended September 31, 2016, we and our independent registered public accounting firm identified three material weaknesses in our internal control over financial reporting.

The material weaknesses identified related to (i) a lack of accounting staff and resources with appropriate knowledge of U.S. GAAP and SEC reporting and compliance requirements; (ii) a lack of sufficient documented financial closing policies and procedures; and (iii) a lack of independent directors and an audit committee. Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control under the Sarbanes-Oxley Act for purposes of identifying and reporting any weakness in our internal control over financial reporting.

To remedy our identified material weaknesses/significant deficiencies, we will adopt several measures to improve our internal control over financial reporting, including (i) hiring more qualified accounting personnel, including a reporting manager, with relevant U.S. GAAP and SEC reporting experience and qualifications to strengthen the financial reporting function and setting up a financial and system control framework; (ii) setting up an internal audit function as well as engaging an external consulting firm to assist us with assessment of Sarbanes-Oxley compliance requirements and improvement of overall internal controls; and (iii) hiring independent directors, establishing an audit committee and strengthening corporate governance.

The process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligations. See "Risk Factors—Risks Related to Our Business and Industry—If we fail to implement and maintain an effective system of internal controls or fail to remediate the material weaknesses in our internal control over financial reporting that have been identified, we may not be able to accurately report our financial results or prevent fraud."

As a company with less than US\$1.0 billion in revenue for our last fiscal year, we qualify as an "emerging growth company" pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, in the assessment of the emerging growth company's internal control over financial reporting. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

## 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 net revenue. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. We began our business operations in March 2014. Due to our limited operating history, period-to-period comparisons discussed below may not be meaningful and are not indicative of our future trends. See "Risk Factors—Risks Related to Our Business—We have a limited operating history in a new and evolving market, which makes it difficult to evaluate our future prospects."

	For the fiscal years ended March 31,				For the six months ended September 30,			
	2015		2016		2015		2016	
	US\$	%	US\$	%	US\$	%	US\$	%
<b>Net revenue</b>	4,645,973	100.0	11,894,226	100.0	3,951,191	100.0	9,064,020	100.0
<b>Operating expenses</b>								
Sales and marketing	2,605,042	56.1%	3,840,143	32.3%	1,634,537	41.4%	1,853,748	20.5%
Service and development	1,605,636	34.6%	2,358,867	19.8%	854,306	21.6%	2,381,367	26.3%
General and administrative	733,920	15.8%	1,554,833	13.1%	642,551	16.3%	1,118,349	12.3%
<b>Total operating expenses</b>	4,944,598	106.4%	7,753,843	65.2%	3,131,394	79.3%	5,353,464	59.1%
<b>Other income (expenses)</b>								
Other income	5,151	0.1%	37,751	0.3%	18,788	0.5%	155,572	1.7%
Other expense	(12,855)	-0.3%	(11,481)	-0.1%	(8,331)	-0.2%	(15,577)	-0.2%
<b>Total other income (expense)</b>	(7,704)	-0.2%	26,270	0.2%	10,457	0.3%	139,995	1.5%
<b>(Loss)/income before provision for income taxes</b>	(306,329)	-6.6%	4,166,653	35.0%	830,254	21.0%	3,850,551	42.5%
Provision for income tax	43,842	0.9%	628,246	5.3%	125,676	3.2%	1,102,012	12.2%
<b>Net (loss)/income</b>	<u>(350,171)</u>	<u>-7.5%</u>	<u>3,538,407</u>	<u>29.7%</u>	<u>704,578</u>	<u>17.8%</u>	<u>2,748,539</u>	<u>30.3%</u>

The following table sets forth our revenue breakdown for the periods indicated:

	For the fiscal years ended March 31,		For the six months ended September 30,	
	2015	2016	2015	2016
	(US\$)			
<b>Revenue:<sup>(1)</sup></b>				
Loan facilitation service	297,026	7,228,135	804,246	9,522,355
Loan management service	5,626,695	6,166,334	3,520,448	1,901,708
Post-origination service	700,627	1,193,737	641,839	641,502
Others	—	39,591	22,091	25,039
<b>Total revenue</b>	6,624,348	14,627,797	4,988,624	12,090,604
Business and sales related taxes	2,345	23,644	2,134	26,001
Cash incentives	1,053,153	837,418	455,544	592,925
Risk reserve liability charge	922,877	1,872,509	579,755	2,407,658
<b>Net Revenue</b>	<u>4,645,973</u>	<u>11,894,226</u>	<u>3,951,191</u>	<u>9,064,020</u>

(1) Represents amounts prior to VAT.

**Six Months Ended September 30, 2016 Compared to Six Months Ended September 30, 2015**

**Net revenue** Our net revenue increased by US\$5.1 million, or 129.4%, from US\$4.0 million in the six months ended September 30, 2015 to US\$9.1 million in the six months ended September 30, 2016, primarily due to the substantial increase in the volume of loans facilitated through our marketplace, which increased from approximately RMB1,424.4 million (US\$230.1 million) in the six months ended September 30, 2015 to RMB1,632.4 million (US\$247.3 million) in the six months ended September 30, 2016. The increase in the volume of loans facilitated through our marketplace was driven by a substantial increase in the number of our borrowers from 2,658 in the six months ended September 30, 2015 to 11,674 in the six months ended September 30, 2016.

- **Loan facilitation revenue** Loan facilitation revenue increased by US\$8.7 million, or 1,084.0%, from US\$0.8 million in the six months ended September 30, 2015 to US\$9.5 million in the six months ended September 30, 2016. The dramatic increase was primarily due to an increase in the volume of credit loans facilitated through our online marketplace. We lowered the rate of the loan facilitation service fee in the fiscal year ended March 31, 2015 to attract more borrowers. During the six months ended September 30, 2016, the volume of credit loans facilitated through our online marketplace was RMB848.2 million (US\$128.5 million), compared to RMB106.9 million (US\$17.3 million) in the six months ended September 30, 2015. The gross billing ratio, net of VAT, of credit loans also increased from 4.7% to 7.4% during the same period.
- **Loan management revenue** Loan facilitation revenue decreased by US\$1.6 million, or 46.0%, from US\$3.5 million in the six months ended September 30, 2015 to US\$1.9 million in the six months ended September 30, 2016. The decrease was mainly due to a shift in our corporate strategy of focusing more on credit loans, rather than secured loans, which led to a slowdown of secured loans transacted on our online marketplace. In the six months ended September 30, 2016, we facilitated a total volume of RMB784.3 million (US\$118.8 million) of secured loan products on our online marketplace, compared to RMB1,317.5 million (US\$212.9 million) in the six months ended September 30, 2015. Due to the promulgation of the Interim Measures in August 2016, which limits the maximum investment of each individual investor to RMB200,000 (US\$28,806.0), in the second half of 2016 we decided to shift our corporate strategy away to focus on credit loans, rather than secured loans.
- **Post-origination revenue** Post-origination revenue was approximately US\$0.6 million in both the six months ended September 30, 2015 and 2016. The post-origination revenue remained stable due to our change in product mix in the six months ended September 30, 2016. The increase in the volume of credit loans was offset by the decrease in the volume of secure loans facilitated on our marketplace.

**Operating expenses** Our total operating expenses increased by US\$2.2 million, or 71.0%, from US\$3.1 million in the six months ended September 30, 2015 to US\$5.4 million in the six months ended September 30, 2016, primarily attributable to the increase in service and development expenses.

- **Sales and marketing expenses** Our sales and marketing expenses increased by US\$0.3 million, or 13.4%, from US\$1.6 million in the six months ended September 30, 2015 to US\$1.9 million in the six months ended September 30, 2016. The increase was primarily due to the increase in expenses associated with our increased marketing efforts to increase our brand awareness and therefore acquire more users. Our sales and marketing expenses as a percentage of our total revenue decreased from 41.4% to 20.5% during the same period, primarily due to the improved effectiveness of our user acquisition efforts.
- **Service and development expenses** Our service and development expenses increased by US\$1.5 million, or 178.7%, from US\$0.9 million in the six months ended September 30, 2015 to US\$2.4 million in the six months ended September 30, 2016, in line with the substantial increase

in the volume of loans facilitated through our marketplace. Our service and development expenses as a percentage of our total revenue increased from 21.6% to 26.3% during the same period, primarily attributable to an expansion of our product development and operational team.

- *General and administrative expenses* Our general and administrative expenses increased by US\$0.5 million, or 74.0%, from US\$0.6 million in the six months ended September 30, 2015 to US\$1.1 million in the six months ended September 30, 2016, primarily due to the increase in salaries and benefits paid to our general and administrative personnel as well as the increase in professional service fees we paid to third-party service providers in preparation for this offering. Our general and administrative expenses as a percentage of our total revenue decreased from 16.3% to 12.3% during the same period, primarily because our improved operational efficiency enabled us to achieve rapid revenue growth with relatively slower growth in general and administrative expenses.

*Other income, net* Our other income was US\$0.1 million in the six months ended September 30, 2016, as compared to US\$0.01 million in the six months ended September 30, 2015.

*Income tax expenses* Our income tax expense was US\$1.1 million in the six months ended September 30, 2016, as compared to US\$0.1 million in the six months ended September 30, 2015, primarily because we generated net income before provision for income taxes in the six months ended September 30, 2016, as compared to a loss before provision for income taxes in the six months ended September 30, 2015.

*Cash incentives* The cash incentives we paid to investors increased by US\$0.1 million, or 30.2%, from US\$0.5 million in the six months ended September 30, 2015 to US\$0.6 million in the six months ended September 30, 2016, primarily due to an increase in our promotional marketing activities.

*Risk reserve liability* The risk reserve liability charge increased by US\$1.8 million, or 315.3%, from US\$0.6 million in the six months ended September 30, 2015 to US\$2.4 million in the six months ended September 30, 2016, primarily due to the significant increase in the volume of credit loans facilitated through our online marketplace during the six months ended September 30, 2016.

*Net income/(loss)* As a result of the foregoing, we recorded net income of US\$2.7 million in the six months ended September 30, 2016, as compared to a net income of US\$0.7 million in the six months ended September 30, 2015.

#### **Year Ended March 31, 2016 Compared to Year Ended March 31, 2015**

*Net revenue* Our net revenue increased by US\$7.2 million, or 156.0%, from US\$4.6 million in the fiscal year ended March 31, 2015 to US\$11.9 million in the fiscal year ended March 31, 2016, primarily due to the substantial increase in the volume of loans facilitated through our marketplace, which increased from approximately RMB2.1 billion (US\$338.4 million) in the fiscal year ended March 31, 2015 to RMB3.0 billion (US\$470.4 million) in the fiscal year ended March 31, 2016. The increase in the volume of loans facilitated through our marketplace was due to a substantial increase in the number of borrowers from 1,636 in the fiscal year ended March 31, 2015 to 11,120 in the fiscal year ended March 31, 2016.

- *Loan facilitation revenue* Loan facilitation revenue increased significantly from US\$0.3 million in the fiscal year ended March 31, 2015 to US\$7.2 million in the fiscal year ended March 31, 2016. The dramatic increase was primarily due to an increase in the volume of credit loans facilitated through our online platform from RMB38.7 million (US\$6.3 million) in the fiscal year ended March 31, 2015 to RMB640.1 million (US\$101.2 million) in the fiscal year ended March 31, 2016. In order to gain market entry, we charged a lower loan facilitation service fee in the fiscal year ended March 31, 2015, and in the fiscal year ended March 31, 2016 we gradually increased the loan facilitation service fee charged to borrowers as we captured more market share.



- *Loan management revenue* Loan management revenue increased by US\$0.5 million, or 9.6%, from US\$5.6 million in the fiscal year ended March 31, 2015 to US\$6.2 million in the fiscal year ended March 31, 2016. The increase in loan management revenue was mainly due to the 14.3% increase in volume of secured loans transacted on our online platform, from RMB2.0 billion (US\$332.1 million) in the fiscal year ended March 31, 2015 to RMB2.3 billion (US\$369.2 million) in the fiscal year ended March 31, 2016.
- *Post-origination revenue* Post-origination revenue increased by US\$0.5 million, or 70.4%, from US\$0.7 million in the fiscal year ended March 31, 2015 to US\$1.2 million in the fiscal year ended March 31, 2016. The increase in post-origination revenue was mainly due to the 42.9% increase in the total volume of loans we facilitated on our online platform, from RMB2.1 billion in the fiscal year ended March 31, 2015 to RMB3.0 billion in the fiscal year ended March 31, 2016.

*Operating expenses* Our total operating expenses increased by US\$2.8 million, or 56.8%, from US\$4.9 million in the fiscal year ended March 31, 2015 to US\$7.8 million in the fiscal year ended March 31, 2016, primarily attributable to the increase in sales and marketing expenses, and to a lesser extent, the increase in general and administrative expenses.

- *Sales and marketing expenses* Our sales and marketing expenses increased by US\$1.2 million, or 47.4%, from US\$2.6 million in the fiscal year ended March 31, 2015 to US\$3.8 million in the fiscal year ended March 31, 2016. The increase was primarily due to the increase in expenses associated with our increased marketing efforts to enhance our brand recognition and therefore acquire more users. Our sales and marketing expenses as a percentage of our total revenue decreased from 56.1% to 32.3% during the same period, primarily due to the improved effectiveness of our user acquisition efforts.
- *Service and development expenses* Our service and development expenses increased by US\$0.8 million, or 46.9%, from US\$1.6 million in the fiscal year ended March 31, 2015 to US\$2.4 million in the fiscal year ended March 31, 2016, in line with the substantial increase in the volume of loans facilitated through our marketplace. Our service and development expenses as a percentage of our total revenue decreased from 34.6% to 19.8% during the same period, primarily attributable to our improved operational efficiency.
- *General and administrative expenses* Our general and administrative expenses increased by US\$0.8 million, or 111.9%, from US\$0.7 million in the fiscal year ended March 31, 2015 to US\$1.6 million in the fiscal year ended March 31, 2016, primarily due to the increase in salaries and benefits paid to our general and administrative personnel. Our general and administrative expenses as a percentage of our total revenue decreased from 15.8% to 13.1% during the same period, primarily because our greater operational efficiency enabled us to achieve rapid revenue growth with relatively slower growth in general and administrative expenses

*Other income, net* Our other income was US\$0.03 million in the fiscal year ended March 31, 2016, as compared to a net other expense of US\$0.01 million the fiscal year ended March 31, 2015.

*Income tax expense* Our income tax expense was US\$0.6 million the fiscal year ended March 31, 2016, as compared to US\$0.04 million the fiscal year ended March 31, 2015, primarily because we generated net income before provision for income taxes we generated in the fiscal year ended March 31, 2016, as compared to a loss before provision for income taxes in the fiscal year ended March 31, 2015.

*Cash incentives* The cash incentives we paid to investors decreased by US\$0.2 million, or 20.5%, from US\$1.1 million in the fiscal year ended March 31, 2015 to US\$0.8 million in the fiscal year ended March 31, 2016. After the first year of operations, we lowered the amount of cash incentives as we have built a considerable market presence.

*Risk reserve liability* The risk reserve liability charge increased by US\$0.9 million, or 102.9%, from US\$0.9 million in the fiscal year ended March 31, 2015 to US\$1.9 million in the fiscal year ended March 31, 2016, primarily due to the significant increase in the volume of credit loans facilitated through our online platform in the fiscal year ended March 31, 2016.

*Net income (loss)* As a result of the foregoing, we recorded a net income of US\$3.5 million in the fiscal year ended March 31, 2016, compared to a net loss of US\$0.4 million in the fiscal year ended March 31, 2015.

## **Liquidity and Capital Resources**

We have financed our operations primarily through cash provided by operating activities and capital injections by our shareholders. We plan to finance our future operations primarily from cash generated from our operations and cash on hand. As of March 31, 2015 and 2016 and September 30, 2016, we had US\$1.0 million, US\$7.8 million and US\$11.2 million, respectively, in cash on hand and cash deposited with banks. As of March 31, 2015 and 2016 and September 30, 2016, our working capital (excluding the amount due from related parties) amounted to a deficit of US\$2.2 million, US\$1.2 million and US\$5.7 million, respectively. We believe that our current cash, cash flows provided by operating activities, access to help from our shareholders and the estimated net proceeds from this offering will be sufficient to meet our working capital needs in the next 12 months.

As of March 31, 2015 and 2016 and September 30, 2016, we had US\$5.1 million, US\$12.0 and US\$9.3 million due from the related parties, respectively. Each of Hexin Information and Hexin Financial Information were incorporated and majority-owned by Mr. Xiaobo An, the Chairman of our Board of Directors. We historically utilized Hexin Group's centralized banking systems for our cash and banking management, which resulted in a significant balance of amount due from a related party. In addition, Hexin Group also paid expenses on our behalf. We have recorded all expenses paid by Hexin Group on our behalf in the related historical periods presented in our consolidated financial statements. According to a memorandum signed by each of Hexin Information, Hexin Financial Information and us, we expect to collect the balances due from Hexin Group in installments by September 30, 2017.

Substantially all of our operations are conducted in China and all of our revenue, expenses, cash and cash equivalents are denominated in RMB. RMB is subject to the exchange control regulation in China, and, as a result, we may have difficulty distributing any dividends outside of China due to PRC exchange control regulations that restrict our ability to convert RMB into U.S. Dollars.

We have not declared nor paid any cash dividends to our shareholders. We do not plan to pay any dividends out of our retained earnings for the fiscal year ended March 31, 2017. With respect to retained earnings accrued after such date, our Board of Directors may declare dividends after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment, as well as the amount, of dividends will be subject to our bylaws, charter and applicable Chinese and U.S. state and federal laws and regulations, including the approval from the shareholders of each subsidiary which intends to declare such dividends, if applicable.

We have limited financial obligations dominated in US dollars, thus the foreign currency restrictions and regulations in the PRC on the dividends distribution will not have a material impact on our liquidity, financial condition and results of operations.

The following table sets forth a summary of our cash flows for the periods indicated:

	For years ended March 31,		For six months ended September 30,	
	2015	2016	2015	2016
	(US\$)		(unaudited) (US\$)	
Summary of Consolidated Cash Flow Data				
Net Cash provided by operating activities	2,586,515	7,025,442	3,996,402	1,553,691
Net Cash used in investing activities	(223,999)	(120,461)	(12,084)	(80,319)
Net cash (used in) provided by financing activities	(1,412,591)	243,266	(3,733,821)	2,246,771
Effect of exchange rate change on cash	4,756	(283,992)	(462)	(297,980)
Net increase in cash	954,681	6,864,255	250,035	3,422,163
Cash at the beginning of the period	—	954,681	954,681	7,818,936
Cash at the end of the period	954,681	7,818,936	1,204,716	11,241,099

### Operating activities

In the six months ended September 30, 2016, we had net cash generated from operating activities of US\$1.6 million, primarily attributable to our net income of US\$2.7 million, as adjusted for non-cash items and the effect of changes in working capital including: (i) an increase in prepayment and other receivables in the amount of US\$4.6 million due to the increase of funds receivable from the third-party payment agent, (ii) an increase of US\$1.7 million in tax payables due to the increase of taxable income, and (iii) an increase in accrued expenses and other liabilities of US\$1.6 million.

In the fiscal year ended March 31, 2016, we had net cash generated from operating activities of US\$7.0 million, primarily attributable to our net income of US\$3.5 million, as adjusted for non-cash items and the effect of changes in working capital including: (i) an increase in liabilities from the risk reserve liability in the amount of US\$1.9 million as a result of more loans transacted on our online platform, (ii) an increase of US\$1.1 million in tax payables due to the increase of taxable income, and (iii) an increase in accrued expenses and other liabilities of US\$1.2 million, offset by a US\$1.0 million increase in prepayment and other assets.

In the fiscal year ended March 31, 2015, we had net cash generated from operating activities of US\$2.6 million, consisting of our net loss of US\$0.4 million, as adjusted for non-cash items and the effect of changes in working capital including: (i) an increase in accrued expenses and other liabilities of US\$2.5 million due to the fact that more investors invested funds to the external payment network through our platform, (ii) an increase in liabilities from risk reserve liability in the amount of US\$0.9 million as a result of more loans transacted on our online platform, and (iii) an increase of US\$0.6 million in tax payables due to the increase of taxable income, offset by a US\$0.9 million increase in prepayment and other assets.

### Investing activities

In the six months ended September 30, 2016, net cash used in investing activities was US\$0.08 million, which was attributable to our purchases of equipment.

In the fiscal year ended March 31, 2016, net cash used in investing activities was US\$0.1 million, which was attributable to our purchases of equipment.

In the fiscal year ended March 31, 2015, net cash used in investing activities was US\$0.2 million, which was attributable to our purchases of equipment.

**Financing activities**

In the six months ended September 30, 2016, net cash provided by financing activities was US\$2.2 million, which was attributable to net repayment from a related party of US\$2.2 million.

In the fiscal year ended March 31, 2016, Net cash provided by financing activities was US\$0.2 million, which was attributable to cash contribution by our shareholders of US\$7.6 million and offset by US\$7.4 million in advances to our related parties.

In the fiscal year ended March 31, 2015, net cash used in financing activities was US\$1.4 million, which was attributable to advances to our related parties of US\$5.1 million, offset by the contribution from our shareholders of US\$3.7 million.

**Capital Expenditures**

Our capital expenditures consist primarily of expenditures for the purchase of fixed assets and software. We made capital expenditures of US\$0.08 million, US\$0.2 million and US\$0.1 million in the six months ended September 30, 2016, and the fiscal years ended March 31, 2015 and 2016, respectively, primarily due to purchases of electronic and office equipment and leasehold improvements for our office as a result of our business growth.

**Contractual obligations and commitments**

We lease our main office space under an irrevocable operating lease agreement. Rental expenses under operating leases in the fiscal years ended March 31, 2015 and 2016 were US\$209,594 and US\$702,005, respectively, and US\$361,476 and US\$306,174 in the six months ended September 30, 2015 and 2016, respectively.

The following table sets forth our future minimum lease payments under irrevocable operating lease agreements as of September 30, 2016:

	<b>Minimum lease payment (US\$)</b>
Twelve months ended September 30,	
2017	782,478
2018	916,756
2019	668,488
2020	668,488
2021	—
<b>Total</b>	<b><u>3,036,210</u></b>

As of March 31, 2015, 2016 and September 30, 2016, we recorded liability of US\$0.9 million, US\$2.7 million and US\$3.3 million in relation to the risk reserve liability, respectively, which were equivalent to the maximum potential future payments we were required to make out of the risk reserve as at each reporting date.

Other than those shown above, we did not have any significant capital and other commitments, long-term obligations, or guarantees as of September 30, 2016, March 31, 2015 and 2016, respectively.

**Off-Balance Sheet Commitments and Obligations**

We did not have any off-balance sheet arrangements as of September 30, 2016.

## Loan Performance Data

### Delinquency Rates

We define the delinquency rates as of the end of the period as the unpaid balance of principal and interest that were 15 to 29, 30 to 59, 60 to 89 calendar days delinquent as a percentage of the total unpaid balance of principal and interest for the relevant group of loans during such period. The following tables set forth our delinquency rates for all loans as of March 31, 2016 and September 30, 2016, respectively:

As of	Delinquent for <sup>(1)</sup>		
	15 - 29 days	30 - 59 days	60 - 89 days
March 31, 2016	0.008%	0.012%	0.036%
September 30, 2016	0.032%	0.033%	0.076%

- (1) Loans that are delinquent for more than 89 days are counted towards the M3+ Net Charge Off Rates. See "—M3+ Net Charge Off Rates."

### M3+ Net Charge Off Rates

We define "M3+ Net Charge Off Rates", with respect to loans facilitated during a specified time period or the "vintage", as (i) the total balance of outstanding principal of loans that become delinquent for over three months during a specified period and the remainder of the expected interest for the life of such loans, divided by (ii) the total initial principal of the loans facilitated in such vintage.

The following table provides the amount of loans generated through our marketplace during each of the periods presented and the corresponding accumulated loan loss and M3+ Net Charge Off Rates data as of September 30, 2016 for the loans facilitated during each of the periods presented.

Loan issued period	M3+ Net Charge Off Rates		
	Amount of loans facilitated during the period	Accumulated loan loss as of March 31, 2016	Total M3+ Net Charge Off Rate as of March 31, 2016
	(RMB)		
Since inception to March 31, 2016	678,849,054	408,262	0.06%

Loan issued period	M3+ Net Charge Off Rates		
	Amount of loans facilitated during the period	Accumulated loan loss as of September 30, 2016	Total M3+ Net Charge Off Rates as of September 30, 2016
	(RMB)		
Since inception to March 31, 2016	678,849,054	10,051,717	1.57%

## Quantitative and Qualitative Disclosures about Market Risk

### Foreign Exchange Risk

All of our revenue and substantially all of our expenses are denominated in RMB. In our consolidated financial statements, our financial information that uses RMB as the functional currency has been translated into U.S. dollars. Due to foreign currency translation adjustments, we had a foreign exchange translation loss of US\$0.5 million in the fiscal year ended March 31, 2016 and a foreign exchange translation gain of US\$17,366 in the fiscal year ended March 31, 2015. Appreciation or depreciation in the value of the RMB relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results.

of operations. Currently our exposure to foreign exchange risk primarily relates to our cash denominated in U.S. dollars as a result of the proceeds from this offering. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure to such risk.

The conversion of RMB into foreign currencies, including U.S. dollars, is based on rates set by the PBOC. The PRC government allowed the RMB to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, the exchange rate between the RMB and the U.S. dollar had been stable and traded within a narrow band. Since June 2010, the PRC government has allowed the RMB to appreciate slowly against the U.S. dollar, though there have been periods when the RMB has depreciated against the U.S. dollar. In particular, on August 11, 2015, the PBOC allowed the RMB to depreciate by approximately 2% against the U.S. dollar. The RMB depreciated against the U.S. dollar by 5.6% in 2015 and 6.5% in 2016. It is difficult to predict how long the current situation may last and when and how the relationship between the RMB and the U.S. dollar may change again.

To the extent that we need to convert U.S. dollars into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amounts available to us.

### **Interest Rate Risk**

We have not been exposed to material risks due to changes in market interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure. However, we cannot provide assurance that we will not be exposed to material risks due to changes in market interest rate in the future. Our future interest income may fall short of expectations due to changes in market interest rates.

The fluctuation of interest rates may also affect the demand for our marketplace lending business. For example, a decrease in the interest rate may cause potential borrowers to seek loans from other channels and higher returns offered by comparable or substitute products may dampen investor desire to invest in our marketplace. However, we do not expect that the fluctuation of interest rates will have a material impact on our financial condition.

### **Recent Accounting Pronouncements**

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business". The amendments in this ASU clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Basically these amendments provide a screen to determine when a set is not a business. If the screen is not met, the amendments in this ASU first, require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and second, remove the evaluation of whether a market participant could replace missing elements. These amendments take effect for public businesses for fiscal years beginning after December 15, 2017 and interim periods within those periods, and all other entities should apply these amendments for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. We do not expect that the adoption of this guidance will have a material impact on our consolidated financial statements.

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. In August 2015, the FASB issued ASU No. 2015-14, "Deferral of the Effective Date" ("ASU 2015-14"), which defers the effective date for ASU 2014-09 by one year. For public entities, the guidance in ASU 2014-09 will be effective for annual reporting periods beginning after December 15, 2017 (including interim reporting periods within those periods), which means it will be effective for the Company's fiscal year beginning April 1, 2018. In March 2016, the FASB issued ASU No. 2016-08, "Principal versus Agent Considerations (Reporting Revenue versus Net)" ("ASU 2016-08"), which clarifies the implementation guidance on principal versus agent considerations in the new revenue recognition standard. In April 2016, the FASB issued ASU No. 2016-10, "Identifying Performance Obligations and Licensing" ("ASU 2016-10"), which reduces the complexity when applying the guidance for identifying performance obligations and improves the operability and understandability of the license implementation guidance. In May 2016, the FASB issued ASU No. 2016-12 "Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"), which amends the guidance on transition, collectability, noncash consideration and the presentation of sales and other similar taxes. In December 2016, the FASB further issued ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers" ("ASU 2016-20"), which makes minor corrections or minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments are intended to address implementation issues that were raised by stakeholders and provide additional practical expedients to reduce the cost and complexity of applying the new revenue standard. These amendments have the same effective date as the new revenue standard. Preliminarily, we plan to adopt Topic 606 in the first quarter of our fiscal 2018 using the retrospective transition method, and are continuing to evaluate the impact our pending adoption of Topic 606 will have on our consolidated financial statements. Our current revenue recognition policies are generally consistent with the new revenue recognition standards set forth in ASU 2014-09.

Potential adjustments to input measures are not expected to be pervasive to the majority of our contracts. While no significant impact is expected upon adoption of the new guidance, we will not be able to make that determination until the time of adoption based upon outstanding contracts at that time.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows: Restricted Cash". The amendments address diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. The amendment is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We are currently evaluating the impact of this new standard on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-17, Consolidation (Topic 810): Interest Held through Related Parties That Are under Common Control, to provide guidance on the evaluation of whether a reporting entity is the primary beneficiary of a VIE by amending how a reporting entity, that is a single decision maker of a VIE, treats indirect interests in that entity held through related parties that are under common control. The amendments are effective for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted,

including adoption in an interim period. We are currently evaluating the impact of this new standard on our consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, to provide guidance on the presentation and classification of certain cash receipts and cash payments on the statement of cash flows. The guidance specifically addresses cash flow issues with the objective of reducing the diversity in practice. The guidance will be effective for the Company in fiscal year 2018, but early adoption is permitted. We are currently evaluating the impact of this new standard on our consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments—Credit Losses", which will require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The guidance is effective for annual reporting periods beginning after December 15, 2019 and interim periods within those fiscal years. We are currently evaluating this statement and our impact on our results of operations or financial position.

In May 2016, FASB issued ASU No. 2016-12—Revenue from Contracts with Customers (Topic 606); Narrow-Scope Improvements and Practical Expedients, which is intended to not change the core principle of the guidance in Topic 606, but rather affect only the narrow aspects of Topic 606 by reducing the potential for diversity in practice at initial application and by reducing the cost and complexity of applying Topic 606 both at transition and on an ongoing basis. We are assessing the impact of the adoption of the ASU on our financial statements, disclosure requirements and methods of adoption.

In May 2016, the FASB issued ASU No. 2016-11 Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815); Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting, which is rescinding certain SEC Staff Observer comments that are codified in Topic 605, Revenue Recognition, and Topic 932, Extractive Activities—Oil and Gas, effective upon adoption of Topic 606. We do not expect the adoption of the ASU to have any impact on our financial statements.

In April 2016, the FASB released ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The ASU includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. While aimed at reducing the cost and complexity of the accounting for share-based payments, the amendments are expected to significantly impact net income, EPS, and the statement of cash flows. Implementation and administration may present challenges for companies with significant share-based payment activities. The ASU is effective for public companies in annual periods beginning after December 15, 2016, and interim periods within those years. We are currently evaluating the impact of this new standard on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance supersedes existing guidance on accounting for leases with the main difference being that operating leases are to be recorded in the statement of financial position as right-of-use assets and lease liabilities, initially measured at the present value of the lease payments. For operating leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the guidance is permitted. In transition, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. We are in the process of evaluating the impact that this guidance will have on our consolidated financial statements.



In January 2016, the FASB issued ASU 2016-01, "Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" This guidance revises the accounting related to the classification and measurement of investments in equity securities as well as the presentation for certain fair value changes in financial liabilities measured at fair value, and amends certain disclosure requirements. The guidance requires that all equity investments, except those accounted for under the equity method of accounting or those resulting in the consolidation of the investee, be accounted for at fair value with all fair value changes recognized in income. For financial liabilities measured using the fair value option, the guidance requires that any change in fair value caused by a change in instrument-specific credit risk be presented separately in other comprehensive income until the liability is settled or reaches maturity. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017, with early adoption permitted for certain provisions. A reporting entity would generally record a cumulative-effect adjustment to beginning retained earnings as of the beginning of the first reporting period in which the guidance is adopted. We are in the process of evaluating the impact that this guidance will have on our consolidated financial statements.

## OUR INDUSTRY

We operate a unique, fast-growing marketplace in China's consumer lending marketplace industry, which is a subset of China's overall credit industry. Since no reliable third-party data is publicly available for the marketplace lending or consumer credit industries in China, we have engaged Oliver Wyman, a leading independent market research firm, to prepare a commissioned industry report that analyzes these industries. All the information and data presented in this section has been derived from Oliver Wyman's industry report unless otherwise noted. Oliver Wyman has advised us that the statistical and graphical information contained herein is drawn from its database and other sources. Although the following discussion describes historical growth and includes projections for expected future growth, such future growth may not occur at the rates that are projected or at all.

In recent years, China's consumer credit and marketplace lending industries have undergone significant and rapid changes and are continuing to innovate and evolve. This section discusses the factors driving these changes and projections of future growth, the various market segments, key elements of the competitive landscape and the various business models in China's marketplace lending industry.

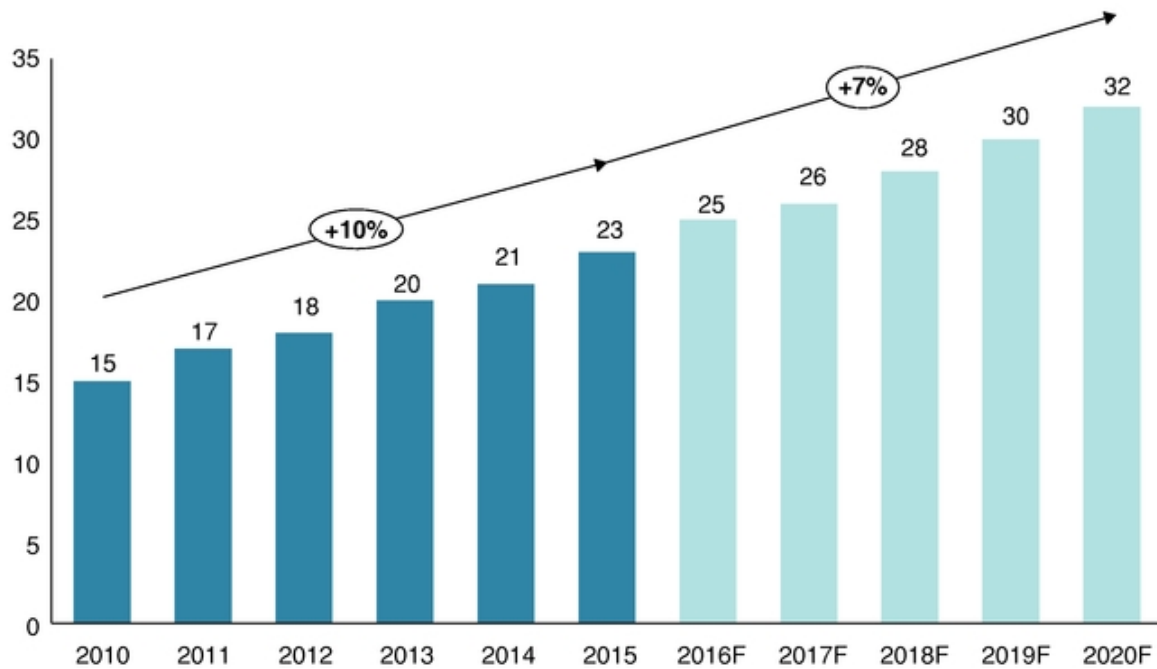
### China's Consumption Demand for Premium Goods and Services

#### Consumption has experienced rapid growth

China's economy was traditionally an investment-driven economy. In recent years, China has undergone economic structural reforms and has shifted to a consumption-driven economy. Consumption has grown rapidly and the growth rate has surpassed China's GDP growth since 2008, according to Oliver Wyman. China's real consumption against GDP comprised only 38% in 2015, which was a relatively small proportion as compared to many major economies. This demonstrates considerable potential for growth of China's private consumption market.

The following chart shows the expected growth in China's private consumption market:

RMB TN, 2010–2020F



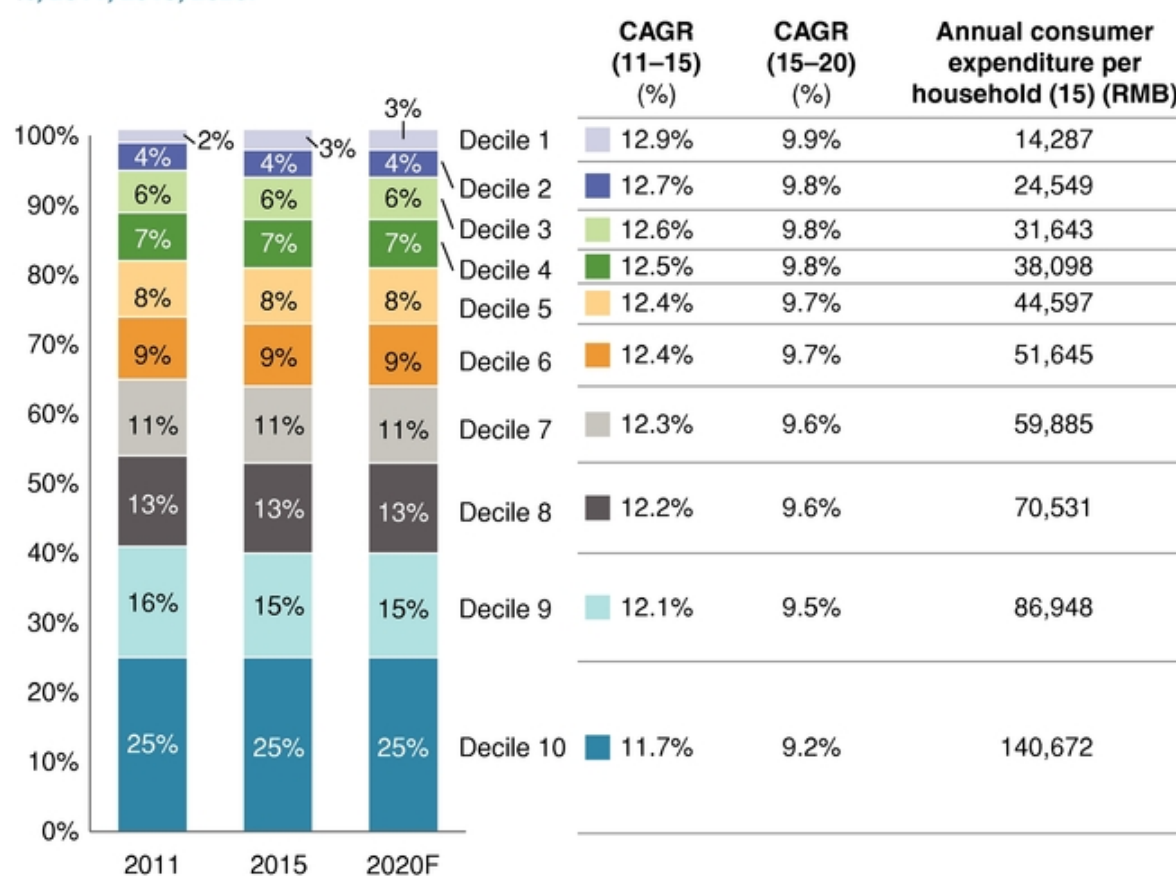
Source: Oxford Economics

### The consumption structure has shifted to more premium lifestyle choices

From 2011 to 2015, China's real disposal income per capita increased year-on-year. This increase in Chinese consumers' personal disposable income, coupled with their optimism in consumer confidence, indicates strong appetite to spend. The consumption structure has shifted from staple and necessity goods to premium products and services. There is an increasing consumption demand for luxury goods, travel, cosmetic medicine, education and home renovation and a desire to enhance personal well-being.

The following graph shows the expected growth of the annual consumption expenditure per household in all population deciles of China:

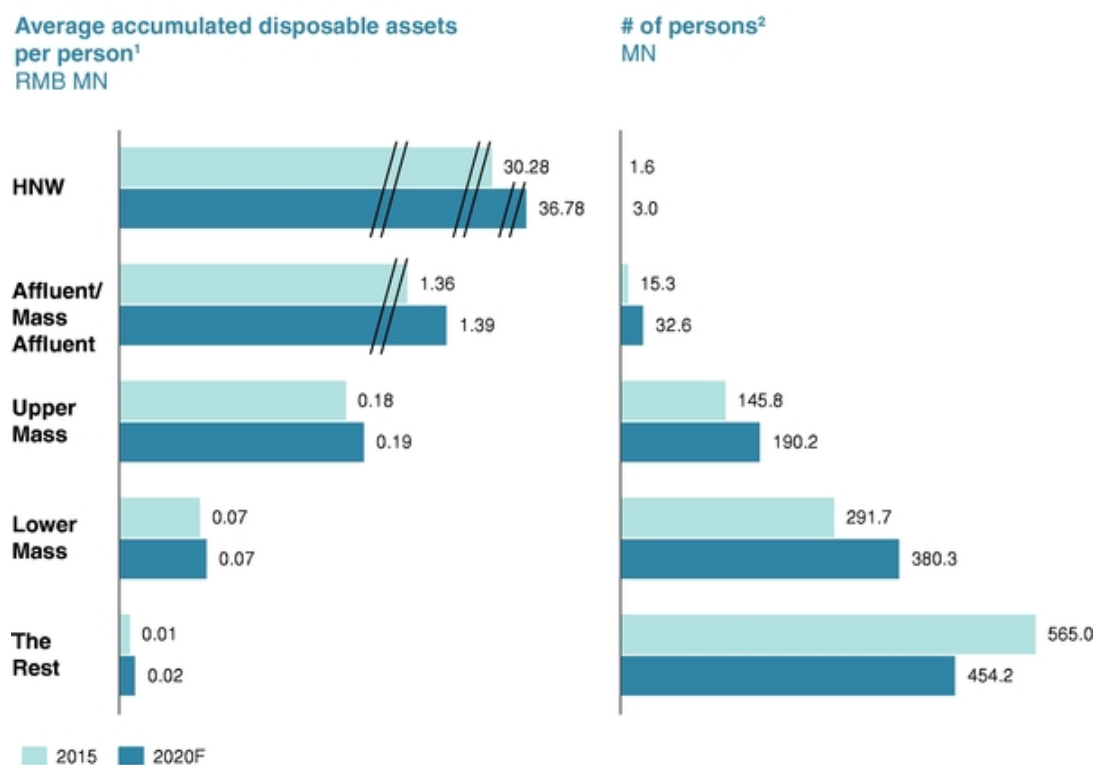
%, 2011, 2015, 2020F



Source: Euromonitor

### Changing consumer demographics, in particular on the emergence of the lower mass population

According to Oliver Wyman, the population in China is categorized into four segments by accumulated disposable assets, comprising (1) the high net worth population; (2) the affluent/mass affluent population; (3) the upper mass population; (4) the lower mass population; and (5) the rest. The following graph shows that the expected growth of these segments in China:



1. Accumulated disposable assets are assets available for investment or spending, excluding primary residences
2. Population is # of adults (18 years old and above)

Source: Forbes, Credit Suisse, World Bank, Mckinsey, Oliver Wyman analysis

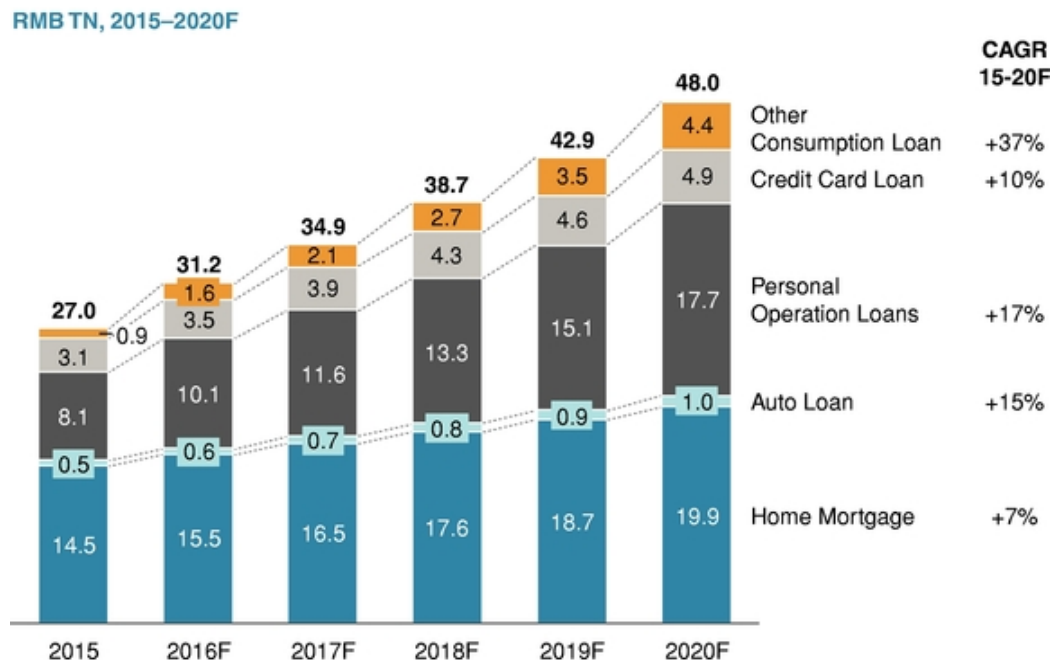
According to Oliver Wyman, the "emerging middle class" in China represents the "lower mass population" and represents the population segment with accumulated disposable assets of RMB60,000 to RMB100,000. These people are typically in the average age range of between 31 to 45 years old, with an average monthly income of RMB3,000 to RMB7,000. With urbanization, the lower mass affluent population is projected to grow quickly in size, from approximately 291.7 million people in 2015 to 380.3 million people in 2021. Further, the lower mass population will drive a large consumption demand for premium goods and services.

## Development of China's Consumer Finance Market

### Total consumer credit market in China

China's credit market once faced the structural problem of being over-reliant on indirect financing from banks. However, loans from traditional financial institutions are not accessible to individuals as they are not the target customers of traditional financial institutions such as banks. The gap between the supply and demand of consumer credit therefore led to a proliferation of the consumer credit market in recent years. The value of the total consumer credit market in China, including personal consumption loans as mortgages and automobile loans, was approximately RMB27 trillion in 2015 and is projected to grow to approximately RMB48 trillion in 2020.

The following chart shows the expected growth in the different segments in the credit market in China:



Source: PBOC

The personal consumption loan market consists of (1) secured and unsecured loans from banks as well as consumer finance companies and Internet players to service personal business operations and other consumption needs, and (2) credit cards. According to Oliver Wyman, the size of the personal consumption loan market is projected to grow from approximately RMB12 trillion in 2015 to approximately RMB27 trillion by 2020.

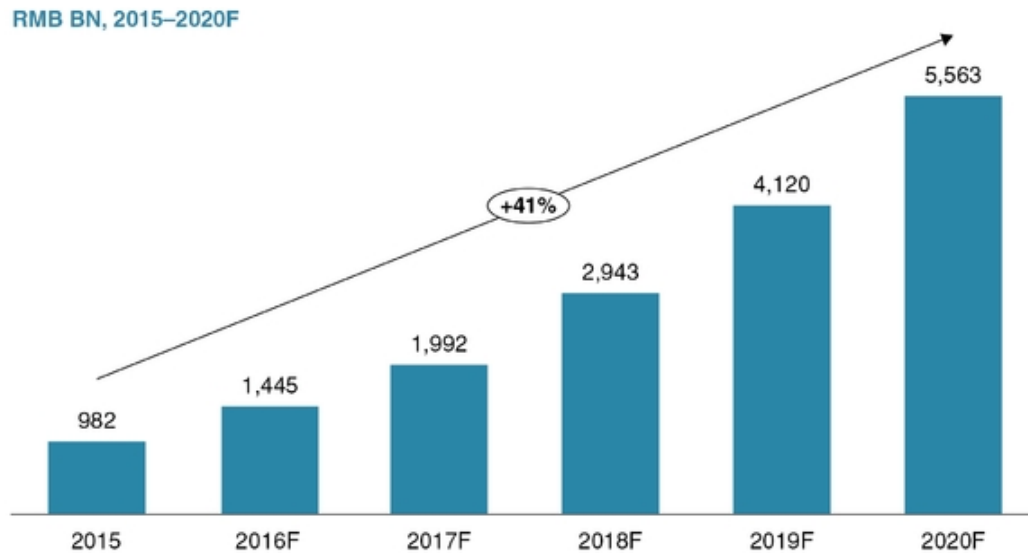
Non-credit card consumer loans consist of "product loans" and "cash loans". For each of "product loans" and "cash loans", Internet players including consumer lending platforms and online consumer finance platforms are increasingly taking center-stage. These non-traditional market players use strictly online channels for funding, and have a lower cost of acquisition generally.

## China's Marketplace Lending Market

### China's Consumer Lending Market

In China, consumer lending companies began emerging in 2006 and increased in dominance after 2009. However, the market changes rapidly and remains unpredictable. According to Oliver Wyman, since 2015 approximately 1,000 lenders went bankrupt while 700 new players entered the market. As of September 30, 2016, there were 2,233 consumer lending platforms in China.









Due to the fast-growing demands of borrowers that are largely underserved by traditional banks and financial institutions, the marketplace lending volume in China is expected to grow at a CAGR of 41% from 2015 to reach RMB5,563 billion by 2020. The following chart shows the expected growth of the consumer lending market in China:



Source: 网贷之家, Analysis, Oliver Wyman forecast

The consumer lending industry in China is fragmented and diverse, with the top 15 players accounting for only approximately 5% of the total outstanding loans. Consumer lending companies target primarily borrowers for corporate loans and for personal consumption loans. Personal consumption loans are further divided into (1) personal operation loans by individual business owners; and (2) consumption loans for individual personal consumption, often unsecured.

The following table shows the different types of consumer finance consumer lending players:

Loan type (purpose)	Loan size RMB	Example player	APR	Duration	Current size <sup>1</sup> RMB	Future trend	Borrower acquisition model
<b>Pay-day (Survival)</b>	<3 K	 小赢理财	>100%	<30 days	~15 BN		Online
<b>Small – amount (basic consumption)</b>	3 K – 20 K	 信而富 China Rapid Finance	20% – 50%	3-12 months	~70 BN		<ul style="list-style-type: none"> <li>• Online</li> <li>• Online + Offline</li> <li>• Offline</li> </ul>
<b>Medium – amount<sup>3</sup> (consumption upgrade)</b>	20 K – 140 K	 和信贷 hexindai.com	15% – 20%	12-36 months	~365 BN		
<b>Large – amount (consumption /invest)</b>	>140 K	 链家理财	10% – 20%	>24 months	~135 BN		Offline

1. Estimated 2016 transaction volume

2. Dumiao (读秒) is a payday loan product offered by Jimu box

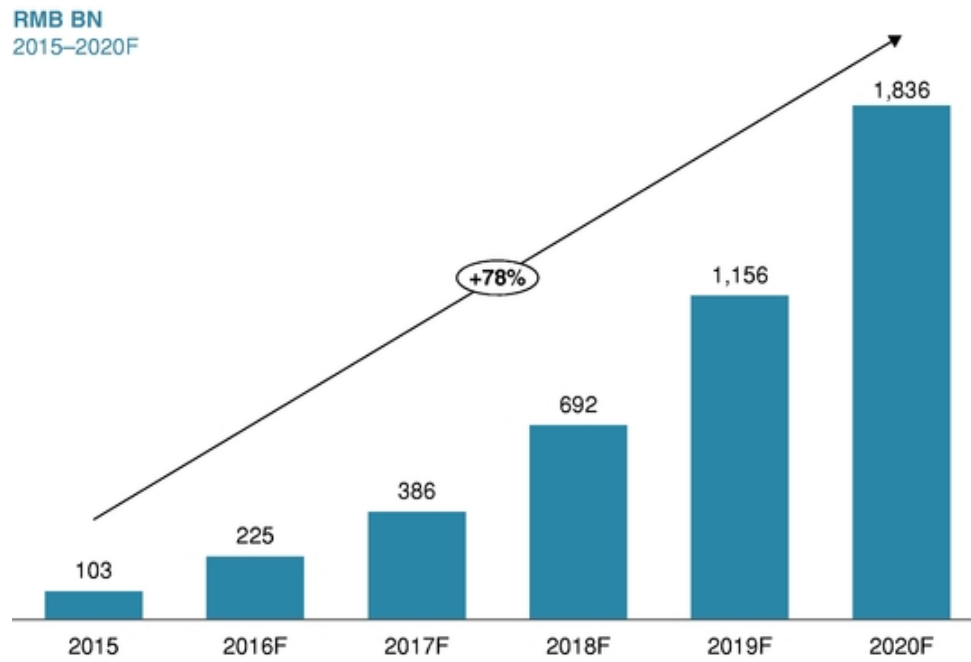
3. ~60% of medium amount loans are unsecured loans

Source: Industry expert interview, company website, Oliver Wyman analysis

### Medium-sized loans

Medium-sized loans ranging from RMB20,000 to RMB140,000 are primarily used to finance most premium lifestyle consumption demands such as luxury goods, travel, cosmetic medicine, education and home renovation. As mentioned above, the lower mass population is increasingly pursuing premium and upgraded lifestyles, fuelling the increasing demand for medium-sized loans. The unsecured medium-sized consumer loans segment is the fastest growing and largest consumer finance segment, and its transaction volume is estimated to grow at a CAGR of 78% from RMB0.1 trillion in 2015 to RMB1.8 trillion in 2020. Most medium-sized consumer loans do not require collateral.

The following chart shows the expected growth in the medium-sized credit consumer loans market:



#### ***The Competitive Landscape of the Medium-Sized Private Consumption Loans Market***

In the fragmented medium-sized private consumption loans market, our Company stands out as a top market player with a strong hybrid offline-to-online borrower acquisition model. Our online website and mobile application effectively capture the trend of the technology-savvy Chinese population that increasingly uses Internet and mobile phones to collect and browse through information of different financial products and carry out borrowing and investing activities. At the same time we leverage on the physical branches of Hexin Information and Hexin Financial Information to acquire borrowers offline as well as carry out face-to-face verification and credit assessment.



The following table shows the top market players in the unsecured medium-sized consumer loans market in China:

Rank	Player	Borrower acquisition model	Transaction volume <sup>1</sup>	Business description
1	Iqianjin	Online + Offline	24.9	Consumer finance loan, 120+ branches
2	Niwodai	Online + Offline	23.9	Mobile + branch for personal loans
3	Yirendai	Online + Offline	20.8	Web/app + offline branches of parent company
4	Mindai	Online + Offline	13.9	Consumer finance focus, some SME loans
5	JIMU Box	Online + Offline	11.3	Mainly consumer finance loans
6	Renren dai	Online + Offline	9.3	Web/app + offline through partnerships
7	Hengyirong	Offline	8.9	Offline consumer finance loans
8	Xinyongbao	Online	6.2	Pure online loan application & processing
9	Jubaopen	NA	5.7	Indirectly source assets from partnerships
10	Hexindai	Online + Offline	3.8	Web/app + offline branches of parent company
11	Yonglibao	NA	1.6	Indirectly source assets from partnerships
12	ZRBao	Online + Offline	1.5	Consumer financial loan focus, also offer SME loans
13	Lianjinsuo	Online + Offline	1.2	Mobile or offline application
14	Jingjinsuo	NA	0.9	Indirectly source assets from partnerships
15	Fenghui	Online + Offline	0.8	Mainly consumer finance loans
16	HXB	NA	0.7	Partner with third-party to provide consumption loans
17	Apengdai	Online + Offline	0.7	Mainly consumer credit loans
18	Liushun Wealth	Online + Offline	0.6	Consumer finance loans, offline validation
19	Chaoaica	NA	0.6	Source borrowers from parent company
20	Xiaozhu168	NA	0.5	Source borrowers from partners, also provide SME loans

1. Based on WDJ 2016.2-2017.1 transaction volume data  
Source: Company website, WDJ, Oliver Wyman analysis

## Acquisition Models for Consumer Lending Companies

### Borrower Acquisition Models

**Offline Direct Sale Borrower Acquisition** Some consumer lending companies, either through internal resources or business partners, maintain an offline network of branches with on-the-ground sales teams to source borrowers. They interact with borrowers directly and are able to better control the process and assess a borrower's creditworthiness through offline validation procedures.

**Online Open Invitation Borrower Acquisition** Under this acquisition model, consumer lending companies maintain and operate an online platform for the whole borrowing process including loan application, document collection, loan processing, loan approval and loan issuance. The operational costs are therefore kept at a minimal level.

**Online-Offline Hybrid Borrower Acquisition** A number of consumer lending companies, such as us, utilize a combination of online and offline channels. The loan application may be initiated online, followed by an offline loan assessment through a physical verification process. Such a hybrid model

benefits from the online coverage while ensuring credibility and reliability of the data collected. Some consumer lending companies adopt different models based on the loan amount, allowing small amount loans to be automated and processed completely online, while for medium and large amount loans, these are directed to an offline loan approval and verification process.

A hybrid online and offline borrower acquisition model is often used for facilitating medium-sized personal consumer loans, due to the balance of online efficiency and offline reliability.

### ***Investor Acquisition Models***

The marketplace lending industry has opened up a new channel for investors in China, which allows investors to benefit from access to untapped borrowers for diversified returns that are less correlated with the general market than other investment products, as well as transparent reporting and payment practices.

#### ***Online Investor Acquisition: Mass and Mass Affluent Focused***

Online mass investor acquisition models usually feature low minimum investment requirements at around RMB5,000 (approximately US\$720) and offer products with little differentiation, with an emphasis on volumes. The investment products on these platforms are differentiated in terms of minimum investment requirements, durations and returns, often in the form of wealth management products, and are targeted to both mass and high-net-worth investors. These products typically have fixed lower yields. Shorter and flexible durations for investments are usually designed for mass investors as a replacement for deposits. Investment products with higher yields typically have longer durations.

#### ***Offline High-Net-Worth Investor Acquisition***

Marketplace lending platforms affiliated with wealth managers in China utilize offline distribution channels to reach high-net-worth investors through direct sales. Loans on these platforms are presented as wealth management products and direct substitutes for traditional wealth management products. These platforms tend to have longer operating histories and a physical network of branch offices.

### **Market Drivers for China's Consumer Finance Marketplace Lending Market**

#### ***Growing Consumer Market Underserved by Banks***

The private consumer market in China has grown at a CAGR of 10% from RMB15 trillion in 2010 to RMB23 trillion in 2015. It is further projected to grow at a CAGR of 7% to RMB32 trillion in 2020. Notwithstanding such high demand for consumption spending, approximately 83% of the Chinese population (aged 15 or above) did not have credit cards and among the approximately 880 million people in PBOC's credit database, only 380 million people have a credit rating. The rest of the population has little, if any, access to loans from traditional banks and financial institutions. The demand for private consumption loans is expected to be largely driven by financially active consumers with no credit histories or access to bank-issued credit cards.

#### ***Proliferation of Internet, Mobile and Online Banking Channels***

In 2015, there were 688 million Internet users and 620 million smartphone users in China, comprising approximately 50% and 45% of the Chinese population, respectively. The number of Internet users and smartphone users are expected to grow at CAGRs of 5% and 7% by 2020. The use of e-commerce has grown rapidly, with the desktop and mobile online banking transaction values reaching RMB2,126 trillion in 2015 and forecasted to reach approximately RMB8,800 trillion by 2020.

#### ***Investors' Strong Appetite for Financial Investment Products***

In 2015, China's total personal investable assets reached RMB120 trillion and is expected to grow to RMB226 trillion by 2020. The growth in the Chinese population's personal investable assets indicates potential and strong appetite for wealth management products with higher yields, and is expected to drive the consumer lending investments in China. Marketplace lending has evolved to provide a platform for investors to connect with borrowers whose loans can generate attractive returns with well-defined risks.

## BUSINESS

### Overview

We are a fast-growing consumer lending marketplace facilitating loans to meet the increasing consumption demand of the emerging middle class in China. According to Oliver Wyman, the "emerging middle class" comprises largely of the "lower mass population" in China, which is the population segment with accumulated disposable assets of RMB60,000 to RMB100,000. These people are typically in the average age range of between 31 to 45 years old, with an average monthly income of RMB3,000 to RMB7,000. We believe the financing needs of this segment of consumers in China have been largely underserved due to the lack of an easily-accessible credit market. We help these Chinese consumers fulfil their consumption financing needs by facilitating loans between borrowers and investors, providing borrowers with ready access to credit and investors with risk-adjusted returns. We believe that our consumer lending marketplace, integrated with online and offline platforms, advanced technology and innovation, will help meet the demands from these consumers in a sustainable way.

China represents the largest and fastest growing marketplace lending market in the world. Oliver Wyman has projected that China's consumer lending market will reach RMB5.4 trillion in 2020, representing a compound annual growth rate, or CAGR, of 66% from 2014. We believe the emerging middle class represents a large and relatively untapped consumer credit market opportunity in China. Consumption by this segment has experienced strong growth and a shift from staple or necessity goods to premium products and services, such as luxury goods, travel, cosmetic medicine, education and home renovation. Our consumer lending marketplace specifically targets this consumer market by offering medium-sized loans ranging from RMB20,000 to RMB140,000 to these consumers. According to Oliver Wyman, the consumer credit market represented by medium-sized loans ranging from RMB20,000 to RMB140,000 accounted for approximately 62.4% of the total individual consumption market in China in 2016. From the inception of our business to December 31, 2016, the total transaction volume of loans facilitated on our marketplace amounted to RMB7.6 billion. We primarily focus on facilitating medium-sized credit loans ranging from RMB20,000 to RMB140,000, which represented approximately 80% of our total transaction volume during the six months ended September 30, 2016.

We have built a multi-channel marketplace to reach and serve borrowers and investors, leveraging both our online platform and the nationwide physical networks of our offline cooperation partner, Hexin Group, which is majority-owned by our controlling shareholder. As of December 31, 2016, our offline cooperation partner had a total of 99 branches in 20 provinces and 4 municipalities across China. We acquire borrowers offline through cooperation with our offline cooperation partner in accordance with certain contractual arrangements. See "Corporate History and Structure—Our Relationship with Hexin Group". Leveraging our borrower acquisition model that combines online platform and offline networks, our online marketplace has experienced significant growth since its inception. The total amount of loans facilitated through our online marketplace increased by 42.9% from the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2016, and by 14.6% from the six months ended September 30, 2015 to the six months ended September 30, 2016. In particular, the total loan amount of our credit loans experienced rapid growth of 1,552.8% from the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2016, and by 693.3% from the six months ended September 30, 2015 to the six months ended September 30, 2016.

We provide borrowers with convenient and ready access to credit through our online marketplace. We offer borrowers a wide range of products designed based on customer segmentation data and tailored to the specific needs of the emerging middle class in China. We offer investors various types of investment products with appropriate risk levels and risk-adjusted returns, and have achieved high investor satisfaction and loyalty as shown by our repeat investor rates. The average annualized investment return for loans facilitated on our marketplace ranges from 8% to 15%. As of December 31, 2016, more than 40% of our investors had invested more than once on our marketplace. For the fiscal year ended March 31, 2016 and six months ended September 30, 2016, the total number

of borrowers increased by 579.7% and 339.2% from the fiscal year ended March 31, 2015 and six months ended September 30, 2015, respectively, and the total number of investors increased by 81.8% and 72.3% from the fiscal year ended March 31, 2015 and six months ended September 30, 2015, respectively.

We believe we have developed an advanced risk management system leveraging our proprietary technology, algorithms and data sources. Our technology-driven risk management system comprises online big data analysis, offline confirmation of borrower information, credit scoring and decision-making, and post-loan management. This system has enabled us to assess the credit-worthiness of our borrowers more effectively and provide risk-based pricing for our products to better serve our customers and enhance customer satisfaction.

We generate revenue from fees charged for our services in matching investors with individual borrowers and for other services we provide over the life of a loan. We primarily charge borrowers loan facilitation and loan management service fees for services provided by our marketplace in facilitating loans and providing other services, and we also charge investors post-origination service fees for investing in portfolio investments ("Wallets"), individual investments and loan transfer services.

We have experienced rapid growth since our inception of business in 2014. Our revenue increased by 156.0% from US\$4.6 million in the fiscal year ended March 31, 2015 to US\$11.9 million in the fiscal year ended March 31, 2016, and by 129.4% from US\$4.0 million in the six months ended September 30, 2015 to US\$9.1 million in the six months ended September 30, 2016. Our net profit was US\$3.5 million in the fiscal year ended March 31, 2016, while our net loss was US\$350,171 in the fiscal year ended March 31, 2015. Our net profit increased by 290.0% from US\$704,578 in the six months ended September 30, 2015 to US\$2.7 million in the six months ended September 30, 2016.

## **Our Competitive Strengths**

We believe that the following competitive strengths have contributed to our growth and helped us take advantage of the substantial market opportunity:

### ***A fast-growing consumer lending marketplace focusing on meeting the increasing consumption demand of the emerging middle class in China***

We are a fast-growing consumer lending marketplace focusing on meeting the increasing consumption demand of the emerging middle class in China. According to Oliver Wyman, China's private consumption market has grown steadily at a CAGR of 10% from RMB15 trillion in 2010 to RMB23 trillion in 2015, and is expected to reach RMB32 trillion by 2020. The private consumption market in China has increasingly shifted from consumption of staples or necessity goods to consumption of premium goods and services, such as luxury goods, travel, cosmetic medicine, education and home renovation. According to Oliver Wyman, the consumer credit market represented by medium-sized loans ranging from RMB20,000 to RMB140,000 accounted for approximately 62.4% of the total individual consumption market in China in 2016. The transaction volume of the medium-sized credit loan market in China reached RMB365 billion in 2016 and is expected to grow at a CAGR of 66% from 2015 to 2020. We believe the emerging middle class represents a large and relatively untapped consumer credit market opportunity in China and our consumer lending marketplace specifically targets these consumers by offering medium-sized loans to meet their financing needs. The total transaction volume of loans facilitated on our marketplace amounted to RMB7.6 billion from the inception of our business to December 31, 2016. As of December 31, 2016, consumers with a monthly income of RMB3,000 to RMB7,000 accounted for 64.2% of our borrowers. We have designed loan products that are tailored to the specific financing needs of the emerging middle class, such as provident fund loans, home-owner loans, car-owner loans and insurance-holder loans. As of December 31, 2016, more than 90% of loans facilitated on our marketplace were used for daily-life consumption purposes, including travel, cosmetic medicine, education, purchase of automobiles and high-end furniture.

Our fast growth is also demonstrated by the significant growth in the transaction volume of our credit loans, which represented an increase of 1,552.8% from the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2016, and 693.3% from the six months ended September 30, 2015 to the six months ended September 30, 2016. Our secured loans also increased by 14.32% from the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2016, but subsequently decreased by 40.5% from the six months ended September 30, 2015 to the six months ended September 30, 2016, as a result of our shift in focus from secured loans to credit loans.

#### ***Strong O2O capability combining online platform with extensive offline networks***

We operate our consumer lending marketplace primarily through our online platform to improve efficiency and reduce costs. Our core functions are all conducted through our online platform. Our online platform is accessible via the Internet, mobile applications, H5 and social media (such as WeChat and Weibo). Our technology-enabled online marketplace allows us to provide customers with convenient and ready access to various loan products to meet their specific financing needs.

We also cooperate with our offline partner, Hexin Group, which is majority-owned by our controlling shareholder, to utilize its extensive on-the-ground sales networks to acquire borrowers. We have entered into a cooperation agreement with Hexin Information and Hexin Financial Information, under which Hexin Group refers offline borrowers to us, and we then provide online marketplace services to match investors with these borrowers. See "Corporate History and Structure—Our Relationship with Hexin Group". In the fiscal years ended March 31, 2015, 2016 and the six months ended September 30, 2016, over 90% of our borrowers were referred from Hexin Group. The sales and distribution networks of Hexin Group expanded rapidly from 47 branches as of December 31, 2015 to 99 as of December 31, 2016, covering 20 provinces and 4 municipalities across China. Through the on-the-ground sales networks of our offline partner, we have expanded our reach to customers through various sales and distribution channels, including direct sales and marketing, advertising by pamphlets, telephone marketing, invitations and referrals from existing customers.

Our O2O model has helped us expand our reach to a wide range of borrowers and enhance our risk management capability. The synergistic relationship between our online platform and our offline partner's networks has led to a significant growth of our online marketplace since its inception. The total amount of loans facilitated through our online marketplace increased by 42.9% from the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2016, and by 14.6% from the six months ended September 30, 2015 to the six months ended September 30, 2016. For the fiscal year ended March 31, 2016 and six months ended September 30, 2016, the total number of borrowers increased by 579.7% and 339.2% from the fiscal year ended March 31, 2015 and six months ended September 30, 2015, respectively, and the total number of investors also increased by 81.8% and 72.3% from the fiscal year ended March 31, 2015 and six months ended September 30, 2015, respectively.

#### ***Risk-adjusted investment returns and high investor satisfaction***

We believe that our marketplace provides an attractive investment opportunity for investors. We offer investors various types of investment products tailored to their needs with risk-adjusted returns. We match investors' funds with loans based on different terms, interest rates, amounts and types of products. Our credit decision-making system has helped diversify risks and increase liquidity of funds for investors. We believe the average investment returns on our marketplace, ranging from 8% to 15%, are higher than traditional investment channels in China, including bank deposits, bonds and wealth management products.

We have developed multiple sales and distribution channels to attract investors, including online channels including our website, mobile application, H5 and social media (such as WeChat and Weibo). To encourage investors to increase their investment activity and investment amounts on our marketplace, we have established a VIP investor loyalty program, which offers VIP investors various discounts on management fees based on their VIP levels. We have thus achieved high investor satisfaction and loyalty, as shown by our repeat investor rates. In the fiscal year ended March 31, 2016 and the six months ended September 30, 2016, 60.5% and 62.2% of our investors were repeat investors (i.e. investors who made more than one investment during the specified period), respectively. As of December 31, 2016, more than 40% of our investors had invested more than once. The loyalty of our investors has also led to relatively low customer acquisition costs. Our investor acquisition cost decreased from to RMB765 per investor in the year ended March 31, 2016 to RMB625 per investor in the six months ended September 30, 2016.

### ***Advanced Risk Management System***

Our advanced risk management system comprises online big data analysis, offline confirmation of borrower information, credit scoring and decision-making, and post-loan management. We have employed a comprehensive risk management system to process data gathered through various sources, including our own online platform and third-party industry data, supplemented by offline verifications conducted by our offline cooperation partner. We have developed our proprietary credit scoring and decision-making algorithms to efficiently process and consolidate all the data collected and generate a credit score and risk profile for each borrower applicant. We have also implemented risk-based pricing to assign the amount and term of the loans offered to borrowers based on their risk scores. In our post-loan management process, we closely monitor borrowers' repayments to reduce the ratio of non-performing loans and continuously update borrowers' profiles and credit scores.

Our risk management capability has been largely strengthened by our cooperation with our offline partner through offline data verification and physical interviews with potential borrowers conducted by their on-the-ground sales networks. Our combined online and offline borrower acquisition model has enabled us to effectively assess and manage credit risks. Leveraging multiple sources of information and data, we are able to fully evaluate the risk profile of each borrower in our own credit infrastructure. We constantly optimize and upgrade our risk management model with new credit data and technologies, normally every three to six months.

### ***Experienced and Visionary Management Team***

We have a strong management team with a long history in the consumer finance industry in China. Our founder and executive chairman, Mr. Xiaobo An, has over twelve years' experience in the consumer finance industry, having worked in the banking industry for four years and established Hexin Group in 2009 focusing on consumer finance and wealth management. Mr. An was awarded the "Outstanding Innovator of the Financial Industry in China" by the prestigious Economy magazine and Huazun Prize panel in 2014. Our CEO, Mr. Xinmin Zhou, also has extensive experience in business operations and management in the consumer finance industry, including over eight years' experience in the Internet industry, and most recently in the financial technology area. Our senior management team's deep understanding of the industry and vision have contributed to our strategic focus on meeting the growing consumption demand of the emerging middle class in China. In addition, since our inception, we have adopted robust corporate governance policies and practices and engaged extensively with key regulators to continuously ensure compliance with the evolving PRC laws and regulations and help shape best practices in China's marketplace consumer lending and credit industry.

## Our Strategies

Leveraging our competitive strengths, we plan to implement the following key strategies to achieve our goal of fulfilling the credit needs of China's emerging middle class to meet their growing demand for premium goods and services:

### ***Continue to utilize multiple channels to broaden our borrower base and further penetrate our total addressable market***

We will broaden our borrower base in our marketplace through working with multiple channels while continuing to focus on meeting the rising demand of the emerging middle class in China. We plan to expand our network of partners, including healthcare institutions, financial institutions and educational institutions, and leverage their relationships with different consumer groups in the emerging middle class to acquire more borrowers. We will continue to lower borrower acquisition costs and create more convenient consumer credit solutions for more borrowers in our total addressable market by simplifying our lending process and increasing efficiency in our marketplace lending.

We plan to enhance our customer relationships by helping them meet their evolving credit needs and build up their credit histories. We will generate more revenue from new and existing customers by introducing more products and services to meet our borrowers' growing funding needs, focusing on credit loans. We will offer new loan products, including social security loans targeting borrowers who contribute to social security funds, consumption context based loans such as loans that target certain usage, demographics such as female borrowers and certain age groups such as young borrowers. We also intend to offer loans targeting existing borrowers with discounted rates.

### ***Expand and diversify investor base and offer more investment products***

We plan to expand and diversify our investor base by attracting more high-net-worth customers who may invest larger amounts of funds, expect reasonable returns and require that their assets be secure. We also seek to attract banks, trust funds and other institutional investors to provide lending capital and thus drive down borrowing costs.

We intend to expand our product offerings to include a more diversified product portfolio to meet the different needs of these investors and offer risk-based returns. For example, we will offer innovative products such as investment products of different risks and borrower credit profiles. We will also launch portfolio investment products which offer increased interests on a monthly basis to meet the continuous needs for investors.

### ***Further enhance our risk management and risk-based pricing capabilities***

We will continue to enhance and upgrade our risk management system by utilizing big data from multiple sources and other third-party partners, introducing technology support from leading information service companies such as advanced credit decision-making technology, and optimizing segmentation of customers and our highly automated credit-review process. We will further enhance our risk-based pricing capabilities by providing quality customers with better products and target more customers with high credit ratings in the emerging middle class of China.

Leveraging our highly diversified customer base, we also aim to diversify our revenue sources by offering independent risk management and big data analysis services to companies engaged in consumption finance area.

### ***Continue to invest in our technology platform***

We plan to continue to make significant investments in developing our proprietary technologies, algorithms and data sources to increase the speed and scale at which our marketplace can facilitate



loans. Our reliable technology-focused platform aims to achieve the goals of regulatory compliance and data security. We will increase the efficiency of our marketplace lending and customer satisfaction by providing analysis of customers' credit reports and automatic credit review, enhancing our decision-making systems to provide quick and accurate analysis of big data, and precision marketing based on an analysis of customer data. For example, we plan to introduce advanced risk decisioning technology from abroad and will implement facial and other biometric data recognition technologies to improve our customer identity verification process and strengthen our anti-fraud system. We will also enhance our risk-based pricing by including more parameters in our risk assessment process, such as assessment based on demographic and geographic origin information of borrowers.

We aim to create a vibrant consumer lending ecosystem through our online platform and cooperation with third-party partners, and promote the adoption of an industry-wide credit rating system to better serve borrowers and investors.

### ***Enhance the profile of our brand***

We will continue to promote our brand by targeting the emerging middle class in China to meet their increasing credit needs. We will implement a multi-channel marketing and advertising strategy through working with various traditional media channels, including TV and newspapers, and further enhance new media channels, including online media, H5 and social media forums, such as Weibo and WeChat. We intend to further cooperate with third parties, such as industry forums, search engines, e-commerce platforms, telecommunication operators and online technology and finance companies, to enhance the recognition of our brand. We will adopt big data analytics to deliver targeted marketing to certain customers more efficiently. In our sales and marketing activities, we will promote our focus on core values like "simplicity and enjoyment" of life, expectation of "higher returns" and "safe" investment.

### **Our Business Model**

We have built a multi-channel marketplace, leveraging both our online platform and our cooperation partner's offline networks, to facilitate loans between borrowers and investors. We provide borrowers with convenient and ready access to credit and investors with stable investment returns. We offer borrowers a wide variety of loan products based on their specific financing needs and risk profiles through our online platform comprising our website and mobile application. Through the nationwide physical networks of our cooperation partner, Hexin Group, we source borrowers offline and conduct physical interviews as an integral part of our credit assessment and risk management process. We also service different investors through our online marketplace by offering them a variety of investment products through the portfolio investment ("Wallet") and individual investment options.

With our proprietary technology, we have implemented a multi-stage credit assessment and risk management system to ensure the quality of borrowers and to prevent fraud. Our risk management system comprises four principal components: (i) online big data analysis; (ii) offline verification of borrower information; (iii) credit scoring and decision-making; and (iv) post-loan management. For more information on our risk management system, please see "—Our Technology and Risk Management System". We have also implemented risk-based pricing by assessing the credit risks of borrowers and then determining an appropriate loan amount and interest rate, taking into account the specific risk profiles of the borrowers.

We generate revenue primarily from fees charged for our services in matching investors with individual borrowers and for other services we provide to our users over the term of a loan. We primarily charge borrowers loan facilitation and loan management service fees for services provided through our marketplace in facilitating loan transactions, and we also charge investors post-origination service fees for investing in our portfolio investments ("Wallet") and individual investments, as well as using our loan transfer services. Throughout the term of the loan we offer other services to borrowers for repayment, and, if non-payment occurs, we assist investors in collection. We also facilitate our investors in obtaining insurance policies from Changan Insurance to cover the risk of borrowers' non-payment.



## **Our Borrowers**

### ***Borrower Profile and Demographics***

We target the growing consumption demand of the emerging middle class in China. This segment of the Chinese population is demonstrating growing consumption demands for premium goods and services in pursuit of an upgraded lifestyle, and is spending more money on discretionary products and services. Our target borrowers typically have full-time employment and a stable income of around RMB3,000 to RMB7,000. Such borrowers are typically aged between 31 and 45 years old, educated with a bachelor degree or above, and possess personal assets comprising real property, automobiles or long-term life insurance policies. As of December 31, 2016, approximately 43.5% of our borrowers are employed by state-owned enterprises and public institutions.

As of December 31, 2016, our borrowers consisted of 67.2% male and 32.8% female, 78.3% married, 83.4% having received higher education and 61.1% with real property. We strictly prohibit lending to those people with criminal records, with no records of credit history, who are on the national list of delinquent debtors or who are in certain high-risk occupations. As of December 31, 2016, approximately 87% of our loans were used by borrowers to purchase premium goods and services, such as luxury goods, travel, cosmetic medicine, education and home renovation.

### ***Borrower Acquisition***

We utilize an O2O model to acquire borrowers, combining both an online platform and the extensive offline networks of our offline cooperation partner, Hexin Group. Our borrower acquisition model has allowed us to increase the number of borrowers and the total amount of loans facilitated on our marketplace. In the fiscal year ended March 31, 2016, we facilitated loans to 11,120 borrowers with a total amount of loans of RMB2,976 million (US\$470 million). In the six months ended September 30, 2016, we facilitated loans to 11,674 borrowers with a total amount of loans of RMB1,632 million (US\$247 million), compared to 2,658 borrowers with a total amount of loans of RMB1,424 million (US\$230 million) in the six months ended September 30, 2015.

We acquire borrowers through referrals from our offline cooperation partner's extensive nationwide on-the-ground sales network in China as part of our contractual arrangements with Hexin Group, which is owned by our controlling shareholder. Hexin Group has an extensive on-the-ground sales network across approximately 99 locations in 20 provinces and 4 municipalities as of December 31, 2016. Under the contractual arrangements, Hexin Group refers offline borrowers to us for our loan products, and we then offer our online loan facilitation services to these borrowers. Upon successful facilitation and execution of a loan, the borrower will enter into an agreement and pay a consultation services fee directly to Hexin Group. The borrower will also enter into a separate loan agreement and platform service agreement with us. Hexin Group assists us by carrying out a part of our risk management process through conducting physical interviews, document collection and data processing. In the fiscal years ended March 31, 2015 and 2016 and the six months ended September 30, 2016, over 90% of our borrowers were referred from Hexin Group. Our cooperation partner receives consultation fees from borrowers whereas we independently receive loan facilitation or management service fees from borrowers. During the course of the facilitation of a loan, we do not receive any fees from our cooperation partner, and vice versa. For more information regarding our contractual arrangements with Hexin Group, see "Corporate History and Structure—Our Relationship with Hexin Group."

We also utilize our online platform consisting of multiple channels, including Internet, mobile applications, H5 and social media (such as WeChat and Weibo), to attract new borrowers. We rolled out our online platform and mobile application in November 2016 and expect to acquire an increasing proportion of borrowers through our online platform in the future. We intend to continue to strengthen

our borrower acquisition capabilities by enhancing our online platform and increasing visitor traffic to expand our borrower base.

Our offline cooperation partner, Hexin Group, acquires borrowers through multiple marketing and distribution channels such as traditional sales and marketing efforts, marketing campaigns and cooperation with various media and platforms.

## **Our Investors**

### ***Investor Profile and Demographics***

We welcome all investors domiciled in China to participate in the investment opportunities provided on our marketplace. Currently, we focus our efforts on attracting individual investors. This large and rapidly growing sector of Chinese individual investors is currently underserved by traditional investment products in China. The average investment returns on our marketplace, ranging from 8% to 15%, are generally higher than those of traditional investment products, including bank deposits, bonds and wealth management products. In the future, we plan to expand and diversify our investor base from our current focus on individual investors to also include institutional investors, such as banks, trust funds and other institutional investors, as well as more high-net-worth individuals who may invest larger amounts of funds.

As of December 31, 2016, our investors profile consisted of 62.0% male and 37.8% female. In terms of age groups, 20.4% of our investors were in their 20s', 36.0% in their 30's, 23.2% in their 40's, 12.0% in their 50's, and 8.4% in other age groups.

### ***Investor Acquisition***

We have attracted a large number of investors to our marketplace through multiple online channels, including our website, mobile application, H5 and social media (such as WeChat and Weibo). Our investor acquisition efforts are primarily directed towards enhancing our brand name and building investor trust. Our investor acquisition channels primarily include sales and marketing campaigns for our mobile applications, customer referrals and promotional activities for institutional investors. In the fiscal year ended March 31, 2016, 31,783 investors made investments on our marketplace, with a total amount of investment of RMB2,943 million (US\$465 million). In the six months ended September 30, 2016, 31,250 investors made investments through our marketplace with a total amount of investment of RMB1,906 million (US\$289 million), compared to 18,141 investors with a total amount of investment of RMB1,422 million (US\$230 million) in the six months ended September 30, 2015. In the fiscal year ended March 31, 2016 and the six months ended September 30, 2016, the average amounts invested by each investor were RMB92,607 (US\$14,637) and RMB60,991 (US\$9,241), respectively.

Our investors favor quick and convenient investments with attractive risk-adjusted returns. Through our online marketplace we provide user-friendly tools to investors to conveniently browse through our loan product offerings, customize and manage their investments. An investor can create a user account on our marketplace through simple steps. The investor is then directed to the website of Jiangxi Bank to create a custody account with a minimum deposit of RMB50. We do not impose any requirement to commit any loans so that investors have the flexibility to withdraw their uncommitted funds at any time. If an investor commits funds to his or her custody account with Jiangxi Bank but has not invested in any loan product, interest is payable based on the PBOC interest rates. To encourage investors to increase their investment activity and investment amounts on our marketplace, we have established a VIP investor loyalty program. VIP investors who have registered higher activity levels and investment amounts on our marketplace are offered lower management fees.

We have attracted a fast-growing and loyal investor base. The number of investors who invested on our marketplace increased from 17,483 in the fiscal year ended March 31, 2015 to 31,783 in the fiscal

year ended March 31, 2016. The number of investors who invested on our marketplace increased from 18,141 in the six months ended September 30, 2015 to 31,250 in the six months ended September 30, 2016. In the fiscal year ended March 31, 2016 and the six months ended September 30, 2016, 60.5% and 62.2% of our investors were repeat investors (i.e. investors who have made more than one investment during the specified period), respectively. As of December 31, 2016, more than 40% of our investors had invested more than once on our marketplace. Furthermore, we have introduced a referral incentive program offering a cash reward to an existing investor upon each successful referral of a new investor, under which the existing investor earns an annualized cash incentive of 1% based on the funds invested by the new investor in the first year. For the fiscal year ended March 31, 2016, referred investors contributed to approximately 23.4% of the total amount of funds invested.

## **Our Products and Services**

### ***Products and Services to Borrowers***

We facilitate primarily medium-sized credit loans and secured loans in the amount ranging from RMB20,000 to RMB140,000 to borrowers on our online marketplace. Our loan products can be generally categorized as credit loans and secured loans. As of December 31, 2016, 93.4% and 6.6% of the total outstanding amount of loans facilitated on our marketplace were attributed to credit loans and secured loans, respectively.

We charge borrowers based on an annual percentage rate, or APR, which is expressed as a single percentage number that represents the actual yearly cost of borrowing over the term of a loan. The APR comprises (i) a fixed interest rate that borrowers pay investors, and (ii) a loan facilitation or loan management service fee that we charge for our services. The APR also varies according to the terms of the loan (currently 12, 24 or 36 months). The APR of our loans ranges from 17.0% to 36.9% for credit loans and 11% to 13% for secured loans. Typically the annualized fixed interest rate ranges from 14% to 15% and the loan facilitation or loan management service fee we charge for our loan facilitation and other services is based on a percentage of the loan amount. The gross billing ratio ranged from 2.7% to 25.2% for the nine months ended December 31, 2016.

Borrowers can access our marketplace through multiple channels, including Internet, mobile applications, H5 and social media (such as Wechat and Weibo). These channels allow borrowers to conveniently monitor the status of their loans online, including relevant information such as payment schedules. Throughout the term of the loan, we offer other post-origination services to borrowers including repayment-related management services.

We experienced rapid growth in the credit loans facilitated on our marketplace. In the six months ended September 30, 2016, credit loans represented approximately 52.0% of the total loans facilitated through our marketplace, as compared to 7.5% in the six months ended September 30, 2015. Credit loans contributed to 86.2% of our gross billing amount in the six months ended September 30, 2016, as compared to 18.4% in the six months ended September 30, 2015. As part of our business strategy, going forward, we expect to continue to focus on credit loans, in particular car-owner loans.

### ***Credit Loans***

Credit loans are unsecured loans that can be used to make various consumer purchases. Credit loans are offered in an amount ranging from RMB20,000 (US\$2,880.6) to RMB200,000 (US\$28,806.0) with terms of up to 36 months. The total amount of credit loans we facilitated on our marketplace experienced significant growth since our inception, representing an increase of 693.3% from RMB106.9 million (US\$17.3 million) in the six months ended September 30, 2015 to RMB848.0 million (US\$128.5 million) in the six months ended September 30, 2016.

## Secured Loans

Secured loans are loans requiring collateral, normally in larger loan amounts and offered to borrowers who generally have greater capital needs. Before the introduction of the Interim Regulations, we offered secured loans in amounts ranging from RMB60,000 (US\$8,641.8) to RMB14.5 million (US\$2.1 million), with terms of generally one to three months. Since these loans are secured by primarily real property and, to a lesser extent, large tangible assets such as automobiles, these loans are usually in larger amounts and with shorter terms than the credit loans facilitated on our marketplace.

### *Credit Loan Products based on Borrower Segmentation*

We further categorize and tailor our loan products according to the borrowers' segmentation and different consumption financing needs. We currently offer five main types of tailored loan products: (1) provident fund loans; (2) property-owner loans; (3) car-owner loans; (4) insurance-holder loans; and (5) premier customer loans. We impose different borrower requirements and fix different loan facilitation or loan management service fees for each tailored loan product.

#### **(1) Provident Fund Loans**

Provident fund loans are typically provided to full-time employees of large enterprises who are entitled to and have made provident fund payments in compliance with relevant PRC laws and regulations. Borrower applicants for provident fund loans should demonstrate, among others, job stability and a continuous record of provident fund payments. The maximum loan amount of provident fund loans is RMB200,000 (US\$28,806.0).

#### **(2) Property-owner Loans**

Property-owner loans are typically offered to property owners with a bank mortgage, as long as the mortgage payment has been made for a continuous period of 12 months or above. We also require such borrowers to have a stable financial income with continuous employment. The maximum loan amount of property-owner loans is RMB150,000 (US\$21,604.5).

#### **(3) Car-owner Loans**

Car-owner loans target the segment of high-spending consumers with ownership of automobile vehicles. Borrower applicants with a personal automobile owned for three months or more which is registered with any relevant municipal authority and a stable financial income are eligible for a car-owner loan. The maximum loan amount of car-owner loans is RMB150,000 (US\$21,604.5).

#### **(4) Insurance-holder Loans**

Life insurance loans are typically offered to policyholders who hold life insurance policies provided by 12 well-recognized large domestic insurance companies in China with an insurance term of three years or more. We also require such borrower applicants to have a stable financial income with continuous employment of six months or more. The maximum loan amount of insurance-holder loans is RMB150,000 (US\$21,604.5).

#### **(5) Premier Customer Loans**

Premier customer loans are typically offered to what we consider as the "elite" segment of Chinese consumers who have stable full-time employment with government agencies, well-recognized large- and medium-sized enterprises, listed companies, banks and

organizations such as public schools and hospitals, public utilities companies and broadcasting companies. The maximum loan amount of this type of loan is RMB200,000 (US\$28,806.0).

### ***Products and Services to Investors***

Through our online marketplace, we provide investors with investment services and products including portfolio investments ("Wallets") and individual investments. Investors can choose and customize their preferred loan investments. In addition, our online marketplace allows investors to transfer their loan commitments to other investors under certain circumstances and access our live support services. We charge each investor a post-origination service fee for using our marketplace, which is primarily the difference between the interest rates on the underlying loans and the targeted returns offered to investors. The post-origination service fee is calculated as a percentage of the interest for the underlying loan product. In the fiscal year ended March 31, 2016, the average post-origination service fee that we charge our investors represented approximately 7.4% of the interests earned of the underlying loan.

#### ***Portfolio Investment ("Wallets")***

We offer various portfolio investment products called "Wallets" to our investors with designated loan amounts, APRs and payment terms. Investors agree to invest a specified amount of funds for a fixed period of time into a basket of loan products offered to borrowers. The portfolio investment has provided our investors with risk-adjusted returns and a convenient means of reinvestment without having to monitor the process of each loan.

The minimum threshold for a lending commitment made through a portfolio investment is RMB100 (US\$14.4). The current annualized rates of return to investors for portfolio investments, for the nine months ended December 31, 2016, ranged between 10% and 15%, depending on the duration of the committed investment and the different terms and conditions of respective loan products. As of March 31, 2017, over 90% of funds invested by investors through our marketplace were invested utilizing the portfolio investment.

#### ***Individual investment***

We also provide investors with the option to invest in individual loan products. Investors can browse through individual loan products which we list on our marketplace, review the credit rating and profile of each borrower and choose to invest in a specific loan product. After selecting a desired loan product, the investor commits a specified amount of funds to be lent to the borrower for the designated duration of the loan.

The minimum threshold for a lending commitment made through individual investment is RMB50 (US\$7.2). The current annualized rates of return offered to an investor for individual investments for the nine months ended December 31, 2016 ranged between 8% to 13%, depending on the duration, terms and conditions of the respective loan products.

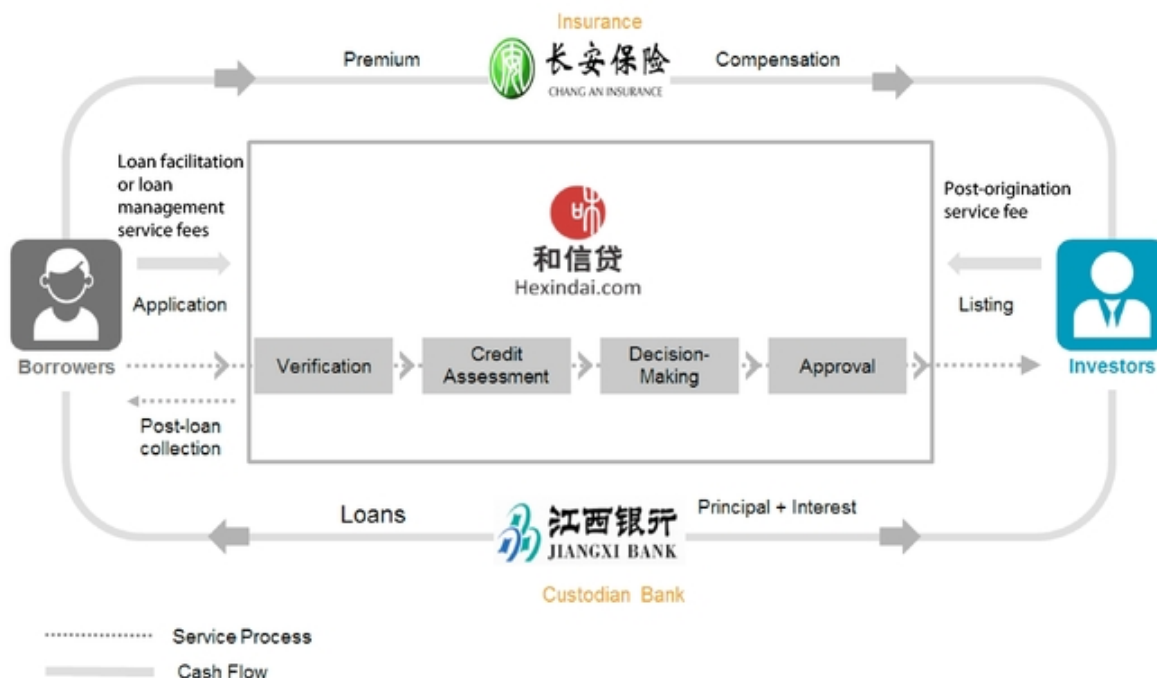
#### ***Loan transfer***

We facilitate our investors to make loan transfers on our marketplace so that they can flexibly transfer their creditor rights associated with specific loan products to other willing investors. Investors are typically locked up for the first term of each loan commitment. Once the "lock up" period expires, our investors can opt out of the loan and cash out. We list the secondary loan products on our marketplace under "Transfer of Loans" and other investors can select and invest in these existing loan products. Upon the commitment of a new investor, the original investor will receive his or her outstanding invested funds and accrued interest through the online third-party payment service provider. A one-time transfer fee is charged to all investors for each loan transferred on our

marketplace. Upon execution of a loan transfer agreement, the creditor rights and obligations are assigned to the new investors. By providing transferability of loans, we can allow other willing investors to participate, even if the original investor decides to exit prior to the maturity of the loan.

## Our Transaction Process

We endeavor to provide a transparent and convenient platform for all our users, including borrowers and investors alike, to foster a healthy marketplace of high quality loan products, while safeguarding each of their interests. Our entire transaction process from the initial application to final disbursement of funds typically takes three days, as compared to the average of 30 days for credit loans and 60 days for unsecured loans in a traditional bank loan requires. The graph below illustrates our transaction process:



### Stage 1: Consultation and Application

A borrower applicant must fill out an application form and provide information, including, among others, PRC identity card information, proof of monthly income and a credit report from the PBOC, as well as the desired loan amount and term of a loan product. Depending on the borrower's eligibility for different loan products, different additional documentation shall be required, such as proof of provident fund payments. At the initial stage, the branch officer will determine if the borrower applicant qualifies under our specific requirements for each loan product and may reject the application, or process it and pass the case to the credit assessment team.

### Stage 2: Verification and Anti-Fraud

Upon the borrower's submission of a completed application, the data is verified using internal and external sources of data for verification. Internally, we compare the primary data collected against any credit history on our internal database, and externally, we compare the data against information recorded by government and state agencies, online data and blacklists from Internet service providers, industry forums and various financial institutions. We utilize our proprietary technology, supplemented

by manual verification of data points and followed up with telephone calls to confirm the borrower information's accuracy, the borrower's true intent and financial capability. Once an application passes the initial check, our credit assessment team reviews the case and further implements anti-fraud measures. If a member of the credit assessment team suspects at any stage of the review there may be fraud, the case is referred to our anti-fraud review team. Enhanced due diligence will be conducted as appropriate, such as follow-up phone calls to the applicant's employer. As a further check, our quality control team sample checks the credit assessment results. Further rounds of reviews with additional levels of credit testing are conducted, as necessary, before a final decision is made, including telephone interviews and further physical meetings.

### ***Stage 3: Credit Assessment and Decision-Making***

Our credit scoring program generates a credit score for each borrower. Following our multi-level reviews, our credit assessment team may (i) approve the loan application, (ii) approve the loan subject to modification of the loan amount, term and/or applicable interest rate, or (iii) decline the loan application. Borrower applicants are notified of the approval results, and successful borrowers proceed directly to the approval, listing and funding stage. In the fiscal year ended March 31, 2016 and the six months ended September 30, 2016, approximately 25.0% and 19.4% of all loan applications submitted were approved, respectively.

### ***Stage 4: Approval, Listing and Funding***

Upon our approval of the application, the successful borrower applicant signs a consultation service agreement with Hexin Group and a separate platform services agreement with us. A loan agreement will also be entered into among the borrower, investor and us as the facilitator of the loan accordingly. The investor also enters into an insurance policy agreement with the insurance company which specifies the insurance coverage for his or her investment.

The loan products are listed on our marketplace for public viewing. Investors can subscribe to a certain loan product, once a loan is fully subscribed, the borrower receives funds through his or her custody account with Jiangxi Bank.

### ***Stage 5: Servicing and Collections***

We utilize an automated process for collecting scheduled loan payments from our borrowers. Borrowers make scheduled loan repayments via a third-party payment platform to a custody account with Jiangxi Bank, and authorize us to debit the custody account for the transfer of scheduled loan repayments to the lending investors. We check the balances in the custody account and reconcile the transactions against our records on a daily basis.

If there is non-payment, we carry out procedures to encourage the borrower to repay as soon as possible. Upon a borrower's default, our collections team, together with Changan Insurance's responsible officers, will call and send text messages to the defaulting borrower to request repayment of the delinquent loan balance and all penalty and default charges accrued since the default date, and will further follow up if non-payment persists. See "—Collections Process."

### ***Agreements with Borrowers***

Multi-party loan agreements are entered into among the borrower, the investor and us, as the service facilitator in the loan transaction. If the borrower is sourced offline, the loan agreement is executed in person. If the borrower is sourced online through our online platform, the loan agreement is executed digitally once the loan is fully subscribed by investors, and an electronic copy is then forwarded to both the borrower and the investor. The loan agreement sets forth key standard terms, including but not limited to, the identity of the borrower and investor, the interest rate, the loan principal, intended use of loan proceeds, the payment term, the bank account details, the repayment terms, our services and responsibilities as facilitator and the applicable penalties on breach and non-payment.

Borrowers also separately enter into platform services agreements with us. We provide our platform matching services for consideration of a loan facilitation or loan management service fee, which is charged as a percentage of the loan amount and is paid on the day the loan proceeds are released to the borrower. Borrowers undertake to provide us with all required personal information and represent to us as to the accuracy of such information. We are authorized to (i) make all inquiries necessary to assess the creditworthiness of borrowers, including from third parties, (ii) submit borrowing and repayment data to certain credit reporting institutions in the event of any non-payment, and (iii) make credit assessments on borrowers and disclose information to prospective investors. Borrowers who are sourced offline enter into separate consultancy service agreements with Hexin Group, authorizing it to perform credit assessment.

### ***Agreements with Investors***

Investors enter into consultation and services agreements with us. We charge each investor a post-origination service fee for using our marketplace, which is primarily the difference between the interest rates on the underlying loans and the targeted returns offered to investors. The post-origination service fee is calculated as a percentage of the interest for the underlying loan product. Investors who are "VIP" investors receive a discount on the management fees. The consultation and service agreement sets out key terms, including but not limited to, (i) the identity of the investor, (ii) the post-origination service fee, (iii) the investor's representation that the information and documentation provided by the investor through our website are true, complete and accurate and (iv) warranties that the funds used for the loan investment are from legitimate sources and that the investor has all legal right to such funds.

If an investor wishes to transfer his or her creditor rights to another investor, upon expiration of the minimum "lock up" period of the first term of the loan and the commitment of a willing investor, a loan transfer agreement is entered into among the original investor, the new investor and us. The loan transfer agreement sets out the details of the loan product, status and the outstanding obligations at the time of transfer. The creditor obligations and rights are thereby assigned to the new investor. The original investor agrees to pay us a one-time transfer fee for facilitating the transfer of the loan.

### **Third-Party Payment Agent**

We provide a secure portal for both borrowers and investors to access an independent online banking platform for the payment, settlement and clearing of the proceeds of the loans. We have entered into a cooperation agreement with Jiangxi Bank, a national commercial bank in the PRC, for fund management, payment, settlement and clearing services. Under the agreement, all funds from borrowers and investors are managed by Jiangxi Bank to ensure security and compliance with the relevant PRC laws and regulations. Each investor maintains a separate custody account with Jiangxi Bank so that each investor's capital, repayments and interests are securely maintained, separate from our Company's and the borrowers' accounts. Jiangxi Bank administers payments among borrowers, investors and us and performs the related clearing and fund settlement actions associated with these payments. Wiring instructions, repayment and interest settlement on borrowers' and investors' accounts are highly automated. We have established a check-and-balance system to ensure that all payments, transfers and deposits made by the third-party payment agents are checked numerous times prior to the transmission of any funds to avoid errors. In choosing the third-party payment agent, we take into consideration numerous criteria, including network infrastructure, security measures, reliability, information technology capabilities and experience.

### **Our Technology and Risk Management System**

In China, the credit reporting infrastructure is relatively undeveloped and there lacks a nationwide comprehensive credit information system. According to Oliver Wyman, in 2015, 35% of China's



population did not have credit histories on file with the PBOC's Central Credit Bureau. To that end, we have developed our own systematic risk management system to ensure the borrower loan products available on our online marketplace are of high quality and also accurately capture credit risks.

We focus on four key areas in the credit assessment of borrowers: (1) the accuracy of the data provided; (2) the ability to make repayments; (3) the authenticity of the borrower applicant's intentions and (4) the probability of non-payment based on an empirical model. Our risk management system comprises four principal components: (i) online big data analysis; (ii) offline verification of borrower information; (iii) credit scoring and decision-making; and (iv) post-loan management. In accordance with the results from our credit assessment, we implement risk-based pricing by using the credit score as a measure to decide the applicant's eligibility to different loan products, maximum loan amounts, applicable interest rates and service fees.

### ***(1) Online Big Data Analysis***

We utilize a data analysis program to process comprehensive data gathered through various sources, including our own online platform, government and Internet sources, third-party industry credit data, supplemented by manual input of data points collected through offline verification. Important data points include the borrower applicant's demographic characteristics such as age, gender, level of education, ownership of any assets, credit history, any hits on blacklists, GPS location tracking and phone call records.

### ***(2) Offline Verification***

Our offline verification process requires the borrower applicant to make a physical visit to one of the branches of Hexin Group, to produce the requisite original documents and undergo at least one interview with on-the-ground personnel. We also conduct verification phone calls to ensure the accuracy of the personal information provided by the borrower. The results of these assessments are input into our risk management system, and further will be listed in the loan product information on our online platform. In the fiscal year ended March 31, 2016, approximately 25% of borrower applicants were successful in passing the whole verification stage.

We also utilize a variety of publicly available databases, including, among others, the national list of delinquent debtors, the SAIC website and the PBOC database to confirm the identities and information of the borrower applicants. We also maintain a black list and a grey list of borrowers with issues after detecting any fraudulent activities. Currently, our risk management system utilizes hundreds of decision making rules and contains a blacklist with numerous fraud detection data points.

### ***(3) Credit Scoring and Decision-Making***

We have developed our proprietary credit scoring and decision-making algorithms to efficiently process and consolidate all the data collected, and generate a credit score and grade for each borrower applicant. We do not approve loan applications from borrowers of a credit score of below 97. The credit score and grade form the basis of our risk-based pricing and affect the applicant's eligibility to different loan products, maximum loan amounts, applicable interest rates and transaction fees. The

loan application is assessed on this basis and may be approved or approved subject to an adjustment of the loan amount.

Credit Score	Grade	Minimum borrower qualification standard
230 or above	A—Premium	High creditworthiness and stable income
199 - 229	B—Good	Relatively high creditworthiness and stable income
167 - 198	C—Average	Average creditworthiness and stable income
125 - 166	D—Risk-prone	Lower-than-average creditworthiness and average but stable income
124 - 97	E—Highly risk-prone	Low creditworthiness and may have an unstable income

More than 80% of our successful borrower applicants have credit scores between 199 to 229 with relatively high creditworthiness. The following table presents the APR, the fixed annual interest rate and the gross billing ratio for each of the different credit grade segments of our borrower applicants for the nine months ended December 31, 2016:

Credit Grade	Fixed Interest Rate	Gross Billing Ratio	APR	Loan transaction volume (RMB million)	Percentage of total transaction volume
A	14% - 15%	2.7%	17.0%	31.1	2.0%
B	14% - 15%	7.7%	20.8%	1,333.2	87.2%
C	14% - 15%	8.6%	21.5%	53.1	3.5%
D	14% - 15%	9.0%	21.8%	108.8	7.1%
E	14% - 15%	25.2%	36.9%	2.3	0.1%
<b>Total</b>				<b>1,529.0</b>	<b>100%</b>

Our system then utilizes decision-making technology to match a borrower with investors making portfolio investments, the "Wallets". The loan product is also listed on the marketplace for investors to browse and select individually.

#### **(4) Post-loan Management**

In our post-loan management process, we monitor the borrower's repayments closely to check for any signs of non-payment or "red flag issues". Important data is collected during this phase to continuously update a borrower's credit score and grade.

#### **Fraud Detection and Prevention**

We have established a fraud detection protocol in our risk management system. If we discover any red flags or abnormalities in the credit assessment process, the case is referred to our anti-fraud review team. The anti-fraud review team investigates the case, and on adjudication, may allow the application to proceed or reject the case on the basis of fraud detected. Based on the severity of the fraud, our anti-fraud review team categorizes the risk into high, medium or low and puts the applicant into the black list or grey list. Under the black list, the applicant is completely prohibited from taking out a loan through our online marketplace. Under the grey list, the applicant may be suspended from using our marketplace for three or six months depending on the severity of the fraudulent activity.

Further, in order to prevent fraud by forgery, we have entered into a strategic cooperation agreement with China Financial Certification Authority and Shenzhen Tianjin Finance Information

Services Limited Company to develop a system for digital certification and authentication of loan agreements. We believe implementation of this advanced fraud prevention system can ensure the authenticity of each loan instrument and instill higher confidence in our marketplace.

### ***Our Credit Risk Management Team***

Our credit assessment team consisted of 117 members as of December 31, 2016. Each application for standard loan products is reviewed by at least four members of the credit assessment team. Members of the credit assessment team analyze loan applications and also assist with fraud detection and borrower verification, leveraging skills learned through training and on-the-job experience to evaluate loans on the basis of direct communications with potential borrowers. We also have an independent risk management division, responsible for loan performance analysis and reporting, credit model validation, credit decision-making and other risk management activities.

We constantly optimize and upgrade our risk management systems with new credit data and technologies, normally every three to six months. Further, in order to centralize operations and enhance security, our proprietary credit scoring and credit decision-making algorithms are maintained at our Company.

### ***Collections Process***

Upon default of a payment obligation, a member of the collections team will assist Changan Insurance to make a phone call and send a text message to the defaulting borrower to request repayment. If the default continues for more five days, together with Changan Insurance we will try to call the borrower's contact persons. Changan Insurance may take legal action if required, to collect an outstanding larger, longer term loan obligation. All of our collection activities are conducted in compliance with all applicable laws and regulations.

### ***Risk Reserve Liability and Insurance***

From the inception of our business to January 2017, we maintained a risk reserve liability policy as a protective measure for investors. In case a borrower fails to repay his or her loan, the risk reserve liability policy will protect investors up to the full amount of the investment and accrued interest. See "Risk Factors—Risks Related to PRC Laws Regulating Our Business and Industry—Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to us", "Risk Factors—Risks Related to PRC Laws Regulating Our Business and Industry—The laws and regulations governing the marketplace lending service industry in China are developing and evolving and subject to changes. If our practice is deemed to violate any PRC laws or regulations, our business, financial conditions and results of operations would be materially and adversely affected." We undertake no obligation to pay any principal or interest in excess of the amount available in the risk reserve. Furthermore, at the inception of each loan, we set aside cash in an amount equal to approximately 1% of the loan principal amount plus interest under a credit loan and approximately 2% of the loan principal amount plus interest under a secured loan.

We have also entered into a framework agreement with a third-party insurance provider to provide insurance coverage to investors for their investments. Effective from February 1, 2017, once a borrower applicant passes our credit assessment and the loan product is listed and fully committed by investors on our online platform, the insurance provider shall enter into an insurance agreement with the investors. We assist the insurance provider in collecting the premium for the insurance, which represents 2% of the loan principal amount plus interest of loans facilitated on our marketplace. If the borrower fails to repay the investor, the insurance provider shall compensate the investor for the principal investment amount and accrued interests. We endeavor to bolster investor confidence by introducing such protection measures.

## Competition

The online consumer finance marketplace industry in which we operate is highly competitive. With respect to borrowers, we compete with other consumer lending marketplaces. While there are over 1,700 other consumer lending marketplaces in China according to Oliver Wyman, we believe we do not directly compete with those marketplaces offering small-sized loans (defined as loans of RMB3,000 (US\$432.1) to RMB20,000 (US\$2,880.6)) and large-sized loans (defined as loans exceeding RMB140,000 (US\$20,164.2)). Unlike these other marketplaces, we target the emerging middle class consumers seeking medium-sized loans ranging from RMB20,000 (US\$2,880.6) to RMB140,000 (US\$20,164.2). Among similar consumer lending marketplaces offering medium-sized loans, we believe we compete with Yirendai, Iqianjin and Niwodai.

We do not compete with traditional financial institutions, including banks, credit card issuers and consumer finance companies. We believe our credit assessment technology has enabled us to analyze alternative sources of data and operate more efficiently than traditional financial institutions. In addition, unlike traditional banking and lending institutions, we are not constrained by strict regulatory limits on pricing and loan deposits.

With respect to investors, we primarily compete with other micro-lending investment product providers, wealth management centers and traditional banks in China.

## Intellectual Property

We use a combination of trade secrets, software copyrights, trademarks, know-how and other rights to protect our intellectual property and our brand. We have completed registration of 32 trademarks and applied for the transfer of two additional trademarks with the Trademark Office of the State Administration for Industry & Commerce of the PRC from an affiliate of Hexin Group. We have registered six computer software copyrights and have applied for an additional computer software copyright with the PRC National Copyright Administration. We have also registered two domain names, including [www.hexindai.com](http://www.hexindai.com) and [www.hexindai.cn](http://www.hexindai.cn).

In addition to our intellectual property rights, we believe we maintain a competitive advantage over our peers through our knowledge of China's credit industry and our constantly improving technology and know-how. We also enter into contracts with our employees and third-party partners to prevent the unauthorized dissemination of our technology. To date, we have not experienced a material misappropriation of our intellectual property. Despite our efforts to protect our proprietary rights, third parties may attempt to use, copy or otherwise obtain and market or distribute our proprietary technology or develop a platform that is similar to our marketplace. We cannot be certain that the steps we have taken or will take in the future will prevent misappropriations of our technology and intellectual property rights. For a description of the risks related to our intellectual property rights, please see "Risk Factors—Risks Related to Our Business and Industry—We may be unable to protect our proprietary intellectual property rights from unauthorized use, such that our brand, reputation and business may be negatively impacted".

## Employees

We had 97 and 132 full-time employees as of March 31, 2015 and 2016, respectively. As of December 31, 2016, our employees increased to 294. The increase in the number of employees was primarily due to our expansion of business, in particular to support the growth of our technology and risk management departments. None of our employees are represented by a labor union. We have not experienced any work stoppages, and we consider our relations with our employees to be good. The

following table sets forth the number of our full-time employees categorized by function as of December 31, 2016:

<u>Function</u>	<u>Number of Employees</u>
Technology	67
Risk Management	117
Operations	46
Product Development	19
Sales and Marketing	14
General and Administrative	31
<b>Total</b>	<b>294</b>

We invest significant resources in the recruitment of employees in support of our fast-growing business operations. We have established comprehensive training programs, including orientation programs and on-the-job-training, to enhance performance and service quality.

As required by PRC Laws and regulations, we participate in various government statutory employee benefit plans, including a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan, a maternity insurance plan and a housing provident fund. We are required under PRC law to contribute to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees up to a maximum amount specified by the local government from time to time.

We enter into standard labor contracts with our employees. We also enter into standard confidentiality and non-compete agreements with our executive officers. See "Management—Employment Agreements."

## Facilities

Our headquarters are located in Beijing. We have leased an aggregate of approximately 2,310 square meters of office space for our headquarters in Beijing as of December 31, 2016.

## Legal Proceedings

We are currently not party to any material legal or administrative proceedings. We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, may result in additional costs and diversion of our resources, including our management's time and attention.

## REGULATION

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China.

As a consumer lending marketplace connecting investors with individual borrowers, we are regulated by various government authorities, including, among others:

- the MIIT regulating the telecommunications and telecommunications-related activities, including, but not limited to, the Internet information services and other value-added telecommunication services;
- the PBOC, as the central bank of China, regulating the formation and implementation of monetary policy, issuing the currency, supervising the commercial banks and assisting the administration of the financing;
- the CBRC regulating financial institutions and promulgating the regulations related to the administration of financial institutions.

### **Regulations Relating to Online Consumer Lending**

Online consumer lending is regarded under PRC law as direct loans between parties through an Internet platform, and governed by the PRC Contract Law, the General Principles of the Civil Law of the PRC, Interim Measures for the Administration of Business Activities of Online Lending Information Intermediaries and related judicial interpretations promulgated by the Supreme People's Court. "Individual" below in this Chapter refers to natural person, legal person and other organizations.

### ***Regulations on Consumer Lending Service Provider***

In a press conference on April 21, 2014, a senior officer of the CBRC emphasized that a consumer lending services provider must operate as a platform that serves as an information intermediary between borrowers and lenders, and must not form any pool of capital, or provide any guarantee, or illegally raise any funds from the general public.

On July 18, 2015, ten PRC regulatory agencies, including the PBOC, the MIIT and the CBRC, jointly issued the Guidelines on Promoting the Healthy Development of Internet Finance, or the Guidelines. The Guidelines define online consumer lending as direct loans between parties through an Internet platform, which is under the supervision of CBRC, and governed by the PRC Contract Law, the General Principles of the Civil Law of the PRC, and related judicial interpretations promulgated by the Supreme People's Court. The Guidelines require that online consumer lending service providers must do the following:

- (i) act as an intermediary platform to provide information exchange, matching, credit assessment and other intermediary services, and must not provide credit enhancement services and/or engage in illegal fund-raising;
- (ii) complete registration with the relevant local counterpart of the MIIT in accordance with implementation regulations that may be promulgated by the MIIT or/and the Office for Cyberspace Affairs pursuant to the Guidelines;
- (iii) set up a custody account with a qualified bank in order to deposit, manage and supervise borrower and investor funds, and separate borrower and investor funds from the funds of the online consumer lending service provider, with that custody account being subject to

independent audits, the results of which must be disclosed to investors and borrowers, all in accordance with implementation regulations that may be promulgated by the PBOC and other relevant regulatory agencies pursuant to the Guidelines;

- (iv) fully disclose all relevant information to customers, including but not limited to the online consumer lending service provider's financial status, transaction model, the rights and obligations of customers, and provide customers with reminders of the risk of loss;
- (v) not disseminate any untrue information and conduct any bundle sales;
- (vi) protect the personal information of the online consumer lending service provider's customers from any unauthorized disclosure, and must not sell and/or disclose such information illegally; and
- (vii) establish a customer identification program, monitor and report suspicious transactions, preserve customer information and transaction records, and provide assistance to the public security department and judicial authorities in investigations and proceedings in relation to anti-money laundering matters.

On August 17, 2016, CBRC, MIIT, PBOC and other relevant government authorities published Interim Measures for the Administration of Business Activities of Online Lending Information Intermediaries, or the Online Lending Information Intermediaries Measures. The Online Lending Information Intermediaries Measures defines the consumer lending as the direct lending among individuals via Internet platforms. Individuals shall include natural persons, legal persons and other organizations. The Online Lending Information Intermediaries Measures also defines the consumer lending information intermediaries as the financial information intermediaries that specialized in consumer lending information intermediary business. Such intermediaries provide such services as information collection, information release, credit assessment, information exchange, and match of lending, on the Internet as the primary channel to facilitate the direct lending between borrowers and lenders (creditors). The Online Lending Information Intermediaries Measures requires that consumer lending information intermediaries must do the following concerning filing and registration:

- (i) register the record-filing with the local financial regulatory department at the place where it is registered with the industry and commerce authority by presenting relevant materials within ten working days after obtaining the business license;
- (ii) after completing the record-filing with the local financial regulatory departments, apply for telecommunication business operating licenses pursuant to the relevant provisions of the competent authorities of communications;
- (iii) shall be clearly identified as consumer lending information intermediaries in their business scope.

The Online Lending Information Intermediaries Measures requires that consumer lending information intermediaries shall not engage in or be entrusted to engage in any of the following activities:

- (i) financing for themselves directly or in a disguised form;
- (ii) accepting, collecting or gathering funds of lenders directly or indirectly;
- (iii) providing security to lenders or promising break-even principals and interests directly or in a disguised form;

- (iv) publicizing or promoting financing projects on other physical premises other than such digital channels as the Internet, fixed-line telephone or mobile phone by themselves or upon entrustment or authorization of any third party;
- (v) making loans, unless otherwise stipulated by laws and regulations;
- (vi) splitting the term of any financing project;
- (vii) raising funds by issuing such financial products on their own as wealth management products, or selling bank wealth management products, assets management by securities traders, funds, insurance, trust products or other financial products on a commission basis;
- (viii) carrying out business similar to asset-backed securities or conducting the transfer of creditor's rights in the form of packaged assets, asset-backed securities, trust assets, and fund units;
- (ix) engaging in any form of mixture, bundling or agency with other institutions in investment, sale on a commission basis, brokerage etc., unless otherwise permitted by laws, regulations and relevant regulatory provisions on consumer lending;
- (x) making up or overstating the authenticity of financing projects and the prospect of profits, concealing flaws and risks in financing projects, publicizing or promoting in biased language or by other fraudulent means in a false and one-sided way, fabricating or spreading false or incomplete information to damage others' business reputation, or misleading lenders or borrowers;
- (xi) providing information intermediary services for those highly risky financing projects whose purpose is the investment in stock market, over-the-counter financing, futures contracts, structured products and other derivatives;
- (xii) engaging in equity-based crowd funding etc.; and
- (xiii) undertaking other activities prohibited by laws and regulations as well as relevant regulatory provisions on consumer lending.

The Online Lending Information Intermediaries Measures provides the lending amount limit for consumer lending. The consumer lending shall be made mainly in small amounts. consumer lending information intermediaries shall, according to their respective risk management ability, restrict the maximum balance of money borrowed by the same borrower on the same consumer lending information intermediary platform or on several such intermediary platforms so as to prevent credit concentration risks. The balance of money borrowed by the same natural person, on the same consumer lending information intermediary platform shall be RMB200,000 (US\$\*) in maximum; and the total balance of money borrowed by the same natural person, on all consumer lending information intermediary platforms shall be RMB1,000,000 (US\$\*) in maximum. The balance of money borrowed by the same legal person or other kind of organizations on the same consumer lending information intermediary platform shall be RMB1,000,000 (US\$144,030.0) in maximum; and the total balance of money borrowed by the same legal person or other kind of organizations on all consumer lending information intermediary platforms shall be RMB5,000,000 (US\$720,149.8) in maximum.

The Online Lending Information Intermediaries Measures also provides other requirements for consumer lending information intermediaries, such as business rules and risk management, protection of lenders and borrowers, information disclosure, etc.. Consumer lending information intermediaries shall manage their own funds and funds of lenders and borrowers separately, and select qualified banking financial institutions as agencies to deposit lenders' and borrowers' funds. Local financial regulatory departments shall order consumer lending information intermediaries to make rectification within a period of no more than 12 months, which may subject to the adjustment from the relevant



regulatory departments from time to time. Any violation of the Online Lending Information Intermediaries Measures by a consumer lending information intermediary after they come into effect, may subject such consumer lending information intermediary to certain penalties as determined by applicable laws, and regulations, or by relevant government authorities if the applicable laws and regulations are silent on the penalties. The applicable penalties may include but not limited to, criminal liabilities, warning, rectification, tainted integrity record and fines up to RMB30,000 (US\$4,320.9).

In November 2016, the CBRC, the MIIT and the Industry and Commerce Administration Department, jointly issued the Guidance of Administration, which provides the general filing rules for online lending intermediaries, and delegates the filing authority to local financial authorities. Although the Guidance of Administration has not been officially promulgated or launched, and may not be found from authorized source, it is generally accepted by the industry that it needs to be followed. The Guidance of Administration sets forth that online lending intermediaries are approved locally. Under the general filing procedures for online lending intermediaries, before a filing application is submitted to local financial regulators, the online lending intermediaries may be required to: (i) rectify any breach of applicable regulations as required by local financial regulators; and (ii) apply to the Industry and Commerce Administration Department to amend or register such entity's the business scope.

In February 22, 2017, the CBRC released the Guidelines to the Operation of Depositing Online Lending Funds, or the Guidelines of Depositing Lending Funds, which provide detailed requirements for setting up a custody account with a qualified bank and depositing online lending funds. The Guidelines of Depositing Lending Funds define online lending funds as the special lending funds and related funds deposited by the custodian pursuant to the entrustment of online lending information intermediary (as the principal), which are formed by borrowers, lenders and guarantors, etc. in their investment and financing activities. The Guidelines of Depositing Lending Funds define a custodian as a commercial bank that provides custody services for the online lending business.

In the online lending funds custody business, the principal should perform the following duties:

- (i) to be responsible for the continuous development and safe operation of the technical system of the online consumer lending platform;
- (ii) to organize the implementation of the information disclosure of the online lending information intermediary, including but not limited to the basic information of the principal, the information of the lending project, the basic information and operation of the borrower, the information of the participants, etc., which should be fully disclosed to the custodian;
- (iii) to check the accounts with the custodian on a daily basis to ensure the accuracy of the system data;
- (iv) to keep the records, account books, statements and other relevant materials of the online lending business, and the relevant paper or electronic information shall be kept for more than five years after the expiration of the lending contract;
- (v) to organize an independent audit of the client's fund custody account and to disclose the audit results to the client;
- (vi) to fulfill and cooperate with the custodian to perform the anti-money laundering obligations; and
- (vii) other duties stipulated in laws, administrative regulations, rules, other regulatory documents and online lending funds deposit contracts.

Where the principal and custodian that have carried out custodian business of online lending funds fail to comply with the requirements of the Guidelines of Depositing Lending Funds in the business

course, they shall effect rectification for a period of no more than six months, which may subject to the adjustment from the relevant regulatory departments from time to time. Where they fail to effect rectification within such period, they shall be treated in accordance with the Online Lending Information Intermediaries Measures and other laws and regulations.

Our marketplace serves as an information intermediary between borrowers and lenders and we are not a party to the loans facilitated through our marketplace. We have taken measures to comply with the laws and regulations that are applicable to our business operations, including the regulatory principles raised by the CBRC and the Online Lending Information Intermediaries Measures, and avoid conducting any activities that may be deemed as illegal fund-raising under the current applicable laws and regulations. However, due to the lack of detailed regulations and guidance in the area of consumer lending services and the possibility that the PRC government authority may promulgate new laws and regulations regulating consumer lending services in the future, we cannot assure you that our practice would not be deemed to violate any PRC laws or regulations, especially relating to illegal fund-raising, credit enhancement services and/or information disclosure. See "Risk Factors—Risks Related to Our Business—The laws and regulations governing the consumer lending industry in China are developing and evolving and subject to changes. If our practice is deemed to violate any PRC laws or regulations, our business, financial conditions and results of operations would be materially and adversely affected." See "Risk Factors—Risks Related to PRC Laws Regulating Our Business and Industry—Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to us", "Risk Factors—Risks Related to PRC Laws Regulating Our Business and Industry—The laws and regulations governing the marketplace lending service industry in China are developing and evolving and subject to changes. If our practice is deemed to violate any PRC laws or regulations, our business, financial conditions and results of operations would be materially and adversely affected."

### ***Regulations on Loans between Individuals***

The PRC Contract Law governs the formation, validity, performance, enforcement and assignment of contracts. The PRC Contract Law confirms the validity of loan agreements between individuals and provides that the loan agreement becomes effective when the individual lender provides the loan to the individual borrower. The PRC Contract Law requires that the interest rates charged under the loan agreement must not violate the applicable provisions of the PRC laws and regulations. In accordance with the Provisions on Several Issues Concerning Laws Applicable to Trials of Private Lending Cases issued by the Supreme People's Court on August 6, 2015, or the Private Lending Judicial Interpretations, which came into effect on September 1, 2015, private lending is defined as financing between individuals, legal entities and other organizations. When private loans between individuals are paid by wire transfer, through online consumer lending platforms or by other similar means, the loan contracts between individuals are deemed to be validated upon the deposit of funds to the borrower's account. In the event that the loans are made through an online consumer lending platform and the platform only provides intermediary services, the courts shall dismiss the claims of the parties concerned against the platform demanding the repayment of loans by the platform as guarantors. However, if the online consumer lending service provider guarantees repayment of the loans as evidenced by its web page, advertisements or other media, or the court is provided with other proof, the lender's claim alleging that the consumer lending service provider shall assume the obligations of a guarantor will be upheld by the courts. The Private Lending Judicial Interpretations also provide that agreements between the lender and borrower on loans with interest rates (including penalty and other costs thereof) no more than 24% per annum are valid and enforceable. As to loans with interest rates per annum over 24% but no more than 36%, if the interest on the loans has already been paid to the lender, and so long as such payment has not damaged the interest of the state, the community and any third parties, the courts will not find the merit in the borrower's demand for the return of the interest

payment on the ground of invalidity. If the annual interest rate of a private loan is higher than 36%, the interest that in excess of 36% will not be enforced by the courts. All the loan transactions facilitated over our marketplace are between individuals currently. The APRs for the term loans on our marketplace currently range from 17.0% to 36.9%, which comprises a fixed interest rate and a loan facilitation or loan management service fee we charge borrowers for our services. The interest rate component, which is stipulated in the loan agreements, does not and is not expected to exceed the mandatory limit for loan interest rates.

Pursuant to the PRC Contract Law, a creditor may assign its rights under an agreement to a third party, provided that the debtor is notified. Upon due assignment of the creditor's rights, the assignee is entitled to the creditor's rights and the debtor must perform the relevant obligations under the agreement for the benefit of the assignee. We allow investors to transfer the loans they hold to other investors before the loan reaches maturity. To facilitate the assignment of the loans, the template loan agreement applicable to the lenders and borrowers on our platform specifically provides that a lender has the right to assign his/her rights under the loan agreement to any third parties and the borrower agrees to such assignment.

In addition, according to the PRC Contract Law, an intermediation contract is a contract whereby an intermediary presents to its client an opportunity for entering into a contract or provides the client with other intermediary services in connection with the conclusion of a contract, and the client pays the intermediary service fees. Our business of connecting investors with individual borrowers may constitute intermediary service, and our service agreements with borrowers and investors may be deemed as intermediation contracts under the PRC Contract Law. Pursuant to the PRC Contract Law, an intermediary must provide true information relating to the proposed contract. If an intermediary conceals any material fact intentionally or provides false information in connection with the conclusion of the proposed contract, which results in harm to the client's interests, the intermediary may not claim for service fees and is liable for the damages caused. The Interim Measures for the Administration of Business Activities of Online Lending Information Intermediaries provides detailed requirements for Consumer Lending Information Intermediaries. See "Regulation—Regulations Relating to Online Consumer Lending—Regulations on Consumer Lending Service Provider."

### ***Regulations on Illegal Fund-Raising***

Raising funds by entities or individuals from the general public must be conducted in strict compliance with applicable PRC laws and regulations to avoid administrative and criminal liabilities. The Measures for the Banning of Illegal Financial Institutions and Illegal Financial Business Operations promulgated by the State Council in July 1998, and the Notice on Relevant Issues Concerning the Penalty on Illegal Fund-Raising issued by the General Office of the State Council in July 2007, explicitly prohibit illegal public fund-raising. The main features of illegal public fund-raising include: (i) illegally soliciting and raising funds from the general public by means of issuing stocks, bonds, lotteries or other securities without obtaining the approval of relevant authorities, (ii) promising a return of interest or profits or investment returns in cash, properties or other forms within a specified period of time, and (iii) using a legitimate form to disguise on unlawful purpose.

To further clarify the criminal charges and punishments relating to illegal public fund-raising, the Supreme People's Court promulgated the Judicial Interpretations to Issues Concerning Applications of Laws for Trial of Criminal Cases on Illegal Fund-Raising, or the Illegal Fund-Raising Judicial Interpretations, which came into force in January 2011. The Illegal Fund-Raising Judicial Interpretations provide that a public fund-raising will constitute a criminal offense related to "illegally soliciting deposits from the public" under the PRC Criminal Law, if it meets all the following four criteria: (i) the fund-raising has not been approved by the relevant authorities or is concealed under the guise of legitimate acts; (ii) the fund-raising employs general solicitation or advertising such as social

media, promotion meetings, leafleting and SMS advertising; (iii) the fundraiser promises to repay, after a specified period of time, the capital and interests, or investment returns in cash, properties in kind and other forms; and (iv) the fund-raising targets the general public as opposed to specific individuals. An illegal fund-raising activity can incur a fine or prosecution in the event it constitutes a criminal offense. Pursuant to the Illegal Fund-Raising Judicial Interpretations, an offender that is an entity will be subject to criminal liabilities, if it illegally solicits deposits from the general public or illegally solicits deposits in disguised form (i) with the amount of deposits involved exceeding RMB1,000,000 (US\$144,030.0), (ii) with over 150 fund-raising targets involved, or (iii) with direct economic loss caused to fund-raising targets exceeding RMB500,000 (US\$72,015.0), or (iv) the illegal fund-raising activities have caused baneful influences to the public or have led to other severe consequences. An individual offender is also subject to criminal liabilities but with lower thresholds. In addition, an individual or an entity who has aided in illegal fund-raising from the general public and charges fees including but not limited to agent fees, rewards, rebates and commission, may be considered an accomplice in the crime of illegal fund-raising. In accordance with the Opinions of the Supreme People's Court, the Supreme People's Procurator and the Ministry of Public Security on Several Issues concerning the Application of Law in the Illegal Fund-Raising Criminal Cases, the administrative proceeding for determining the nature of illegal fund-raising activities is not a prerequisite procedure for the initiation of criminal proceedings concerning the crime of illegal fund-raising, and the administrative departments' failure in determining the nature of illegal fund-raising activities does not affect the investigation, prosecution and trial of cases concerning the crime of illegal fund-raising.

## **Regulations Relating to Foreign Investment**

### ***The Draft PRC Foreign Investment Law***

In January 2015, the MOC published a discussion draft of the proposed Foreign Investment Law for public review and comments. The draft law purports to change the existing "case-by-case" approval regime to a "filing or approval" procedure for foreign investments in China. The State Council will determine a list of industry categories that are subject to special administrative measures, which is referred to as a "negative list," consisting of a list of industry categories where foreign investments are strictly prohibited, or the "prohibited list" and a list of industry categories where foreign investments are subject to certain restrictions, or the "restricted list." Foreign investments in business sectors outside of the "negative list" will only be subject to a filing procedure, in contrast to the existing prior approval requirements, whereas foreign investments in any industry categories that are on the "restricted list" must apply for approval from the foreign investment administration authority.

The draft for the first time defines a foreign investor not only based on where it is incorporated or organized, but also by using the standard of "actual control." The draft specifically provides that entities established in China, but "controlled" by foreign investors will be treated as FIEs. Once an entity is considered to be an FIE, it may be subject to the foreign investment restrictions in the "restricted list" or prohibitions set forth in the "prohibited list." If an FIE proposes to conduct business in an industry subject to foreign investment restrictions in the "restricted list," the FIE must go through a market entry clearance approvals by the MOC before it can be established. If an FIE proposes to conduct business in an industry subject to foreign investment prohibitions in the "prohibited list," it must not engage in the business. However, an FIE that conducts business in an industry that is in the "restricted list," upon market entry clearance, may apply in writing for being treated as a PRC domestic investment if it is ultimately "controlled" by PRC government authorities and its affiliates and/or PRC citizens. According to the draft, variable interest entities would also be deemed as FIEs, if they are ultimately "controlled" by foreign investors, and be subject to restrictions on foreign investments. However, the draft law has not taken a position on what actions will be taken with respect to the existing companies with the "variable interest entity" structure, whether or not these companies are controlled by Chinese parties.

The draft emphasizes on security review requirements, whereby all foreign investments that jeopardize or may jeopardize national security must be reviewed and approved in accordance with the security review procedure. In addition, the draft imposes stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable FIEs. Aside from the investment implementation report and the investment amendment report that are required at each investment and alteration of specific investment terms, an annual report is mandatory, and large foreign investors meeting certain criteria are required to report on a quarterly basis. Any company found to be non-compliant with these information reporting obligations may potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible may be subject to criminal liabilities.

The draft is now open for public review and comments. It is still uncertain when the draft would be signed into law and whether the final version would have any substantial changes from the draft. When the Foreign Investment Law becomes effective, the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations, will be abolished. See "Risk Factors—Risks related to Doing Business in China—Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations."

On September 3, 2016, the Standing Committee of the National People's Congress published the Decision of the Standing Committee of the National People's Congress on Amending Four Laws including the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises. The decision provides that wholly foreign-owned enterprises, Chinese-Foreign equity joint ventures and Chinese-Foreign contractual joint ventures which formation do not involve the implementation of special access management measures as prescribed by the state shall be subject to recordation administration.

### ***Industry Catalog Relating to Foreign Investment***

Investment activities in the PRC by foreign investors are principally governed by the Guidance Catalog of Industries for Foreign Investment, or the Catalog, which was promulgated and amended from time to time by the MOC and the National Development and Reform Commission. Industries listed in the Catalog are divided into three categories: encouraged, restricted and prohibited. Industries not listed in the Catalog are generally deemed as constituting a fourth "permitted" category. Establishment of wholly foreign-owned enterprises is generally allowed in encouraged and permitted industries. Some restricted industries are limited to equity or contractual joint ventures, while in some cases Chinese partners are required to hold the majority interests in such joint ventures. In addition, restricted category projects are subject to higher-level government approvals. Foreign investors are not allowed to invest in industries in the prohibited category. Industries not listed in the Catalog are generally open to foreign investment unless specifically restricted by other PRC regulations.

Our PRC subsidiary is mainly engaged in providing investment and financing consultations and technical services, which fall into the "encouraged" or "permitted" category under the Catalog. Our PRC subsidiary has obtained all material approvals required for its business operations. However, industries such as value-added telecommunication services (except e-commerce), including Internet information services, are restricted from foreign investment. We provide the value-added telecommunication services that are in the "restricted" category.

On December 7, 2016, the MOC and the National Development and Reform Commission published a discussion draft of the proposed Guidance Catalog of Industries for Foreign Investment, under which the investment and financing consultations fall into the "encouraged" or "permitted"

category and value-added telecommunication services (except e-commerce) fall into "restricted" category.

### ***Foreign Investment in Value-Added Telecommunication Services***

The Provisions on Administration of Foreign Invested Telecommunications Enterprises promulgated by the State Council in December 2001 and subsequently amended in September 2008 prohibit a foreign investor from owning more than 50% of the total equity interest in any value-added telecommunications service business in China and require the major foreign investor in any value-added telecommunications service business in China to have a good and profitable record and operating experience in this industry. The Guidance Catalog of Industries for Foreign Investment amended in 2015 allows a foreign investor to own more than 50% of the total equity interest in an E-Commerce business.

In July 2006, the Ministry of Information Industry, the predecessor of the MIIT, issued the Circular on Strengthening the Administration of Foreign Investment in the Operation of Value-added Telecommunications Business, pursuant to which a domestic PRC company that holds an operating license for value-added telecommunications business, which we refer to as a VATS License, is prohibited from leasing, transferring or selling the VATS License to foreign investors in any form and from providing any assistance, including resources, sites or facilities, to foreign investors that conduct a value-added telecommunications business illegally in China. Further, the domain names and registered trademarks used by an operating company providing value-added telecommunications services must be legally owned by that company or its shareholders. In addition, the VATS License holder must have the necessary facilities for its approved business operations and to maintain the facilities in the regions covered by its VATS License.

In light of the above restrictions and requirements, we operate our website through Hexin E-Commerce, which has received the VATS License necessary to provide online information service and other value-added telecommunications services in China.

### **Anti-money Laundering Regulations**

The PRC Anti-money Laundering Law, which became effective in January 2007, sets forth the principal anti-money laundering requirements applicable to financial institutions as well as non-financial institutions with anti-money laundering obligations, including the adoption of precautionary and supervisory measures, establishment of various systems for client identification, retention of clients' identification information and transactions records, and reports on large transactions and suspicious transactions. According to the PRC Anti-money Laundering Law, financial institutions subject to the PRC Anti-money Laundering Law include banks, credit unions, trust investment companies, stock brokerage companies, futures brokerage companies, insurance companies and other financial institutions as listed and published by the State Council, while the list of the non-financial institutions with anti-money laundering obligations will be published by the State Council. The PBOC and other governmental authorities issued a series of administrative rules and regulations to specify the anti-money laundering obligations of financial institutions and certain non-financial institutions, such as payment institutions. However, the State Council has not promulgated the list of the non-financial institutions with anti-money laundering obligations.

The Guidelines, the Online Lending Information Intermediaries Measures and the Guidelines of Custodian Lending Funds require Internet finance service providers, including online consumer lending platforms to comply with certain anti-money laundering requirements, including the establishment of a customer identification program, the monitoring and reporting of suspicious transactions, the preservation of customer information and transaction records, and the provision of assistance to the

public security department and judicial authority in investigations and proceedings in relation to anti-money laundering matters. The PBOC will formulate implementing rules to further specify the anti-money laundering obligations of Internet finance service providers.

In cooperation with our partnering custodian banks and payment companies, we have adopted various policies and procedures, such as internal controls and "know-your-customer" procedures, for anti-money laundering purposes. However, as the detailed anti-money laundering regulations of Internet finance service providers have not been published, there is uncertainty as to how the anti-money laundering requirements will be interpreted and implemented, and whether online consumer lending service providers like us must abide by the rules and procedures set forth in the PRC Anti-money Laundering Law that are applicable to non-financial institutions with anti-money laundering obligations. We cannot assure you that our existing anti-money laundering policies and procedures will be deemed to be in full compliance with any anti-money laundering laws and regulations that may become applicable to us in the future.

### **Regulations on Value-Added Telecommunication Services**

The Telecommunications Regulations promulgated by the State Council and its related implementation rules, including the Catalog of Classification of Telecommunications Business issued by the MIIT, categorize various types of telecommunications and telecommunications-related activities into basic or value-added telecommunications services, and Internet information services, or ICP services, and on-line data processing and transaction processing services, are classified as value-added telecommunications businesses. In 2009, the MIIT promulgated the Administrative Measures on Telecommunications Business Operating Licenses, which set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. Under these regulations, a commercial operator of value-added telecommunications services must first obtain a license for value-added telecommunications business, or VATS License, from the MIIT or its provincial level counterparts.

In September 2000, the State Council also issued the Administrative Measures on Internet Information Services, which was amended in January 2011. Pursuant to these measures, "Internet information services" refer to provision of Internet information to online users, and are divided into "commercial Internet information services" and "non-commercial Internet information services." A commercial Internet information services operator must obtain a VATS License for Internet information services, or ICP License, from the relevant government authorities before engaging in any commercial Internet information services operations in China. The ICP License has a term of five years and can be renewed within 90 days before expiration.

Online Lending Information Intermediaries Measures requires consumer lending information intermediaries apply for telecommunication business operating licenses pursuant to the relevant provisions of the competent authorities of communications. As the detailed provisions for such telecommunication business operating licenses has not been published, there is uncertainty as to which type of license is required for consumer lending information intermediaries.

Hexin E-Commerce, our consolidated variable interest entity, has an ICP License for provision of commercial Internet information services issued by Beijing Telecommunication Administration Bureau in December 2016. However, as the implementing rules of the Online Lending Information Intermediaries Measures have not been published, there is uncertainty as to how the registration requirements in the Online Lending Information Intermediaries Measures will be interpreted and implemented, and which type of telecommunication business operating licenses that consumer lending service providers like us are required to obtain.

## Regulations on Internet Information Security

Internet information in China is also regulated and restricted from a national security standpoint. The National People's Congress, China's national legislative body, has enacted the Decisions on Maintaining Internet Security, which may subject violators to criminal punishment in China for any effort to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. The Ministry of Public Security has promulgated measures that prohibit use of the Internet in ways which, among other things, result in a leakage of state secrets or a spread of socially destabilizing content. If an Internet information service provider violates these measures, the Ministry of Public Security and the local security bureaus may revoke its operating license and shut down its websites. On November 7, 2016, Standing Committee of the National People's Congress published Cyber Security Law of the PRC (will be effective on June 1, 2017), which requires network operators to take technical measures and other necessary measures to ensure the secure and stable operation of the network, effectively respond to cyber security incidents, prevent illegal crimes committed on the network, and maintain the integrity, confidentiality and availability of cyber data.

In addition, the Guidelines require Internet finance service providers, including consumer lending platforms, among other things, to improve technology security standards, and safeguard customer and transaction information. The PBOC and other relevant regulatory authorities will jointly adopt the implementing rules and technology security standards.

The Online Lending Information Intermediaries Measures requires consumer lending information intermediaries to take the following measures:

- (i) according to the relevant national provisions on cyberspace security and the graded protection system for national information security, carry out the grading record-filing and class testing for information system, have sophisticated cyberspace security facilities, such as firewall, and those facilities for intrusion detect, data encryption, and disaster recovery, as well as relevant management systems of such facilities, establish relevant systems with regard to information technology management, technology risk management, and technology auditing, allocate sufficient resources, take thorough management and control measures and technological means to ensure the safe and steady operation of the information system, and protect the security of the information of lenders and borrowers;
- (ii) record and retain the Internet access logs of both parties involved in lending, information interaction and other data for a period of five years after the expiration of loan contracts, and shall give a comprehensive security evaluation at least once every two years, and accept the information security inspection and auditing of the state or competent authorities of the industry;
- (iii) establish or adopt application-level disaster recovery systems and facilities compatible with their business scales within two years after their establishment.
- (iv) enhance the business cooperation with the operating organizations of financial credit information basic database and credit reporting agencies, and provide, access and use the relevant financial credit information according to law;
- (v) consumer lending information intermediaries which use the digital authentication systems of third parties shall evaluate the third-party digital authentication organizations regularly so as to ensure the safety, reliability and independence of the relevant authentications; and
- (vi) adopt proper methods and technologies to record and safekeep data and materials on consumer lending activities and back up data carefully. Such data and materials shall be kept for a certain period that meets the requirements of laws and regulations as well as the relevant regulatory provisions on consumer lending. Loan contracts shall be kept for at least five years after their expiry.



## Regulations on Privacy Protection

In recent years, PRC government authorities have enacted laws and regulations on Internet use to protect personal information from any unauthorized disclosure. Under the Several Provisions on Regulating the Market Order of Internet Information Services issued by the MIIT in December 2011, an ICP service operator may not collect any user personal information or provide any such information to third parties without the consent of a user. An ICP service operator must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. An ICP service operator is also required to properly maintain the user personal information, and in case of any leak or likely leak of the user personal information, the ICP service operator must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority. In addition, pursuant to the Decision on Strengthening the Protection of Online Information issued by the Standing Committee of the National People's Congress in December 2012 and the Order for the Protection of Telecommunication and Internet User Personal Information issued by the MIIT in July 2013, any collection and use of user personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An ICP service operator must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or providing such information to other parties. An ICP service operator is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss. Any violation of these laws and regulations may subject the ICP service operator to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities. The Cyber Security Law of the PRC (effective on June 1, 2017) requires that network operators shall strictly keep confidential users' personal information that they have collected, and establish and improve the users' information protection system. The Guidelines also prohibit Internet finance service providers, including online consumer lending platforms, from illegally selling or disclosing customers' personal information. The PBOC and other relevant regulatory authorities will jointly adopt the implementing rules. Pursuant to the Ninth Amendment to the Criminal Law issued by the Standing Committee of the National People's Congress in August 2015 and becoming effective in November, 2015, any Internet service provider that fails to fulfill the obligations related to Internet information security administration as required by applicable laws and refuses to rectify upon orders, shall be subject to criminal penalty for the result of (i) any dissemination of illegal information in large scale; (ii) any severe effect due to the leakage of the client's information; (iii) any serious loss of criminal evidence; or (iv) other severe situation, and any individual or entity that (i) sells or provides personal information to others in a way violating the applicable law, or (ii) steals or illegally obtain any personal information, shall be subject to criminal penalty in severe situation. The Online Lending Information Intermediaries Measures requires the consumer lending information intermediaries as well as the fund custodian agencies and other outsourcing service providers to keep confidential the lenders' and borrowers' information collected in the course of their business, and they shall not use such information for any other purpose except for services they provide without approval of lenders or borrowers.

In operating our online consumer finance marketplace, we collect certain personal information from borrowers and investors, and also need to share the information with our business partners such as third-party online payment companies and loan collection service providers for the purpose of facilitating loan transactions between borrowers and investors over our marketplace. We have obtained consent from the borrowers and investors on our marketplace to collect and use their personal information, and have also established information security systems to protect the user information and privacy. However, there is uncertainty as to how the requirements for protecting customers' personal information in the Guidelines and Online Lending Information Intermediaries Measures will be interpreted and implemented. We cannot assure you that our existing policies and procedures will be

deemed to be in full compliance with any laws and regulations that may become applicable to us in the future.

## **Regulation on Intellectual Property Rights**

The PRC has adopted comprehensive legislation governing intellectual property rights, including trademarks. The PRC Trademark Law and its implementation rules protect registered trademarks. The PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. The Trademark Office under the State Administration of Industry and Commerce is responsible for the registration and administration of trademarks throughout the PRC, and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the initial or extended term. Trademark license agreements must be filed with the Trademark Office for record. As of the date of this prospectus, we have 32 registered trademarks and two trademark applications pending registration of transfer with the Trademark Office under the State Administration for Industry and Commerce.

## **Regulations Relating to Dividend Withholding Tax**

Pursuant to the EIT Law and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. In connection with the EIT Law, the SAT issued Circular 698, which became effective as of January 1, 2008, Circular 59 on April 30, 2009, and the SAT Announcement 7, on February 3, 2015. By promulgating and implementing the above, the PRC tax authorities have strengthened their scrutiny over the direct or indirect transfer of equity interest in a PRC resident enterprise by a non-PRC resident enterprise. Pursuant to SAT Announcement 7, if a non-resident enterprise, or referred to as a transferor, transfers its equity in an offshore enterprise which directly or indirectly owns PRC taxable assets, including ownership interest in PRC resident companies, or the Taxable Properties, without a "reasonable commercial purpose", such transfer shall be deemed as a direct transfer of such Taxable Properties. The payer, or referred to as a transferee, in such transfer shall be the withholding agent, and is obligated to withhold and remit the enterprise income tax to the relevant PRC tax authority. If a transferor fails to declare for payment timely or in full of the tax due on proceeds from indirect transfer of PRC taxable assets and the withholding agent also fails to withhold such tax, the tax authority shall, in addition to supplementary collection of such tax, also charge for interest on a daily basis from the transferor according to the EIT Law and its implementation rules. Factors that may be taken into consideration when determining whether there is a reasonable commercial purpose include, among other factors, the value of the transferred equity, offshore taxable situation of the transaction, the offshore structure's economic essence and duration and trading fungibility. If an equity transfer transaction satisfies all the requirements mentioned above, such transaction will be considered an arrangement with reasonable commercial purpose.

Pursuant to the Double Taxation Avoidance Arrangement, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, in order to enjoy the reduced withholding tax: (i) it must be the beneficial owners of the relevant dividends; and (ii) it must have directly owned at least 25% of the PRC resident enterprise throughout the 12 months prior to receiving the dividends. However, a transaction or arrangement entered into for the primary purpose of enjoying a favorable tax treatment should not be a reason for the application of the favorable tax treatment under the Double Taxation Avoidance Arrangement. If a taxpayer inappropriately is entitled to such favorable tax treatment, the competent tax authority has the power to make appropriate adjustments. In August 2015, the State Administration of Taxation promulgated Circular 60, which became effective on November 1, 2015. Circular 60 provides that

non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax rate. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. However, if a competent tax authority finds out that it is necessary to apply the general anti-tax avoidance rules, it may start general investigation procedures for anti-tax avoidance and adopt corresponding measures for subsequent administration. Accordingly, Hexindai HK, our Hong Kong subsidiary, may be able to enjoy the 5% withholding tax rate for the dividends they receive from Hexin Yongheng, our PRC subsidiary, if it satisfies the conditions prescribed under Circular 81 and other relevant tax rules and regulations. However, according to Circular 81 and Circular 60, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

## **Regulations Relating to Foreign Exchange**

### ***Regulation on Foreign Currency Exchange***

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, most recently amended in August 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions, interest payments 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. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China. On February 28, 2015, the SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment, or SAFE Notice 13. After SAFE Notice 13 became effective on June 1, 2015, instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals will be required to apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of the SAFE, will directly examine the applications and conduct the registration.

In August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency-registered capital into RMB by restricting how the converted RMB may be used. SAFE Circular 142, provides that the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC. In addition, SAFE strengthened its oversight of the flow and use of the RMB capital converted from foreign currency registered capital of foreign-invested enterprises. The use of such RMB capital may not be changed without SAFE's approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. Violations may result in severe monetary or other penalties.

In November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, which substantially amends and simplifies the current foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-

invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In addition, SAFE promulgated another circular in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

In July 2014, SAFE issued SAFE Circular 36, which purports to reform the administration of settlement of the foreign exchange capitals of foreign-invested enterprises in certain designated areas on a trial basis. Under the pilot program, some of the restrictions under SAFE Circular 142 will not apply to the settlement of the foreign exchange capitals of the foreign-invested enterprises established within the designated areas and the enterprises are allowed to use its RMB capital converted from foreign exchange capitals to make equity investment. However, our PRC subsidiary is not established within the designated areas. On March 30, 2015, the SAFE promulgated Circular 19, to expand the reform nationwide. Circular 19 came into force and replaced both Circular 142 and Circular 36 on June 1, 2015. Circular 19 allows foreign-invested enterprises to make equity investments by using RMB fund converted from foreign exchange capital. However, Circular 19 continues to, prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, providing entrusted loans or repaying loans between non-financial enterprises.

On June 9, 2016, the SAFE promulgated Circular 16, which expands the application scope from only the capital of the foreign-invested enterprises to the capital, the foreign debt fund and the fund from oversea public offering. Also, Circular 16 allows the enterprises to use their foreign exchange capitals under capital account allowed by the relevant laws and regulations.

### ***Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents***

SAFE issued the SAFE Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, that became effective in July 2014, replacing the previous SAFE Circular 75. SAFE Circular 37 regulates foreign exchange matters in relation to the use of special purpose vehicles, or SPVs, by PRC residents or entities to seek offshore investment and financing or conduct round trip investment in China. Under SAFE Circular 37, a SPV refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate onshore or offshore assets or interests, while "round trip investment" refers to direct investment in China by PRC residents or entities through SPVs, namely, establishing foreign-invested enterprises to obtain the ownership, control rights and management rights. SAFE Circular 37 provides that, before making contribution into an SPV, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch. SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment in February 2015, which took effect on June 1, 2015. This notice has amended SAFE Circular 37 requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

PRC residents or entities who had contributed legitimate onshore or offshore interests or assets to SPVs but had not obtained registration as required before the implementation of the SAFE Circular 37 must register their ownership interests or control in the SPVs with qualified banks. An amendment to the registration is required if there is a material change with respect to the SPV registered, such as any change of basic information (including change of the PRC residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, and mergers or divisions. Failure to comply with the registration procedures set forth in SAFE Circular 37 and the subsequent

notice, or making misrepresentation on or failure to disclose controllers of the foreign-invested enterprise that is established through round-trip investment, may result in restrictions being imposed on the foreign exchange activities of the relevant foreign-invested enterprise, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations.

We are aware that our PRC resident beneficial owners subject to these registration requirements have registered with the Beijing SAFE branch.

### ***Regulations on Stock Incentive Plans***

SAFE promulgated the Stock Option Rules in February 2012, replacing the previous rules issued by SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of the participants. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or other material changes. The PRC agent 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 the PRC opened by the PRC agents before distribution to such PRC residents.

We have adopted a share incentive plan, under which we have the discretion to grant a broad range of equity-based awards to eligible participants. See "Management—Share Incentive Plan." However, any failure to complete the registration pursuant to the Stock Option Rules and other foreign exchange requirements may subject these PRC individuals to fines and legal sanctions, and may also limit our ability to contribute additional capital to our PRC subsidiary, limit our PRC subsidiary's ability to distribute dividends to us or otherwise materially adversely affect our business.

### ***Regulations on Dividend Distribution***

Under our current corporate structure, our Cayman Islands holding company may rely on dividend payments from Hexin Yongheng, which is a wholly foreign-owned enterprise incorporated in China, to fund any cash and financing requirements we may have. The principal regulations governing distribution of dividends of foreign-invested enterprises include the Foreign-Invested Enterprise Law, as amended in October 2016, and its implementation rules. Under these laws and regulations, wholly foreign-owned enterprises in China may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned enterprises in China are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. Wholly foreign-owned companies may, at their discretion, allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

## **Regulations on Overseas Listings**

Six PRC regulatory agencies, including the CSRC, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which became effective in September 2006. The M&A Rules, among other things, require offshore SPVs 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.

While the application of the M&A Rules remains unclear, we believe, based on the advice of our PRC counsel, Han Kun Law Offices, that CSRC approval is not required in the context of this offering because: (a) we established our PRC subsidiary, Hexin Yongheng, by means of direct investment rather than by merger with or acquisition of PRC domestic companies, and (b) no explicit provision in the M&A Rules classifies the respective contractual arrangements between Hexin Yongheng, Hexin E-Commerce and its shareholders as a type of acquisition transaction falling under the M&A Rules. However, as there has been no official interpretation or clarification of the M&A Rules, there is uncertainty as to how this regulation will be interpreted or implemented. See "Risk Factors—Risks Related to Doing Business in China—The approval of the China Securities Regulatory Commission may be required in connection with this offering under a regulation adopted in August 2006, as amended, and, if required, we cannot predict whether we will be able to obtain such approval."

## **Regulations Relating to Employment**

The PRC Labor Law and the Labor Contract Law require that employers must execute written employment contracts with full-time employees. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, the employer must rectify the situation by entering into a written employment contract with the employee and pay the employee twice the employee's salary for the period from the day following the lapse of one month from the date of establishment of the employment relationship to the day prior to the execution of the written employment contract. All employers must compensate their employees with wages equal to at least the local minimum wage standards. Violations of the PRC Labor Law and the Labor Contract Law may result in the imposition of fines and other administrative sanctions, and serious violations may result in criminal liabilities.

Enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. Failure to make adequate contributions to various employee benefit plans may be subject to fines and other administrative sanctions. Also, enterprises in China are required by PRC laws and regulations to be the individual income tax withhold agents and withhold individual income tax for their employees accordingly.

We have not made adequate contributions to employee benefit plans, as required by applicable PRC laws and regulations. See "Risk Factors—Risks Related to Doing Business in China—Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties."

## MANAGEMENT

The following table sets forth information regarding our executive officers, directors and advisors as of the date of this prospectus. Unless otherwise stated, the business address for our directors and executive officers is that of our principal executive offices at 13th Floor, Block C, Shimao, No. 92 Jianguo Road, Chaoyang District, Beijing 100020, People's Republic of China.

<u>Name</u>	<u>Age</u>	<u>Position with the Company</u>
<b><i>Executive Directors and Officers:</i></b>		
An Xiaobo	34	Director, Chairman
Zhou Xinming	33	Director, Chief executive officer
Zhang Qisen (Johnson)	33	Chief financial officer
Wang Dongling	36	Chief risk officer
<b><i>Non-Executive Directors:</i></b>		
		Independent non-executive director
		Independent non-executive director
		Independent non-executive director

### Executive Officers

**Mr. An Xiaobo**, aged 34, founded and has held the position of our chairman since the inception of our business. He became our director in February 2017. Before founding our company and the creation of the "Hexin" brand, Mr. An Xiaobo founded Beijing Zhongdashixing Business Co., Ltd, Hexindai Wealth Management Co., Ltd, Hexindai and Hexindai Financial Information (Beijing) Co., Ltd. He served as a credit approval manager in Huaxia Bank from 2004 to 2008 where his responsibilities included the supervision of credit card application review. Mr. An Xiaobo received a bachelor's degree in advertising from Hebei University. He was awarded the "Outstanding Innovator of the Financial Industry in China" title by the prestigious Economy magazine and Huazun Prize panel in 2014.

**Mr. Zhou Xinming**, aged 33, has served as our chief operations officer since inception of our business and our chief executive officer since February 2017. He became our director in February, 2017. Prior to joining our company, Mr. Zhou was chief executive of Beijing Clarion Technology from 2013 to 2014, and was senior product manager of JD.com, a NASDAQ listed company (NASDAQ: JD), from 2010 to 2012. From 2007 to 2010, Mr. Zhou served as a products director in the Jiucheng Group (Ninetowns Internet Technology Group Company Limited was a NASDAQ listed company from 2004 to 2014 (NASDAQ:NINE)). Mr. Zhou received a bachelor's degree in English from Beijing University of Technology.

**Mr. Zhang Qisen (Johnson)**, aged 33, joined our company in August 2016 and has served as our chief financial officer since February 2017. Prior to joining our company, Mr. Zhang served as the board secretary and investor relations director to China Ming Yang Wind Power Group Limited, a NYSE-listed company (NYSE: MY) from 2014 to 2015, where he was involved in corporate finance projects and overall management of the company. From 2010 to 2014, he served as a director of FunTalk China Holdings Ltd., a NASDAQ-listed company (NASDAQ: FLTK) where he provided financial modelling and analysis services. Mr. Zhang also worked at H&D Investment Consulting from 2007 to 2010 and International Data Corporation from 2005 to 2007. He graduated from the University of International Business and Economics, where he was awarded a bachelor's degree in Business Administration.

**Ms. Wang Dongling**, aged 36, has served as our chief risk officer since 2016. Prior to joining our company, she was approval manager of Pinganpu Finance from 2005 to 2015, where her responsibilities included supervision of the assessment team in the verification of customers' application and information. Before that she served as investment advisor of Shenzhen Newrand Securities Investment

Consulting Firm from 2001 to 2005, where her responsibilities included supervising marketing activities and products promotional campaigns. Ms. Wang graduated from the Heilongjiang School of Economic Management where she was awarded a bachelor's degree in Accounting Computerization.

## **Directors**

*[To be inserted]*

## **Employment Agreements and Confidentiality Agreements**

We have entered into employment agreements and confidentiality agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified period of time. The employment agreements provide that the employment can be terminated pursuant to the PRC Employment Contract Law and relevant regulations. Under such law and regulations, we may terminate employment with an employee (i) for cause, at any time, without advance notice or remuneration, including for certain acts of the employee, such as conviction of a crime, malpractices which caused significant damage to us, or violation of our internal policies; or (ii) without cause by paying severance compensation to the employee.

According to the confidentiality agreements entered into with our executive officers, our executive officers may resign at any time with a 30-day advance written notice. Each executive officer has agreed, both during and within two years after the termination or expiry of his or her employment agreement to (i) hold, in strict confidence and not to use any of our confidential information or trade secrets, any confidential information or trade secrets of our users, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations; and (ii) be bound by non-competition restrictions. Each executive officer has agreed not to, without our express consent, assume employment by, or provide direct or indirect services to, any of our competitors, whether as a shareholder, partner, executive, supervisor, consultant or otherwise, or to engage in any business that is similar to our business. Each executive officer has agreed to indemnify us against any actual loss incurred by us as a result of his or her breach of the confidentiality and non-competition obligations.

## **Board of Directors**

Upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part, our board of directors will consist of \_\_\_\_\_ directors, including \_\_\_\_\_ executive directors and \_\_\_\_\_ non-executive directors. The powers and duties of our directors include convening general meetings and reporting our board's work at our shareholders' meetings, declaring dividends and distributions, determining our business and investment plans, appointing officers and determining the term of office of the officers, preparing our annual financial budgets and financial reports, formulating proposals for the increase or reduction of our authorized capital as well as exercising other powers, functions and duties as conferred by our articles of association. Our directors may exercise all the powers of our company to borrow money, mortgage its business, property and uncalled capital and issue debentures or other securities whenever money is borrowed or as security for any obligation of our company or of any third party.

A director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the directors at which any such contract or proposed contract or arrangement is considered. A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with us is required to declare the nature of his interest at a meeting of our directors. A general notice given to the directors by any director to the effect that he is a member, shareholder, director, partner, officer or employee of any specified company or firm and is to be regarded as interested in any contract or transaction with that company or firm shall be



deemed a sufficient declaration of interest for the purposes of voting on a resolution in respect to a contract or transaction in which he has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

## Committees of the Board of Directors

We have an audit committee, a compensation committee and a nominating and corporate governance committee under the board of directors. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

**Audit Committee.** Our audit committee consists of , and is chaired by . , and each satisfy the "independence" requirements of the listing rules of and meet the independence standards under Rule 10A-3 under the Exchange Act. We have determined that qualifies as an "audit committee financial expert." The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent registered public accounting firm and pre-screening all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent registered public accounting firm; and
- reporting regularly to the board of directors.

**Compensation Committee.** Our compensation committee consists of , and , and is chaired by . and satisfy the "independence" requirements of the listing rules of . The compensation committee assists the board of directors in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our executive officers may not be present at any committee meeting during which their compensation is deliberated upon. The compensation committee is responsible for, among other things:

- reviewing the total compensation package for our executive officers and making recommendations to the board of directors with respect to it;
- approving and overseeing the total compensation package for our executives other than the three most senior executives;
- reviewing the compensation of our directors and making recommendations to the board of directors with respect to it; and

- periodically reviewing and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, and employee pension and welfare benefit plans.

***Nominating and Corporate Governance Committee.*** Our nominating and corporate governance committee consists of \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_, and is chaired by \_\_\_\_\_. \_\_\_\_\_ and \_\_\_\_\_ satisfy the "independence" requirements of the listing rules of \_\_\_\_\_. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board of directors and its committees. The nominating and corporate governance committee is responsible for, among other things:

- recommending nominees to the board of directors for election or re-election to the board of directors, or for appointment to fill any vacancy on the board of directors;
- reviewing annually with the board of directors the current composition of the board of directors with regards to characteristics such as independence, age, skills, experience and availability of service to us;
- selecting and recommending to the board of directors the names of directors to serve as members of the audit committee and the compensation committee, as well as of the nominating and corporate governance committee itself; 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 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 owe to our company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than 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 our company, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time, and the rights vested thereunder in the holders of the shares. Our directors owe their fiduciary duties to our company and not to our company's individual shareholders, and it is our company which has the right to seek damages if a duty owed by our directors is breached. In limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

## **Terms of Directors and Officers**

Our officers are elected by and serve at the discretion of the board of directors. We will have a classified board of directors consisting of three classes of approximately equal size, each serving staggered three year terms. Upon expiration of the term of a class of directors, directors for that class will be elected for three year terms at the annual meeting of shareholders in the year in which that term expires. As a result, only one class of directors will be elected at each annual meeting of shareholders, with the other classes continuing for the remainder of their respective three year terms. Each director's term continues until the election and qualification of his or her successor, or his or her earlier death, resignation, or removal.

## Compensation of Directors and Executive Officers

For the twelve months ended March 31, 2016, we paid an aggregate of approximately US\$118,537.7 in cash to our executive officers and directors. We did not pay compensation to our non-executive directors. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. Our PRC subsidiaries are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund. For incentive share grants to our officers and directors, see "—Share Incentive Plans."

## Share Incentive Plan

### 2016 Equity Incentive Plan

Our 2016 Equity Incentive Plan was adopted to attract and retain the best available personnel for positions of substantial responsibility, provide additional incentive to employees, directors and consultants (the "Service Providers" and promote the success of our business. The equity incentive plan provides for the grant of an option, restricted shares, restricted share units and local awards.

*Authorized Shares* The maximum aggregate number of shares that may be issued under the 2016 Equity Incentive Plan is 15,780 of our ordinary shares plus an annual increase on the last day of the last fiscal year, starting in the fiscal year of 2017, by an amount equal to (i) 15% of the total number of outstanding shares of our common shares less (ii) the total number of unissued shares under the 2016 Equity Incentive Plan less (iii) the total number of shares subject to then-outstanding awards under the 2016 Equity Incentive Plan. equal to % of the ordinary shares on the first day of the fiscal year or some lesser amount determined by our board of directors. Ordinary shares issued pursuant to awards under the 2016 Equity Incentive Plan that are forfeited or cancelled or otherwise expired, will become available for future grant under the 2016 Equity Incentive Plan. The shares that are tendered by a participant of the 2016 Equity Incentive Plan or withheld by us to pay the exercise price of an option or to satisfy the participant's tax withholding obligations in connection with an award shall not be added back to the limit of the 2016 Equity Incentive Plan. In addition, ordinary shares will not be deemed to have been issued under the 2016 Equity Incentive Plan with respect to any portion of an award that is paid out in cash rather than ordinary shares. During the term of the 2016 Equity Incentive Plan, we will at all times reserve and keep available a sufficient number of ordinary shares available for issue to satisfy the requirements of the 2016 Equity Incentive Plan.

*Plan Administration* The 2016 Equity Incentive Plan is administered by the board or our compensation committee. The administrators may delegate limited authority over the day-to-day administration of the 2016 Equity Incentive Plan to such other subcommittees or specified officers. Subject to the provisions of the 2016 Equity Incentive Plan, the administrator has the power to determine the terms of awards, including the eligible participants, the exercise price, if any, the number of shares subject to each award, the fair market value of a share of our ordinary shares, the vesting schedule applicable to the awards, together with any vesting acceleration, and the form of settlement of awards in shares or cash or a combination thereof and the terms of the award agreement for use under the 2016 Equity Incentive Plan.

### Awards under the Equity Incentive Plan

*Share Options* Share options may be granted under the 2016 Equity Incentive Plan as either incentive share options, or ISOs, intended to qualify under Section 422 of the Code, or nonstatutory share options, or NSOs, restricted shares, restricted share units. The exercise price of each option shall be determined by the administrator; provided, however, that the exercise price may be no less than 100% of the fair market value on the date of grant. Our administrator shall also determine the time or times at which the options shall vest and may be exercised and will determine any conditions that must

be satisfied. One-third of the shares subject to an award will vest on each of the first, second and third annual anniversaries of the vesting commencement date, subject to the discretion of our administrator to accelerate the vesting at any time.

*Restricted Shares* A restricted share award agreement will specify restrictions on the duration of the restricted period, the number of shares granted, and any other terms and conditions specified by the administrator. Except to the extent otherwise provided in the award agreement, the holder of restricted shares will be entitled to receive all dividends and other distributions paid with respect to the shares, subject to the same restrictions on transferability and forfeitability as the underlying shares of restricted shares. Restricted shares may not be sold, transferred, assigned or pledged until the end of the restricted period and may be subject to forfeiture upon a termination of employment or service with us.

*Restricted Share Units* Awards of restricted share units may be granted by the administrator. At the time of grant of restricted share units, the administrator may impose conditions that must be satisfied, such as continued employment or service or attainment of corporate performance goals, and may place restrictions on the grant and/or vesting of the restricted share units. A restricted share award agreement will specify applicable vesting criteria, the number of restricted share units granted, the terms and conditions on time and form of payment and any such terms and conditions determined by the administrator. Each restricted share unit, upon fulfilment of any applicable conditions, represents a right to receive an amount equal to the fair market value of one share.

*Other Local Awards* The Administrator may cause a local PRC subsidiary to grant local cash-settled awards in lieu of any other award under the 2016 Equity Incentive Plan, which such local awards shall be paid wholly by the local PRC subsidiary. Each local award shall be linked to the fair market value of a share.

*Change in Control* The 2016 Equity Incentive Plan provides that in the event of a change in control, as defined therein, each outstanding award will be assumed or an equivalent award substituted by the successor corporation or a parent or subsidiary of the successor corporation. Unless the administrator determines otherwise, in the event that the successor corporation does not assume or substitute for the award, the portion of the award that remains outstanding will fully vest and all applicable restrictions will lapse. The holders of any outstanding options will be provided notice and a specified period of time to exercise awards to the extent vested (with awards terminating upon the expiration of the specified period of time). An award will be considered assumed if, following the change in control, the award confers the right to purchase or receive the same consideration received by the holders of ordinary shares for each share held on the effective date of the transaction.

*Plan Amendment and Termination* Our board of directors has the authority to amend, alter, suspend or terminate the 2016 Equity Incentive Plan provided such action does not materially impair the existing rights of any participant. The 2016 Equity Incentive Plan will automatically terminate in 2026, unless we terminate it sooner. The termination of the 2016 Equity Incentive Plan will not limit the administrator's ability to exercise the powers granted to it with respect to awards granted under the plan prior to the date of termination.

## PRINCIPAL SHAREHOLDERS

The following table presents information regarding the beneficial ownership of our ordinary shares prior to and immediately after the completion of this offering by:

- each person or entity that we know beneficially owns or will beneficially own more than 5% of our outstanding ordinary shares;
- each director or executive officer who beneficially owns or will beneficially own more than 1% of our outstanding ordinary shares; and
- all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of ordinary shares beneficially owned by a person and the percentage ownership of that person, we have included ordinary shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant, or other right or the conversion of any other security. These ordinary shares, however, are not included in the computation of the percentage ownership of any other person.

The percentage of beneficial ownership of our ordinary shares immediately after the completion of this offering is based on \_\_\_\_\_ ordinary shares that will be issued and outstanding (which includes (i) \_\_\_\_\_ ordinary shares outstanding as of the date of this prospectus; and (ii) \_\_\_\_\_ approximately \_\_\_\_\_ restricted ordinary shares to be issued to our directors and officers prior to completion of this offering). Unless otherwise noted, the business address for each of our directors and executive officers is 13th Floor, Block C, Shimao, No. 92 Jianguo Road, Chaoyang District, Beijing 100020, People's Republic of China.

	Ordinary Shares Beneficially Owned Prior to This Offering		Ordinary Shares Beneficially Owned After This Offering		
	Number	% <sup>(1)</sup>	Number	% <sup>(2)</sup>	Percentage of aggregate voting power
<b>Directors and Executive Officers:</b>					
Mr. Xiaobo An <sup>(3)</sup>	79,952	74.5			
All directors and executive officers as a group	79,952	74.5			
<b>Principal Shareholders:</b>					
Hexin Holding Limited <sup>(4)</sup>	79,952	74.5			
Anhe Holding Limited <sup>(5)</sup>	19,988	18.6			
Velencia Holdings Limited <sup>(6)</sup>	5,260	4.9			

Notes:

\* Less than 1%.

(1) For each person and group included in this column, percentage ownership is calculated by dividing the number of ordinary shares beneficially owned by such person or group, including ordinary shares that such person or group has the right to acquire within 60 days after the date of this prospectus, by 107,304, which is the total number of ordinary shares outstanding as of the date hereof.

(2) For each person and group included in this column, percentage ownership is calculated by dividing the number of ordinary shares beneficially owned by such person or group, including ordinary shares that such person or group has the right to acquire within 60 days after the date of this prospectus, by the sum of (1) \_\_\_\_\_, which is the total number of ordinary shares outstanding

immediately after the completion of this offering, and (2) the number of ordinary shares that such person or group has the right to acquire within 60 days after the date of this prospectus.

- (3) Mr Xiaobo An does not hold any ordinary share in our company directly. Mr. Xiaobo, through Hexin Holding Limited, a British Virgin Islands company wholly owned by him, owns 74.5% of the total outstanding shares of our company.
- (4) Represents 79,952 ordinary shares held by Hexin Holding Limited. Hexin Holding Limited is 100% beneficially owned by Mr. An Xiaobo.
- (5) Represents 19,988 ordinary shares held by Anhe Holding Limited. Anhe Holding Limited is 100% beneficially owned by Mr. An Xiaoning.
- (6) Represents 5,260 ordinary shares held by Velencia Holding Limited. Velencia Holding Limited is 100% beneficially owned by Mr. Zhai Xiaobin.

As of the date of this prospectus, \_\_\_\_\_ of our outstanding ordinary shares on an as-converted basis are held by \_\_\_\_\_ record holders in the United States, representing \_\_\_\_\_ % of our total outstanding shares on an as-converted basis. None of our shareholders has informed us that it is affiliated with a registered broker-dealer or is in the business of underwriting securities. None of our existing shareholders will have different voting rights from other shareholders after the completion of this offering. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company. See "Description of Share Capital—History of Securities Issuances" for a description of issuances of our ordinary shares that have resulted in significant changes in ownership by our major shareholders.

## RELATED PARTY TRANSACTIONS

### Transactions with Hexin Group

Hexin Information Services Co., Ltd. ("Hexin Information") and Hexin Financial Information Services (Beijing) Co., Ltd. ("Hexin Financial Information") (collectively, the "Hexin Group"), are under common control of our chairman, Mr. Xiaobo An. Hexin Information was incorporated in December 2015 and 99.0% held by Mr. Xiaobo An. Hexin Financial Information was incorporated in April 2014 and 95.0% held by Mr. Xiaobo An. Hexin Information and Hexin Financial Information are both engaged in the provision of financial advisory services to urban and rural residents in China, including small and micro-enterprise owners, fixed income employees, college students and rural households. Except as otherwise disclosed in this prospectus, the operations, financial and business administration functions of Hexin Information and Hexin Financial Information are separate from Hexin E-Commerce and our Company.

Before Hexin E-Commerce was fully operational, in order to achieve a more efficient use of funds, Hexin Group and we implemented centralized treasury management. As a result, from its incorporation up to September 30, 2016, Hexin E-Commerce's cash flows including certain revenues and expenses were managed through the bank accounts of Hexin Group. On January 12, 2017, Hexin E-Commerce has separated its treasury management function from the Hexin Group.

The net balance of funds, totaling approximately RMB62.2 million (US\$9.3 million), which was the amount due to Hexin E-Commerce as of September 30, 2016, shall be paid to us in instalments under a collection plan before September 30, 2017. The total related party balance due from Hexin Group amounted to RMB31.3 million (US\$5.1 million), RMB77.1 million (US\$12.0 million), and RMB62.2 million (US\$9.3 million) as of March 31, 2015, March 31, 2016 and September 30, 2016, respectively. The expenses paid by Hexin Group were primarily for business operations including employee salaries, professional fees and advertising expenses. For the fiscal years ended March 31, 2015 and 2016 and the six months ended September 30, 2016 expenses paid by Hexin Group on behalf of Hexin E-Commerce were RMB18.2 million (US\$3.0 million), RMB17.4 million (US\$2.8 million) and RMB20.3 million (US\$3.1 million), respectively. Funds of Hexin E-Commerce used by Hexin Group representing the cash flow from our revenue that was transacted at Hexin Group's bank accounts were RMB48.7 million (US\$7.9 million), RMB64.0 million (US\$10.1 million), RMB25.4 million (US\$3.9 million) for the fiscal years ended March 31, 2015 and 2016 and six months ended September 30, 2016, respectively. On December 31, 2016, Hexin Group repaid RMB20 million (US\$2.9) to us.

Hexin E-Commerce has relied on Hexin Group with respect to acquisition of borrowers through offline networks. Hexin Information and Hexin Financial Information are both engaged in provision of financial advisory services to urban and rural residents in China, including small and micro-enterprise owners, fixed income employees, college students and rural households. Hexin Information is focused on unsecured credit loans, while Hexin Financial Information is focused on secured loans. Hexin Information and Hexin Financial Information had extensive on-the-ground sales networks through 39 and 60 physical branches in China as of December 31, 2016, respectively, and have each accumulated an extensive borrower base. Hexin E-Commerce's offline borrowers are mainly referred by Hexin Information with respect to unsecured credit loans and by Hexin Financial Information with respect to secured loans. In the fiscal years ended March 31, 2015 and 2016 and the six months ended September 30, 2016, over 90% of our borrowers were referred from Hexin Group. Borrowers referred by Hexin Group enter into separate agreements with to Hexin Group and pay consultation fees separately. Hexin E-Commerce does not pay fees to Hexin Group with respect to such referrals.

## **Agreement with Hexin Group**

In the future, we will focus on unsecured credit loans and expect Hexin Group to continue to provide referrals of borrowers through offline networks. We have entered into a framework cooperation agreement with Hexin Information and Hexin Financial Information with respect to borrower referral and service arrangements. Pursuant to this agreement, we will continue the referral cooperation under the existing business model and no direct fees will incur between Hexin Group and us.

Under the cooperation agreement, Hexin Group shall direct offline borrowers to us for the facilitation of loan products on our online marketplace, and should obtain our consent before Hexin Group pursues any business opportunity by offering loan services to any offline borrower.

## **Contractual Arrangements with Our Variable Interest Entity and Its Shareholders**

PRC laws and regulations currently restrict foreign ownership and investment in value-added telecommunications services in China. As a result, we operate our relevant business through contractual arrangements among Hexin Yongheng, our PRC subsidiary, Hexin E-Commerce, our variable interest entity, and the shareholders of Hexin E-Commerce. For a description of these contractual arrangements, see "Corporate History and Structure—Contractual Arrangements with Hexin E-Commerce."

## **Employment Agreements and Indemnification Agreements**

See "Management—Employment Agreements and Indemnification Agreements."



## DESCRIPTION OF SHARE CAPITAL

We are a Cayman Islands exempted company with limited liability and our affairs are governed by our memorandum and articles of association, as amended and restated from time to time and the Companies Law of the Cayman Islands, which is referred to as the Companies Law below, and the common law of the Cayman Islands.

As of the date hereof, our authorized share capital is US\$50,000 consisting of 500,000,000 ordinary shares with par value of US\$0.0001 each, of which 107,304 shares are issued and outstanding, and 15,780 shares are reserved for issuance pursuant to our share incentive plans.

We expect to adopt an amended and restated memorandum and articles of association, to become effective immediately prior to the completion of this offering and replace our current memorandum and articles of association in its entirety and our authorized share capital will be US\$ divided into ordinary shares with a par value of US\$0.0001 each. The following are summaries of material provisions of our post-offering memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our ordinary shares that we expect will become effective upon the completion of this offering.

### Ordinary Shares

*General* All of our issued and outstanding ordinary shares are fully paid and non-assessable. Our ordinary shares are issued in registered form, and are issued when registered in our register of members. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares. Under our post-offering memorandum and articles of association, our company may issue only non-negotiable shares and may not issue bearer or negotiable shares.

*Dividends* The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, our company may declare and pay a dividend only out of funds legally available therefor, namely out of either profit or our share premium account, provided that in no circumstances may we pay a dividend if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

*Voting Rights* Holders of our ordinary shares vote as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. In respect of matters requiring shareholders' vote, on a poll each ordinary share is entitled to one vote. At any general meeting a resolution put to the vote of the meeting shall be decided by a show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one or more shareholders who together hold not less than 10% of the paid up voting share capital.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attached to the ordinary shares cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attached to the ordinary shares cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. A special resolution is required for important matters such as a change of name or any amendment to our memorandum and articles of association. Holders of our ordinary shares may effect certain changes by ordinary resolution, including increasing the amount of our authorized share capital, consolidating all or any of our share capital into shares of larger amount than our existing shares, sub-dividing our shares or any of them into shares of an amount smaller than that fixed by our memorandum, and cancelling any unissued shares. Both ordinary resolution and special resolution may also be passed by a

unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Law and our post-offering memorandum and articles of association.

*General Meetings of Shareholders and Shareholder Proposals* As a Cayman Islands exempted company, we are not obliged by the Companies Law to call shareholders' annual general meetings. Our post-offering memorandum and articles of association provide that we may, but are not obliged to, in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors.

Shareholders' annual general meetings and any other general meetings of our shareholders may be convened by a majority of our board of directors or the chairman of the board. Advance notice of at least ten calendar days is required for the convening of our annual general shareholders' meeting and any other general meeting of our shareholders. A quorum required for a general meeting of shareholders consists of one or more shareholders present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative, who hold in aggregate not less than one-third of the votes attaching to all issued and outstanding shares of our company entitled to vote at general meetings.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our post-offering memorandum and articles of association allow any two or more of our shareholders holding in the aggregate not less than one-third of the votes attaching to the issued and outstanding shares of our company entitled to vote at general meetings, to requisition an extraordinary general meeting of the shareholders, in which case our directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our post-offering memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

*Transfer of Shares* Subject to the restrictions of our post-offering memorandum and articles of association set out below, as applicable, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or ordinary form or any other form approved by our board of directors.

Our board of directors may, in its sole discretion, decline to register any transfer of any ordinary share which is not fully paid up. Our directors may also decline to register any transfer of any ordinary share unless (a) the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer; (b) the instrument of transfer is properly stamped, if required; (c) in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; (d) the share to be transferred is free of any lien in favor of us; (e) a fee of such maximum sum as                      may determine to be payable, or such lesser sum as our board of directors may from time to time require, is paid to us in respect thereof; and (f) the instrument of transfer is in respect of only one class of shares.

If our directors refuse to register a transfer they shall, within two 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. The registration of transfers may, after compliance with any notice required of                      , be suspended and our 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 days in any year as our board of directors may determine.

*Liquidation* On a winding up of our company, if the assets available for distribution among our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed among our shareholders on a pro rata basis in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. 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 in proportion to the par value of the shares held by them.

The liquidator may, with the sanction of a special resolution of our shareholders, divide amongst the shareholders in species or in kind the whole or any part of the assets of our company, and may for that purpose value any assets and determine how the division shall be carried out as between our shareholders or different classes of shareholders.

We are a "limited liability" company registered under the Companies Law, and under the Companies Law, the liability of our members is limited to the amount, if any, unpaid on the shares respectively held by them. Our memorandum of association contains a declaration that the liability of our members is so limited.

*Calls on Shares and Forfeiture of 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 days prior to the specified time and place of payment. The ordinary shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

*Redemption, Repurchase and Surrender of Shares* We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders, on such terms and in such manner as may be determined by our board of directors, before the issue of such shares, or by a special resolution of our shareholders. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or by ordinary resolution of our shareholders, or are otherwise authorized by our memorandum and articles of association. Under the Companies Law, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Law no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

*Variations of Rights of Shares* If at any time, our share capital is divided into different classes of shares, all or any of the special rights attached to any class of shares may be varied either with the written consent of the holders of two-thirds in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a general meeting of the holders of shares of that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights will not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu with such existing class of shares.

*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. However, at the discretion of our board of directors, we intend to provide our shareholders with annual audited financial statements. See "Where You Can Find Additional Information."

*Changes in Capital* Our shareholders may from time to time by ordinary resolution:

- increase our share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
- consolidate all or any of our share capital into shares of a larger amount than our existing shares;
- sub-divide our existing shares, or any of them into shares of a smaller amount, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; or
- cancel any shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled.

Our shareholders may, by special resolution and subject to confirmation by the Grand Court of the Cayman Islands on an application by our company for an order confirming such reduction, reduce our share capital and any capital redemption reserve in any manner authorized by law.

*Issuance of Additional Shares* Our post-offering memorandum and articles of association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent there are available authorized but unissued shares.

Our post-offering memorandum and articles of association authorizes our board of directors to establish from time to time one or more series of convertible redeemable preferred shares and to determine, with respect to any series of convertible redeemable preferred shares, the terms and rights of that series, including:

- designation of the series;
- the number of shares of the series;
- the dividend rights, conversion rights and voting rights; and
- the rights and terms of redemption and liquidation preferences.

The issuance of convertible redeemable preferred shares may be used as an anti-takeover device without further action on the part of the shareholders. Issuance of these shares may dilute the voting power of holders of ordinary shares.

*Anti-Takeover Provisions* Some provisions of our post-offering memorandum and articles of association may discourage, delay or prevent a change of 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; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our post-offering memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

*Exempted Company* We are an exempted company with limited liability under the Companies Law. The Companies Law 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 that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;
- may issue negotiable or bearer shares or shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as a limited duration company; and
- 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 (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil). Our post-offering memorandum and articles of association contains a declaration that the liability of our members is so limited.

*Register of Members* Under the Companies Law, we must keep a register of members and there should be entered therein:

- the names and addresses of our members, a statement of the shares held by each member, and of the amount paid or agreed to be considered as paid, on the shares of each member;
- the date on which the name of any person was entered on the register as a member; and
- the date on which any person ceased to be a member.

Under Cayman Islands law, the register of members of our company is prima facie evidence of the matters set out therein (i.e. the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a member registered in the register of members is deemed as a matter of Cayman Islands law to have legal title to the shares as set against its name in the register of members. Upon the completion of this offering, our company's register of members will be immediately updated to record and give effect to the issue of ordinary shares by us to the custodian (or its nominee) as the custodian. Once our register of members has been updated, the shareholders recorded in the register of members will be deemed to have legal title to the shares set against their name in the register of members.

If the name of any person is incorrectly entered in or omitted from our register of members, or if there is any default or unnecessary delay in entering on the register the fact of any person having ceased to be a member of our company, the person or member aggrieved (or any member of our company or our company itself) may apply to the Grand Court of the Cayman Islands for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

## Differences in Corporate Law

The Companies Law is derived, to a large extent, from the older Companies Acts of England, but does not follow recent United Kingdom statutory enactments, and accordingly there are significant differences between the Companies Law and the current Companies Act of England. In addition, the Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Companies Law applicable to us and the comparable provisions of the laws applicable to companies incorporated in the State of Delaware and their shareholders.

*Mergers and Similar Arrangements* The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (i) a special resolution of the shareholders of each constituent company and (ii) such other authorization, if any, as may be specified in such constituent company's articles of association. The plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a declaration as to the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders 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 Law.

When a take-over offer is made and accepted by holders of 90.0% of the shares affected (within four months after the offer), the offeror may, within a two-month period commencing on the expiration of such four months 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 to sue for a wrong done to us as a company, and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands courts can be expected to apply and follow common law principles (namely the rule in *Foss v Harbottle* and the expectations thereto) which permit a minority shareholder to commence a class action against the company or a derivative action in the name of the company to challenge certain acts, including the following:

- an act which is ultra vires or illegal and is therefore incapable of ratification by the shareholders;
- an act which, although not ultra vires, could only be effected if duly authorized by a resolution with a qualified or special majority (i.e., more than a simple majority) that has not been obtained; and
- an act which constitutes a "fraud on the minority" where the wrongdoers are themselves in control of the company.

*Indemnification of Directors and Executive Officers and Limitation of Liability* Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.

Our post-offering memorandum and articles of association provide that our directors and officers shall be indemnified against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such director or officer, other than by reason of such person's own dishonesty, willful default or fraud, in or about the conduct of our company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we intend to enter into indemnification agreements with our directors and senior executive officers that will provide such persons with additional indemnification beyond that provided in our post-offering memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

*Directors' Fiduciary Duties* Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a

director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director 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), a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

*Shareholder 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. As permitted by Cayman Islands law, our post-offering memorandum and articles of association provide that our shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of 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.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our post-offering memorandum and articles of association allow any two or more of our shareholders holding in the aggregate not less than one-third of the votes attaching to all issued and outstanding shares of our company entitled to vote at general meetings to requisition an extraordinary meeting of the shareholders, in which case the directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting. However, our post-offering memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings. Our post-offering memorandum and articles of association provides that we may in each year to hold a general meeting as our annual general meeting, and to specify the meeting as such in the notice calling it.



*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. There are no prohibitions in relation to cumulative voting under Cayman Islands law, but our post-offering memorandum and articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

*Removal of Directors* Under the Delaware General Corporation Law, a director of a corporation with a classified board of directors 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 post-offering memorandum and articles of association, directors may be removed by ordinary resolution of our shareholders.

*Transactions with Interested Shareholders* The Delaware General Corporation Law contains a business combination statute applicable to Delaware 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.

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, 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 of directors. 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 Law of the Cayman Islands, our company may be dissolved, liquidated or wound up voluntarily by a special resolution, or by an ordinary resolution on the basis that we are unable to pay our debts as they fall due.

**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 our post-offering memorandum and articles of association, and as permitted by Cayman Islands law, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class either with the written consent of the holders of two-thirds in nominal value 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.

**Amendment of Governing Documents** Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under Cayman Islands law, our amended and restated memorandum and articles of association may only be amended by special resolution of our shareholders.

**Inspection of Books and Records** Under the Delaware General Corporation Law, any shareholder of a corporation may for any proper purpose inspect or make copies of the corporation's stock ledger, list of shareholders and other books and records.

Holders of our shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we intend to provide our shareholders with annual reports containing audited financial statements.

**Anti-takeover Provisions in Our Memorandum and Articles of Association** Some provisions of our post-offering memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including a provision that authorizes our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

Such 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 these preference shares, the price of our ADSs may fall and the voting and other rights of the holders of our ordinary shares underlying the ADSs may be materially and adversely affected.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our post-offering memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

**Rights of Non-resident or Foreign Shareholders** There are no limitations imposed by our post-offering 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 post-offering memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

## **History of Securities Issuances**

The following is a summary of the major securities issuances by our company since its inception.

### **Ordinary Shares**

We were incorporated in the Cayman Islands on April 25, 2016, with an authorized share capital of US\$50,000 divided into 500,000,000 ordinary shares, with a par value of US\$0.0001 each.

On April 25, 2016, we issued (i) 8,000 ordinary shares to Hexin Holding Limited, at a price of US\$0.0001 per share and total consideration of US\$0.80 and (ii) 2,000 ordinary shares to AnHe Holding Limited at a price of US\$0.0001 per share and total consideration of US\$0.20.

On November 1, 2016, we issued (i) 71,952 ordinary shares to Hexin Holding Limited at a price of US\$0.0001 per share and total consideration of US\$7.20, (ii) 17,988 ordinary shares to AnHe Holding Limited at a price of US\$0.0001 per share and total consideration of US\$1.80 and (iii) 5,260 ordinary shares to Velencia Holdings Limited at a price of US\$0.0001 per share and total consideration of US\$0.53.

On and around December 10, 2016, we issued and sold an aggregate of 1,052 ordinary shares to Long Harvest Fund Management LLC, at a price per share of US\$950.57 per share and total consideration of US\$1,000,000.

On and around December 10, 2016, we issued and sold an aggregate of 1,052 ordinary shares to Dragon Gate Investment Partners Limited, at a price per share of US\$950.57 per share and total consideration of US\$1,000,000.

## DESCRIPTION OF AMERICAN DEPOSITARY SHARES

### American Depositary Shares

, as depositary, will register and deliver the ADSs. Each ADS will represent ownership of ordinary shares deposited with , as custodian for the depositary. Each ADS will also represent ownership of any other securities, cash or other property which may be held by the depositary. The depositary's corporate trust office at which the ADSs will be administered is located at . The principal executive office of the depositary is located at .

The Direct Registration System, or DRS, is a system administered by The Depositary Trust Company, or DTC, pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto.

We will not treat ADS holders as our shareholders and accordingly, you, as an ADS holder, will not have shareholder rights. Cayman Islands law governs shareholder rights. The depositary will be the holder of the ordinary shares underlying your ADSs. As a holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depositary and you, as an ADS holder, and the beneficial owners of ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. The laws of the State of New York govern the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of American Depositary Receipt. For directions on how to obtain copies of those documents, see "Where You Can Find Additional Information."

### Holding the ADSs

#### *How will you hold your ADSs?*

You may hold ADSs either (i) directly (a) by having an American Depositary Receipt, or ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (b) by holding ADSs in DRS or (ii) indirectly through your broker or another financial institution. If you hold ADSs directly, you are an ADS holder. This description assumes you hold your ADSs directly. ADSs will be issued through DRS, unless you specifically request certificated ADRs. If you hold the ADSs indirectly, you must rely on the procedures of your broker or that other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or that other financial institution to find out what those procedures are.

### Dividends and Other Distributions

#### *How will you receive dividends and other distributions on the ordinary shares?*

The depositary has agreed to pay to you the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent as of the record date (which will be as close as practicable to the record date for our ordinary shares) set by the depositary with respect to the ADSs.

- **Cash** The depositary will convert any cash dividend or other cash distribution we pay on the ordinary shares or any net proceeds from the sale of any ordinary shares, rights, securities or other entitlements into U.S. dollars if it can do so on a practicable basis, and can transfer the U.S. dollars to the United States. If that is not practical or lawful or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary either to distribute the foreign currency to the ADS holders or to hold the foreign currency for the

account of the ADS holders, in which case it will not invest the foreign currency and it will not be liable for any interest. Before making a distribution, any taxes or other governmental charges, together with fees and expenses of the depositary, that must be paid, will be deducted. See "—Fees and Expenses" and "—Payment of Taxes." It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.

- **Shares** The depositary may distribute additional ADSs representing any ordinary shares we distribute as a dividend or free distribution. The depositary will only distribute whole ADSs. It will sell any ordinary shares that would require it to deliver a fractional ADS and distribute the net proceeds in the same way as it does cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will, to the extent permissible by law, also represent the new ordinary shares. The depositary may also sell all or a portion of the ordinary shares that is has not distributed, and distribute the net proceeds in the same way as it does cash. Additionally, the depositary may sell a portion of the distributed ordinary shares sufficient to pay its fees and expenses, and any taxes and governmental charges, in connection with that distribution.
- **Elective Distributions in Cash or Shares** If we offer holders of our ordinary shares the option to receive dividends in either cash or shares, the depositary, after consultation with us and having received timely notice as described in the deposit agreement of such elective distribution by us, has discretion to determine to what extent such elective distribution will be made available to you as a holder of the ADSs. We must first instruct the depositary to make such elective distribution available to you and furnish it with satisfactory evidence that it is legal to do so. The depositary could decide it is not legal or reasonably practical to make such elective distribution available to you. In such case, the depositary shall, on the basis of the same determination as is made in respect of the ordinary shares for which no election is made, distribute either cash, in the same way as it does in a cash distribution, or additional ADSs representing ordinary shares, in the same way as it does in a share distribution. The depositary is not obligated to make available to you a method to receive the elective dividend in shares rather than in ADSs. You may not be given the opportunity to receive elective distributions on the same terms and conditions as the holders of our ordinary shares.
- **Rights to Subscribe for Additional Shares** If we offer holders of our ordinary shares any rights to subscribe for additional shares or any other rights, the depositary may after consultation with us and having received timely notice as described in the deposit agreement of such distribution by us, make these rights available to you. We must first instruct the depositary to make such rights available to you and furnish the depositary with satisfactory evidence that it is legal to do so. If the depositary decides it is not legal and reasonably practicable to make the rights available, or if rights have been made available but have not been exercised and appear to be about to lapse, the depositary may, if it determines it is lawful and reasonably practicable to do so, endeavor to sell the rights and distribute the net proceeds, in the same way as it does with cash. The depositary will allow rights that are not distributed or sold to lapse. In that case, you will receive no value for them.

If the depositary makes rights available to you, it will exercise the rights and purchase the shares on your behalf. The depositary will then deposit the shares and deliver ADSs to you. It will only exercise rights if you pay it the exercise price and any other charges the rights require you to pay. The depositary will sell shares that would require it to deliver a fractional ADS and distribute the net proceeds in the same way as it does with cash.

The depositary may sell a portion of the distributed rights sufficient to pay its fees and expenses, and any taxes and governmental charges, in connection with that distribution.

You may not be given the opportunity to exercise rights on the same terms and conditions as the holders of ordinary shares or be able to exercise such rights.

U.S. securities laws may restrict transfers and cancellation of the ADSs represented by shares purchased upon exercise of rights. For example, you may not be able to trade these ADSs freely in the United States. In this case, the depositary may deliver restricted depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.

- **Other Distributions** Subject to receipt of timely notice, as described in the deposit agreement, from us with the request to make any such distribution available to you, and provided the depositary has determined such distribution is lawful and reasonably practicable and in accordance with the terms of the deposit agreement, the depositary will send to you anything else we distribute on deposited securities by any means it thinks is practicable. If the depositary cannot make a distribution in this way, it may endeavor to sell what we distributed and distribute the net proceeds in the same way as it does cash. If the depositary is unable to sell what we distribute, it may dispose of such property in any way it deems reasonably practicable under the circumstances for nominal or no consideration. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses and any taxes and governmental charges in connection with that distribution.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.

## **Deposit, Withdrawal and Cancellation**

### ***How are ADSs issued?***

The depositary will deliver ADSs if you or your broker deposit ordinary shares or evidence of rights to receive ordinary shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons entitled thereto.

Except for ordinary shares deposited by us in connection with this offering, no shares will be accepted for deposit during a period of 180 days after the date of this prospectus. The 180-day lock-up period is subject to adjustment under certain circumstances as described in the section entitled "Shares Eligible for Future Sale—Lock-up Agreements."

### ***How do ADS holders cancel an American Depositary Share?***

You may turn in your ADSs at the depositary's principal office or by providing appropriate instructions to your broker. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the ordinary shares and any other deposited securities underlying the ADSs to you or a person you designate at the office of the Custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its corporate trust office, if feasible.

### ***How do ADS holders interchange between Certificated ADSs and Uncertificated ADSs?***

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send you a statement confirming that you are the owner of uncertificated ADSs. Alternatively, upon receipt by the depositary of a proper instruction from a holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to you an ADR evidencing those ADSs.

### **Voting Rights**

#### ***How do you vote?***

You may instruct the depositary to vote the ordinary shares or other deposited securities underlying your ADSs. *Otherwise, you could exercise your right to vote directly if you withdraw the ordinary shares. However, you may not know about the meeting sufficiently enough in advance to withdraw the ordinary shares.*

If we ask for your instructions and upon timely notice from us as described in the deposit agreement, the depositary will notify you of the upcoming vote and arrange to deliver our voting materials to you by regular mail delivery or by electronic transmission. The materials will (i) describe the matters to be voted on and (ii) explain how you may instruct the depositary to vote the ordinary shares or other deposited securities underlying your ADSs as you direct, including an express indication that such instruction may be given or deemed given in accordance with the second to last sentence of this paragraph if no instruction is received, to the depositary to give a discretionary proxy to a person designated by us. For your voting instructions to be valid, the depositary must receive them in writing on or before the date specified. The depositary will try, as far as practical, subject to applicable law and the provisions of the deposit agreement, the deposited securities and our memorandum and articles of association, to vote or to have its agents vote the ordinary shares or other deposited securities as you instruct. The depositary will only vote or attempt to vote as you instruct. If we timely requested the depositary to solicit your instructions but no instructions are received by the depositary from an owner with respect to any of the deposited securities represented by the ADSs of that owner on or before the date established by the depositary for such purpose, the depositary shall deem that owner to have instructed the depositary to give a discretionary proxy to a person designated by us with respect to such deposited securities, and the depositary shall give a discretionary proxy to a person designated by us to vote such deposited securities. However, no such instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter if we inform the depositary we do not wish such proxy given, substantial opposition exists or the matter materially and adversely affects the rights of holders of the ordinary shares.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the ordinary shares underlying your ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner in which any vote is cast. *This means that you may not be able to exercise your right to vote and you may have no recourse if the ordinary shares underlying your ADSs are not voted as you requested.*

## Fees and Expenses

As an ADS holder, you will be required to pay the following service fees to the depositary and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of your ADSs):

Service	Fees
To any person to which ADSs are issued or to any person to which a distribution is made in respect of ADS distributions pursuant to stock dividends or other free distributions of stock, bonus distributions, stock splits or other distributions (except where converted to cash)	Up to US\$0.05 per ADS issued
Cancellation of ADSs, including the case of termination of the deposit agreement	Up to US\$0.05 per ADS cancelled
Distribution of cash dividends	Up to US\$0.05 per ADS held
Distribution of cash entitlements (other than cash dividends) and/or cash proceeds, including proceeds from the sale of rights, securities and other entitlements	Up to US\$0.05 per ADS held
Distribution of ADSs pursuant to exercise of rights	Up to US\$0.05 per ADS held
Depositary services	Up to US\$0.05 per ADS held on the applicable record date(s) established by the depositary bank

As an ADS holder, you will also be responsible to pay certain fees and expenses incurred by the depositary and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of your ADSs) such as the following:

- Fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in Cayman Islands (i.e., upon deposit and withdrawal of ordinary shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex, fax and electronic transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities, including any applicable stamp duties, any stock transfer charges or withholding taxes (i.e., when ordinary shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery of ordinary shares on deposit or the servicing of ordinary shares, deposited securities and/or ADSs.
- Fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to ordinary shares, deposited securities, ADSs and ADRs.

The depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary and by the brokers (on behalf of their clients) delivering the ADSs to the depositary for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary bank to the holders of record of ADSs as of the applicable ADS record date.



The depositary fees payable for cash distributions are generally deducted from the cash being distributed or by selling a portion of distributable property to pay the fees. In the case of distributions other than cash (i.e., share dividends, rights), the depositary charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians that hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary banks.

In the event of refusal to pay the depositary fees, the depositary may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder.

The depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program upon such terms and conditions as we and the depositary may agree from time to time.

**Payment of Taxes**

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any net proceeds, or send to you any property, remaining after it has paid the taxes. You agree to indemnify us, the depositary, the custodian and each of our and their respective agents, directors, employees and affiliates for, and hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from any refund of taxes, reduced rate or withholding or other tax benefit obtained for you.

**Reclassifications, Recapitalizations and Mergers**

<u>If we:</u>	<u>Then:</u>
Change the par value of our ordinary shares	The cash, shares or other securities received by the depositary will become deposited securities, to the extent permitted by law, and each ADS will automatically represent its equal share of the new deposited securities.
Reclassify, split up, subdivide or consolidate any of the deposited securities	The depositary may deliver new ADSs or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.
Distribute securities on the ordinary shares that are not distributed to you or recapitalize, reorganize, merge, liquidate, sell our assets, or take any similar action	If any securities received by the depositary may not be lawfully distributed to some or all holders of ADSs, the depositary may sell such securities and distribute the net proceeds in the same way it does cash.

## **Amendment and Termination**

### ***How may the deposit agreement be amended?***

We may agree with the depositary to amend the deposit agreement and the form of ADR without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, including expenses incurred in connection with foreign exchange control regulations, or materially prejudices a substantial existing right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended. If any new laws are adopted that would require the deposit agreement to be amended in order to comply therewith, we and the depositary may amend the deposit agreement in accordance with such laws and such amendment may become effective before notice thereof is given to ADS holders.

### ***How may the deposit agreement be terminated?***

The depositary will terminate the deposit agreement if we ask it to do so, in which case the depositary will give notice to you at least 90 days prior to termination. The depositary may also terminate the deposit agreement if the depositary has told us that it would like to resign, or if we have removed the depositary, and in either case we have not appointed a new depositary within 90 days. In either such case, the depositary must notify you at least 30 days before termination.

After termination, the depositary and its agents will do the following under the deposit agreement but nothing else:

- Collect distributions on the deposited securities.
- Sell rights and other property.
- Deliver ordinary shares and other deposited securities upon cancellation of ADSs after payment of any fees, charges, taxes or other governmental charges. Six months or more after termination, the depositary may sell any remaining deposited securities by public or private sale.

After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, for the pro rata benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The depositary's only obligations will be to account for the money and other cash. After termination, our only obligations under the deposit agreement will be to indemnify the depositary and to pay fees and expenses of the depositary that we agreed to pay.

## **Books of Depositary**

The depositary will maintain ADS holder records at its depositary office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of the business of our company or matters relating to the ADSs or the deposit agreement.

The depositary will maintain facilities in \_\_\_\_\_ to record and process the issuance, cancellation, combination, split-up and transfer of ADRs.

These facilities may be closed from time to time, to the extent not prohibited by law or if any such action is deemed necessary or advisable by the depositary or us, in good faith, at any time or from time to time because of any requirement of law, any government or governmental body or commission or any securities exchange on which the ADRs or ADSs are listed, or under any provision of the deposit agreement or provisions of, or governing, the deposited securities, or any meeting of our shareholders or for any other reason.

## Limitations on Obligations and Liability

### *Limits on our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADSs*

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary as follows:

- We and the depositary are only obligated to take the actions specifically set forth in the deposit agreement without gross negligence or willful misconduct.
- We and the depositary are not liable if either of us is prevented or delayed by law or circumstances beyond our control from performing our obligations under the deposit agreement, including, without limitation, requirements of any present or future law, regulation, governmental or regulatory authority or share exchange of any applicable jurisdiction, any present or future provisions of our memorandum and articles of association, on account of possible civil or criminal penalties or restraint, any provisions of or governing the deposited securities or any act of God, war or other circumstances beyond our control as set forth in the deposit agreement.
- We and the depositary are not liable if either of us exercises, or fails to exercise, discretion permitted under the deposit agreement.
- We and the depositary are not liable for the inability of any holder of ADSs to benefit from any distribution, offering, right or other benefit made available to holders of deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement.
- We and the depositary have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other party if in our or the depositary's opinion such proceeding may involve us or the depositary in expense or liability, unless satisfactory indemnity against all expenses and liabilities is furnished as often as may be required.
- We and the depositary may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper party.
- We and the depositary disclaim any liability for any action/inaction in reliance on the advice or information of legal counsel, accountants, any person presenting ordinary shares for deposit, holders and beneficial owners (or authorized representatives) of ADSs, or any other person believed in good faith to be competent to give such advice or information.
- We and the depositary disclaim any liability for any indirect, special, punitive or consequential damages for any breach of the terms of the deposit agreement or otherwise.

The depositary and any of its agents also disclaim any liability for any of the following:

- A failure to carry out any instructions to vote.
- The manner in which any vote is cast.
- The effect of any vote.
- A failure to determine that any distribution or action may be lawful or reasonably practicable or for allowing any rights to lapse in accordance with the provisions of the deposit agreement.
- A failure or timeliness of any notice from us, the content of any information submitted to it by us for distribution to you or for any inaccuracy of any translation thereof.
- Any investment risk associated with the acquisition of an interest in the deposited securities.
- The validity or worth of the deposited securities.

- The creditworthiness of any third party.
- Any tax consequences that may result from ownership of ADSs, ordinary shares or deposited securities. The depositary and its agents shall not be liable for any acts or omissions made by a successor depositary, provided that in connection with any issue out of which a potential liability arises the depositary performed its obligations without gross negligence or willful misconduct while it acted as depositary.

In addition, the deposit agreement provides that each party to the deposit agreement (including each holder, beneficial owner and holder of interests in the ADRs) irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any lawsuit or proceeding against the depositary or our company related to our shares, the ADSs or the deposit agreement.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

### **Requirements for Depositary Actions**

Before the depositary will issue, deliver or register a transfer of an ADS, split-up, subdivide or combine ADSs, make a distribution on an ADS, or permit withdrawal of ordinary shares, the depositary may require the following:

- Payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any ordinary shares or other deposited securities and payment of the applicable fees, expenses and charges of the depositary.
- Satisfactory proof of the identity and genuineness of any signature or any other matters contemplated in the deposit agreement.
- Compliance with applicable laws and governmental regulations, and such reasonable regulations and procedures as the depositary may establish, from time to time, consistent with the deposit agreement and applicable law, including presentation of transfer documents.

The depositary may refuse to issue and deliver ADSs or register transfers of ADSs generally when the register of the depositary or our transfer books are closed or at any time if the depositary or we think it is necessary or advisable to do so.

### **Your Right to Receive the Ordinary Shares Underlying Your ADSs**

You have the right to cancel your ADSs and withdraw the underlying ordinary shares at any time except in the following instances:

- when temporary delays arise because: (1) the depositary has closed its transfer books or we have closed our transfer books; (2) the transfer of ordinary shares is blocked to permit voting at a shareholders' meeting; or (3) we are paying a dividend on our ordinary shares;
- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of ordinary shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

### **Pre-release of ADSs**

The deposit agreement permits the depositary to deliver ADSs before deposit of the underlying ordinary shares. This is called a pre-release of the ADSs. The depositary may also deliver ordinary

shares upon cancellation of pre-released ADSs (even if the ADSs are cancelled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying ordinary shares are delivered to the depositary. The depositary may receive ADSs instead of ordinary shares to close out a pre-release. The depositary may pre-release ADSs only under the following conditions:

- (i) Before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depositary in writing that it or its customer (a) owns the ordinary shares or ADSs to be deposited, (b) agrees to indicate the depositary as owner of such ordinary shares or ADSs in its records and to hold such ordinary shares or ADSs in trust for the depositary until such ordinary shares or ADSs are delivered to the depositary or the custodian, (c) unconditionally guarantees to deliver such ordinary shares or ADSs to the depositary or the custodian, as the case may be and (d) agrees to any additional restrictions or requirements that the depositary deems appropriate.
- (ii) The pre-release is fully collateralized with cash, U.S. government securities or other collateral that the depositary considers appropriate.
- (iii) The depositary must be able to close out the pre-release on not more than five business days' notice. Each pre-release is subject to further indemnities and credit regulations as the depositary considers appropriate. In addition, the depositary will normally limit the number of ADSs that may be outstanding at any time as a result of pre-release to 30% of the aggregate number of ADSs then outstanding, although the depositary may disregard the limit from time to time if it thinks it is appropriate to do so.

#### **Direct Registration System**

The deposit agreement provides that, to the extent available by the depositary, ADSs shall be evidenced by ADRs issued through DRS/Profile, unless certificated ADRs are specifically requested by the ADS holder. DRS is the system administered by DTC pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto. The Profile Modification System, or Profile, is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an ADS holder, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register such transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not verify, determine or otherwise ascertain that the DTC participant claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code).

## SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have \_\_\_\_\_ ADSs outstanding, representing approximately \_\_\_\_\_ % of our outstanding ordinary shares. All of the ADSs sold in this offering will be freely transferable by persons other than by our "affiliates" without restriction or further registration under the Securities Act. Sales of substantial amounts of our ADSs in the public market could adversely affect prevailing market prices of our ADSs. Prior to this offering, there has been no public market for our ordinary shares or the ADSs. Our ADSs have been approved for listing on the \_\_\_\_\_, but we cannot assure you that a regular trading market will develop in the ADSs. We do not expect that a trading market will develop for our ordinary shares not represented by the ADSs.

### Lock-Up Agreements

We have agreed, for a period of 180 days after the date of this prospectus, not to (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, except in this offering, any of our ordinary shares or ADSs or securities that are convertible into or exercisable or exchangeable for our ordinary shares or ADSs, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our ordinary shares or ADSs, whether any such transaction is to be settled by delivery of our ordinary shares or ADS, or any other securities of our company, without the prior written consent of the representative of the underwriter, subject to certain exceptions.

Furthermore, each of our directors, executive officers, existing shareholders and certain incentive share holders have also entered into a similar lock-up agreement for a period of 180 days from the date of this prospectus, subject to certain exceptions. These restrictions also apply to any ADSs acquired by our directors and executive officers in the offering pursuant to the directed share program, if any. These parties collectively own all of our outstanding ordinary shares, without giving effect to this offering.

Other than this offering, we are not aware of any plans by any significant shareholders to dispose of significant numbers of our ADSs or ordinary shares. However, one or more existing shareholders or owners of securities convertible or exchangeable into or exercisable for our ADSs or ordinary shares may dispose of significant numbers of our ADSs or ordinary shares in the future. We cannot predict what effect, if any, future sales of our ADSs or ordinary shares, or the availability of ADSs or ordinary shares for future sale, will have on the trading price of our ADSs from time to time. Sales of substantial amounts of our ADSs or ordinary shares in the public market, or the perception that these sales could occur, could adversely affect the trading price of our ADSs.

### Regulation S

Regulation S under the Securities Act provides an exemption from registration requirements in the United States for offers and sales of securities that occur outside the United States. Rule 903 of Regulation S provides the conditions to the exemption for a sale by an issuer, a distributor, their respective affiliates or anyone acting on their behalf, while Rule 904 of Regulation S provides the conditions to the exemption for a resale by persons other than those covered by Rule 903. In each case, any sale must be completed in an offshore transaction, as that term is defined in Regulation S, and no directed selling efforts, as that term is defined in Regulation S, may be made in the United States.

We are a foreign issuer as defined in Regulation S. As a foreign issuer, securities that we sell outside the United States pursuant to Regulation S are not considered to be restricted securities under the Securities Act, and are freely tradable without registration or restrictions under the Securities Act, unless the securities are held by our affiliates. Generally, subject to certain limitations, holders of our restricted shares who are not our affiliates or who are our affiliates solely by virtue of their status as an officer or director of us may, under Regulation S, resell their restricted shares in an "offshore transaction" if none of the seller, its affiliate nor any person acting on their behalf engages in directed

selling efforts in the United States and, in the case of a sale of our restricted shares by an officer or director who is an affiliate of us solely by virtue of holding such position, no selling commission, fee or other remuneration is paid in connection with the offer or sale other than the usual and customary broker's commission that would be received by a person executing such transaction as agent. Additional restrictions are applicable to a holder of our restricted shares who will be an affiliate of us other than by virtue of his or her status as an officer or director of us.

We are not claiming the potential exemption offered by Regulation S in connection with the offering of newly issued shares outside the United States and will register all of the newly issued shares under the Securities Act.

#### **Rule 144**

All of our ordinary shares outstanding prior to this offering and ordinary shares to be issued upon the completion of this offering are "restricted shares" as that term is defined in Rule 144 under the Securities Act and may be sold publicly in the United States only if they are subject to an effective registration statement under the Securities Act or pursuant to an exemption from the registration requirement such as those provided by Rule 144 and Rule 701 promulgated under the Securities Act. In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus a person (or persons whose shares are aggregated) who has beneficially owned our restricted shares for at least six months, is entitled to sell the restricted securities without registration under the Securities Act, subject to certain restrictions. Persons who are our affiliates may sell within any three months period a number of restricted shares that does not exceed the greater of the following:

- 1% of our then total outstanding ordinary shares, in the form of ADSs or otherwise, which will equal                      ordinary shares immediately after this offering; or
- the average weekly trading volume of our ordinary shares in the form of ADSs or otherwise, during the four calendar weeks preceding the date on which notice of the sale is filed with the Securities and Exchange Commission.

Sales under Rule 144 must be made through unsolicited transactions. They are also subject to other manner of sale provisions, notice requirements and the availability of current public information about us. Persons who are not our affiliates and have beneficially owned our restricted shares for more than six months but not more than one year may sell the restricted shares without registration under the Securities Act, subject to the availability of current public information about us. Persons who are not our affiliates and have beneficially owned our restricted shares for more than one year may freely sell the restricted shares without registration under the Securities Act. However, these shares would remain subject to lock-up arrangements and would only become eligible for sale when the lock-up period expires.

#### **Rule 701**

In general, under Rule 701 of the Securities Act as currently in effect, each of our employees, consultants or advisors who purchases our ordinary shares from us in connection with a compensatory stock or option plan or other written agreement relating to compensation is eligible to resell such ordinary shares 90 days after we became a reporting company under the Exchange Act in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144. However, these shares would remain subject to lock-up arrangements and would only become eligible for sale when the lock-up period expires.

#### **Registration Rights**

Upon completion of this offering, holders of our registrable securities will be entitled to request that we register their shares under the Securities Act, following the expiration of the lock-up agreements described above. See "Description of Share Capital—Registration Rights."

## 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 registration statement, 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, PRC and the United States. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Maples and Calder (Hong Kong) LLP, our special Cayman Islands counsel; to the extent it relates to PRC tax law, it is the opinion of Han Kun Law Offices, our special PRC counsel; to the extent that the discussion relates to matters of U.S. federal income tax law, it is the opinion of Shearman & Sterling LLP.

### 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 after execution 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 the 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 the ordinary shares, nor will gains derived from the disposal of the ordinary shares be subject to Cayman Islands income or corporation tax.

No stamp duty is payable in respect of the issue of the ordinary shares or on an instrument of transfer in respect of an ordinary share.

### People's Republic of China Taxation

Under the EIT Law, which became effective on January 1, 2008, an enterprise established outside the PRC with "de facto management bodies" within the PRC is considered a "resident enterprise" for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. In 2009, the SAT issued SAT 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. In 2011, the SAT issued SAT Bulletin 45 to provide more guidance on the implementation of SAT Circular 82.

According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered a PRC resident enterprise by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions are met: (a) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (b) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (c) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and (d) more than half of the enterprise's directors or senior management with voting rights habitually reside in the PRC. Although SAT Circular 82 and SAT Bulletin 45 only apply to offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise groups and not those controlled by PRC individuals or foreigners, the determination criteria set forth therein may reflect the SAT's general position on how the term "de facto management body" could be applied in determining the tax resident status of



offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners.

We believe that we do not meet all of the criteria described above. We believe that neither we nor our subsidiaries outside of China are PRC resident enterprises, because neither we nor they are controlled by a PRC enterprise or PRC enterprise group, and because our records and their records (including the resolutions of the respective boards of directors and the resolutions of shareholders) are maintained outside the PRC. However, as 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" when applied to our offshore entities, we may be considered as a PRC resident enterprise and therefore may be subject to PRC enterprise income tax at 25% on our worldwide income. In addition, if the PRC tax authorities determine that we are a PRC resident enterprise for PRC enterprise income tax purposes, dividends we pay to non-PRC holders may be subject to PRC withholding tax, and gains realized on the sale or other disposition of ADSs or ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such dividends or gains are deemed to be from PRC sources.

If we are considered a "non-resident enterprise" by the PRC tax authorities, the dividends we receive from our PRC subsidiaries will be subject to a 10% withholding tax. The EIT Law also imposes a withholding income 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 as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. Under the Arrangement Between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, the dividend withholding tax rate may be reduced to 5%, if a Hong Kong resident enterprise that receives a dividend is considered a non-PRC tax resident enterprise and holds at least 25% of the equity interests in the PRC enterprise distributing the dividends, subject to approval of the PRC local tax authority. However, if the Hong Kong resident enterprise is not considered to be the beneficial owner of such dividends under applicable PRC tax regulations, such dividends may remain subject to withholding tax at a rate of 10%. Accordingly, Hexindai HK may be able to enjoy the 5% withholding tax rate for the dividends it receives from its PRC subsidiaries if it satisfies the relevant conditions under tax rules and regulations, and obtains the approvals as required.

The SAT issued an SAT Circular 59 together with the Ministry of Finance in April 2009 and a SAT Circular 698 in December 2009. By promulgating and implementing these two circulars, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. Under SAT Circular 698, where a non-resident enterprise transfers the equity interests of a PRC "resident enterprise" indirectly by disposition of the equity interests of an overseas holding company, and the overseas holding company is located in a tax jurisdiction that: (1) has an effective tax rate less than 12.5% or (2) does not tax foreign income of its residents, the nonresident enterprise, being the transferor, must report to the relevant tax authority of the PRC "resident enterprise" the indirect transfer. On February 3, 2015, the SAT issued the SAT Announcement 7. SAT Announcement 7 supersedes the rules with respect to the Indirect Transfer under SAT Circular 698, but does not touch upon the other provisions of SAT Circular 698, which remain in force. SAT Announcement 7 has introduced a new tax regime that is significantly different from the previous one under SAT Circular 698. SAT Announcement 7 extends its tax jurisdiction to not only Indirect Transfers set forth under SAT Circular 698 but also transactions involving transfer of other taxable assets through offshore transfer of a foreign intermediate holding company. In addition,

SAT Announcement 7 provides clearer criteria than SAT Circular 698 for assessment of reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Announcement 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. Where a non-resident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a "reasonable commercial purpose" and was established for the purpose of reducing, avoiding or deferring PRC tax. Factors that may be taken into consideration when determining whether there is a reasonable commercial purpose include, among other factors, the value of the transferred equity, offshore taxable situation of the transaction, the offshore structure's economic essence and duration and trading fungibility. If an equity transfer transaction satisfies all the requirements mentioned above, such transaction will be considered an arrangement with reasonable commercial purpose. If an overseas holding company lacks a reasonable commercial purpose, gains derived from an Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. 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.

Accordingly, if we sell all or a part of our company and if the PRC tax authorities determine that we are a holding company that lacks a "reasonable commercial purpose", such sale may be considered an Indirect Transfer under Circulars 59 and 698 and the SAT Announcement 7 and subject non-PRC holders of our ordinary shares and ADSs to a PRC enterprise income tax, currently at a rate of 10%, on any gains derived by non-PRC holders on such sale. Additionally, a purchaser of all or a part of our company may determine that, under Circulars 59 and 698 and the SAT Announcement 7, it is required to withhold the potentially applicable PRC tax rate of 10% from any consideration paid to non-PRC holders of our ordinary shares and ADSs.

## **U.S. Federal Income Tax Considerations**

The following is a discussion of the material U.S. federal income tax considerations relevant to the acquisition, ownership, and disposition of our ADSs or ordinary shares by U.S. Holders (as defined below) that will hold our ADSs or ordinary shares as "capital assets" (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended, or the Code. This discussion is based upon applicable provisions of the Code, U.S. Treasury regulations promulgated thereunder, pertinent judicial decisions, interpretive rulings of the Internal Revenue Service, or the IRS, and such other authorities as we have considered relevant, all of which are subject to change, possibly with retroactive effect. This discussion does not address all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (for example, certain financial institutions; insurance companies; broker-dealers; pension plans; regulated investment companies; real estate investment trusts; tax-exempt organizations (including private foundations); U.S. expatriates; holders who own (directly, indirectly, or constructively) 10% or more of our voting stock; investors that will hold their ADSs or ordinary shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for U.S. federal income tax purposes; investors that are traders in securities that have elected the mark-to-market method of accounting; or investors that have a functional currency other than the U.S. dollar), all of whom may be subject to tax rules that differ significantly from those discussed below.

In addition, this discussion does not address tax considerations relevant to U.S. Holders under any non-U.S., state or local tax laws, the Medicare tax on net investment income, U.S. federal estate or gift tax, or the alternative minimum tax. Each U.S. Holder is urged to consult its tax advisors regarding the U.S. federal, state, local, and non-U.S. income and other tax considerations of an investment in ADSs or ordinary shares.

The discussion below of U.S. federal income tax consequences applies to you if you are a "U.S. Holder." You are a U.S. Holder if you are a beneficial owner of our ADSs or ordinary shares and you are: (i) an individual who is a citizen or resident of the United States for U.S. federal income tax purposes; (ii) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created in, or organized under the law of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or (iv) a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a U.S. person under the Code.

If you are a partner in a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) that holds our ADSs or ordinary shares, your tax treatment generally will depend on your status and the activities of the partnership. Partners in a partnership holding our ADSs or ordinary shares should consult their tax advisors regarding the tax consequences of an investment in the ADSs or ordinary shares.

Except as described in "—PFIC Rules" below, this discussion assumes that we are not, and will not become, a passive foreign investment company, or PFIC, for any taxable year.

## ***Dividends***

Subject to the PFIC rules discussed below, any cash distributions (including the amount of any PRC tax withheld) paid on our ADSs or ordinary shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in your gross income as dividend income on the day actually or constructively received by you, in the case of ordinary shares, or by the depository, in the case of ADSs. Because we do not intend to determine our earnings and profits under U.S. federal income tax principles, any distribution paid will generally be treated as a dividend for U.S. federal income tax purposes. Dividends received on our ADSs or ordinary shares will not be eligible for the dividends received deduction allowed to corporations under the Code.

A non-corporate recipient will be subject to tax at preferential tax rates applicable to "qualified dividend income," provided that certain conditions are satisfied, including that (1) our stock (or ADSs representing such stock) is readily tradable on an established securities market in the United States, or, in the event that we are deemed to be a PRC tax resident enterprise under the PRC tax law, we are eligible for the benefit of the United States-PRC income tax treaty, or the Treaty, (2) we are neither a PFIC nor treated as such with respect to a U.S. Holder (as discussed below) for the taxable year in which the dividend was paid and the preceding taxable year, and (3) certain holding period requirements are met.

In the event that we are deemed to be a PRC tax resident enterprise under PRC tax law, you may be subject to PRC withholding taxes on dividends paid on our ADSs or ordinary shares, as described under "Taxation—People's Republic of China Taxation". If we are deemed to be a PRC tax resident enterprise, 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 our ADSs, may be eligible for the reduced rates of taxation applicable to qualified dividend income, as discussed above.

For U.S. foreign tax credit purposes, dividends generally will be treated as income from foreign sources and generally will constitute passive category income. Depending on your particular circumstances, you may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on our ADSs or ordinary shares. If you do not elect to claim a foreign tax credit for foreign tax withheld, you may instead claim a deduction, for U.S. federal income tax purposes, for the foreign tax withheld, but only for a year in which you elect to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisor regarding the availability of the foreign tax credit under your particular circumstances.

#### ***Sale or Other Disposition of ADSs or Ordinary Shares***

Subject to the PFIC rules discussed below, you generally will recognize capital gain or loss upon the sale or other disposition of our ADSs or ordinary shares in an amount equal to the difference, if any, between the amount realized upon the disposition and your adjusted tax basis in such ADSs or ordinary shares. Any capital gain or loss will be long-term capital gain or loss if you have held the ADSs or ordinary shares for more than one year, and will generally be U.S.-source gain or loss for U.S. foreign tax credit purposes. The deductibility of a capital loss may be subject to limitations. In the event that we are deemed to be a PRC tax resident enterprise under PRC tax law, gain from the disposition of the ADSs or ordinary shares may be subject to tax in the PRC, as described under "Taxation—People's Republic of China Taxation". If we are treated as a PRC resident enterprise and PRC tax were imposed on any gain from your disposition of the ADSs or ordinary shares, you would be able to elect to treat the gain as PRC source income for foreign tax credit purposes if you are eligible for the benefits of the Treaty. You are urged to consult your tax advisor regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or ordinary shares, including the availability of the foreign tax credit under your particular circumstances.

#### ***PFIC Rules***

A non-U.S. corporation, such as our company, will be classified as a PFIC for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of "passive" income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. Passive income generally includes dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains. For this purpose, cash is categorized as a passive asset and the company's goodwill associated with active business activity is taken into account as a non-passive asset. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock.

Based on the projected composition of our assets and income, we do not believe that we were a PFIC for our taxable year ending March 31, 2017 and we do not anticipate becoming a PFIC for our taxable year ending March 31, 2018. While we do not anticipate becoming a PFIC, because the value of our assets for purposes of the PFIC asset test will generally be determined by reference to the market price of our ADSs or ordinary shares, fluctuations in the market price of our ADSs or ordinary shares may cause us to become a PFIC for the current or any subsequent taxable year. The determination of whether we will become a PFIC will also depend, in part, on the composition of our income and assets, which will be affected by how, and how quickly, we use our liquid assets and the cash raised in this offering. Additionally, although the law in this regard is unclear, we treat our VIE as being owned by us for U.S. federal income tax purposes, not only because we exercise effective control over the operation of such entity but also because we are entitled to substantially all of its economic benefits, and, as a result, we consolidate their results of operation in our combined and consolidated financial

statements. Whether we are a PFIC is a factual determination and we must make a separate determination each taxable year as to whether we are a PFIC (after the close of each taxable year). Accordingly, we cannot assure you that we will not be a PFIC for our taxable year ending March 31, 2018 or any future taxable year. If we are classified as a PFIC for any taxable year during which you hold our ADSs or ordinary shares, we generally will continue to be treated as a PFIC, unless you make certain elections, for all succeeding years during which you hold our ADSs or ordinary shares even if we cease to qualify as a PFIC under the rules set forth above. If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares, you will be subject to special tax rules with respect to any "excess distribution" that you receive and any gain you realize from a sale or other disposition (including a pledge) of our ADSs or ordinary shares, unless you make a "mark-to-market" election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ADSs or ordinary shares;
- amounts allocated to the current taxable year and any taxable years in your holding period prior to the first taxable year in which we are classified as a PFIC, or a pre-PFIC year, will be taxable as ordinary income; and
- amounts allocated to each prior taxable year, other than the current taxable year or a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to you for that year, and such amounts will be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to such years.

If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares and any of our non-U.S. subsidiaries is also a PFIC, you will be treated as owning a proportionate amount (by value) of the shares of each such non-U.S. subsidiary classified as a PFIC for purposes of the application of these rules.

A U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election for such stock of a PFIC to elect out of the tax treatment discussed in the two preceding paragraphs. If you make a valid mark-to-market election for the ADSs, you will include in income each year an amount equal to the excess, if any, of the fair market value of the ADSs as of the close of your taxable year over your adjusted basis in such ADSs. You will be allowed a deduction for the excess, if any, of the adjusted basis of the ADSs over their fair market value as of the close of the taxable year. However, deductions will be allowable only to the extent of any net mark-to-market gains on the ADSs included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ADSs, will be treated as ordinary income. Ordinary loss treatment will also apply to the deductible portion of any mark-to-market loss on the ADSs, as well as to any loss realized on the actual sale or disposition of the ordinary shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such ADSs. Your basis in the ADSs will be adjusted to reflect any such income or loss amounts. If you make a mark-to-market election, tax rules that apply to distributions by corporations which are not PFICs (described above in "—Dividends") would apply to distributions by us (except that the preferential rates for qualified dividend income would not apply).

The mark-to-market election is available only for "marketable stock" which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter ("regularly traded") on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. We expect that the ADSs will be listed on the \_\_\_\_\_, which is a qualified exchange for these purposes. If the ADSs are regularly traded, and the ADSs qualify as "marketable stock" for purposes of the

mark-to-market rules, then the mark-to-market election might be available to you if we were to become a PFIC.

Because, as a technical matter, a mark-to-market election cannot be made for any lower-tier PFICs that we may own, you may continue to be subject to the PFIC rules with respect to your indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. We do not currently intend to provide information necessary for U.S. Holders to make qualified electing fund elections, which, if available, would result in tax treatment different from the general tax treatment for PFICs described above.

If you own our ADSs or ordinary shares during any taxable year that we are a PFIC, you must file an annual report with the IRS, subject to certain exceptions based on the value of the ADSs or ordinary shares held. A failure to file a required annual report will suspend the statute of limitations with respect to any tax return, event, or period to which such report relates (potentially including with respect to items that do not relate to your investment in the ADSs or ordinary shares). You are urged to consult your tax advisor concerning the U.S. federal income tax consequences of purchasing, holding, and disposing of our ADSs or ordinary shares if we are or become a PFIC, including the possibility of making a mark-to-market election.

### ***Information Reporting and Backup Withholding***

You may be required to submit to the IRS certain information with respect to your beneficial ownership of our ADSs or ordinary shares, if such ADSs or ordinary shares are not held on your behalf by certain financial institutions. Penalties also may be imposed if you are required to submit such information to the IRS and fail to do so.

Dividend payments with respect to ADSs or ordinary shares and proceeds from the sale, exchange or redemption of ADSs or ordinary shares may be subject to information reporting to the IRS and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on IRS Form W-9 or an acceptable substitute form.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS and furnishing any required information. You are urged to consult your tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

## UNDERWRITING

We expect to enter into an underwriting agreement with Network 1 Financial Securities, Inc., as the underwriter named therein, with respect to the ADSs in this offering. Under the terms and subject to the conditions contained in the underwriting agreement, we have agreed to issue and sell a minimum offering amount of        ADSs and a maximum offering amount of        ADSs on a best efforts basis. The offering is being made without a firm commitment by the underwriter, which has no obligation or commitment to purchase any securities. The underwriter is not required to sell any specific number of dollar amount of ADSs but will use its best efforts to sell the ADSs offered.

We do not intend to close this offering unless we sell at least a minimum number of ADS, at the price per ADS set forth on the cover page of this prospectus, to result in sufficient proceeds to list our ADSs on the        . We plan to list our ADSs on the        under the symbol "        ." Because this is a best efforts offering, the underwriter does not have an obligation to purchase any securities, and, as a result, we may not be able to sell the minimum number of ADSs. The offering may close or terminate, as the case may be, on the earlier of (i) any time after the minimum offering amount of our ADSs is raised, or (ii) 90 days from the date of this prospectus, or the expiration date. If we can successfully raise the minimum offering amount within the offering period, the proceeds from the offering will be released to us.

We expect that delivery of the ADSs will be made to investors through the book-entry facilities of The Depository Trust Company.

The underwriting agreement provides that the obligation of the underwriter to sell the ADSs, on a best efforts basis, is subject to certain conditions precedent, including but not limited to (1) obtaining listing approval on        , (2) delivery of legal opinions and (3) delivery of auditor comfort letters. The underwriter is under no obligation to purchase any ADSs for its own account. To list on        , we are required to satisfy the financial and liquidity requirements of        under the        Listing Rules. To list on        , we are required to satisfy the financial and liquidity requirements of        under the        Listing Rules. We currently meet the income standard requirements        . We have applied to list our ADSs on the        and expect to receive an approval in principle for listing our ADSs on the        around the date of this prospectus. We will deliver to the        a notice to commence trading three days prior to the completion of the offering. Trading in the ADSs will commence upon the closing of the offering. As an offering on a best efforts basis, there can be no assurance that the offering contemplated hereby will ultimately be consummated. The underwriter may, but is not obligated to, retain other selected dealers that are qualified to offer and sell the shares and that are members of the Financial Industry Regulatory Authority, Inc.

### Discounts, Commissions and Expenses

We have agreed to pay the underwriter a fee equal to        % of the gross proceeds of the offering from investors introduced by the underwriter and a fee equal to        % of the gross proceeds of the offering from investors introduced by us.

We have agreed to pay a non-accountable expense allowance to the underwriter of        % of the gross proceeds of the offering. We have agreed to pay the underwriter's reasonable out-of-pocket expenses (including fees and expenses of the underwriter's counsel, reasonable clearing charges, fees, expenses and disbursements relating to background checks of Hexindai Inc.'s officers and directors, and preparation of printed documents for closing and deal mementos) incurred by the underwriter in connection with this offering up to        . We have paid an advance of        to the underwriter to be applied to the underwriter's anticipated out-of-pocket expenses. The advance will be returned to us to the extent such out-of-pocket accountable expenses are not actually incurred in accordance with FINRA Rule 5110(f)(2)(C).

We have agreed to pay our expenses related to the offering. We estimate that our total expenses related to this offering, excluding the estimated commissions to the underwriter and payment of the underwriter's expenses referred to above, will be approximately US\$                      million.

Except as disclosed in this prospectus, the underwriter has not received and will not receive from us any other item of compensation or expense in connection with this offering considered by FINRA to be underwriting compensation under FINRA Rule 5110.

The table below shows the per ADS and total commissions that we will pay to the underwriter.

	Minimum offering amount		Maximum offering amount	
	Per ADS	Total	Per ADS	Total
Commissions to the underwriter (    %) for sales to investors introduced by the underwriter	US\$	US\$	US\$	US\$
Commissions to the underwriter (    %) for sales to investors introduced by us	US\$	US\$	US\$	US\$
<b>Total</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>

We have agreed that, subject to certain exceptions, we will not without the prior written consent of the representatives, during the period ending 180 days after the closing of the offering (the "restricted period"):

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any ordinary shares or ADSs or any securities convertible into or exercisable or exchangeable for ordinary shares or ADSs;
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the ordinary shares or ADSs; or
- file any registration statement with the SEC relating to the offering of any ordinary shares, ADSs or any securities convertible into or exercisable or exchangeable for ordinary shares or ADSs (other than a registration statement on Form S-8);

whether any such transaction described above is to be settled by delivery of ordinary shares, ADSs or such other securities, in cash or otherwise.

Each of our directors, executive officers and existing beneficial owners of 5% or more of our outstanding ordinary shares has agreed that, subject to certain exceptions, such director, executive officer or beneficial owner of 5% or more of our outstanding ordinary shares will not, without the prior written consent of the underwriter, during the restricted period:

- offer, pledge, sell, contract to sell, grant, lend or otherwise transfer or dispose of, directly or indirectly, any ordinary shares or ADSs or any securities convertible into or exercisable or exchangeable for ordinary shares or ADSs;
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the ordinary shares or ADSs; or
- make any demand for or exercise any right with respect to, the registration of any ordinary shares, ADSs or any security convertible into or exercisable or exchangeable for ordinary shares or ADSs;

whether any such transaction described above is to be settled by delivery of ordinary shares, ADSs or such other securities, in cash or otherwise.



Prior to this offering, there has been no public market for the ADSs. The initial public offering price will be determined by negotiations between us and the underwriter. In determining the initial public offering price, we and the underwriter expects to consider a number of factors, including:

- the information set forth in this prospectus and otherwise available to the representatives;
- our prospects and the history and prospects for the industry in which we compete;
- an assessment of our management;
- our prospects for future earnings;
- the general condition of the securities markets at the time of this offering;
- the recent market prices of, and demand for, publicly traded securities of generally comparable companies; and
- other factors deemed relevant by the underwriter and us.

The estimated initial public offering price range set forth on the cover page of this preliminary prospectus is subject to change as a result of market conditions and other factors. Neither we nor the underwriter can assure investors that an active trading market will develop for our ordinary shares, or that the shares will trade in the public market at or above the initial public offering price.

We have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act. If we are unable to provide this indemnification, we will contribute to payments that the underwriter may be required to make for these liabilities.

The address of Network 1 Financial Securities, Inc. is The Gallaria, 2 Bridge Avenue, Suite 241, Red Bank, New Jersey, United States.

### **Terms of the Offering**

We are offering, on a best efforts basis, a minimum of           ADSs and a maximum of           ADSs. The offering is being made without a firm commitment by the underwriter, which has no obligation or commitment to purchase any securities. The underwriter is not required to sell any specific number of dollar amount of ADSs but will use its best efforts to sell the ADSs offered. The ADSs are being offered for a period not to exceed 90 days. If the minimum offering amount is not raised within 90 days from the date of this prospectus, all subscription funds from the escrow account will be returned to investors promptly without interest (since the funds are being held in a non-interest bearing account) or deduction of fees. The offering may terminate on the earlier of (i) any time after the minimum offering amount of our ADSs is raised, or (ii) 90 days from the date of this prospectus. If we can successfully raise the minimum offering amount within the offering period, the proceeds from the offering will be released to us.

### **Deposit of Offering Proceeds**

The proceeds from the sale of the ADSs in this offering will be deposited in a separate (limited to funds received on behalf of us) non-interest bearing bank account at the branch of           established by the Escrow Agent, or the Escrow Account. The purpose of the Escrow Account is for (i) the deposit of all subscription monies (checks or wire transfers) which are received by the underwriter from prospective purchasers of the our offered ADSs and are delivered by the underwriter to the Escrow Agent, (ii) the holding of amounts of subscription monies which are collected through the banking system, and (iii) the disbursement of collected funds.

The underwriter shall promptly deliver to the Escrow Agent all funds in the form of checks or wire transfers which it receives from prospective purchasers of our ADSs by the end of the next business day

following receipt where internal supervisory review is conducted at the same location at which subscription documents and funds are received. Simultaneously with each deposit to the Escrow Account, the underwriter shall inform the Escrow Agent about the subscription information for each prospective purchaser. Upon the Escrow Agent's receipt of such monies, they shall be credited to the Escrow Account. All checks delivered to the Escrow Agent shall be made payable to "Hexindai Inc. Escrow Account." The Escrow Agent shall not be required to accept for credit to the Escrow Account or for deposit into the Escrow Account checks which are not accompanied by the appropriate subscription information. Wire transfers representing payments by prospective purchasers shall not be deemed deposited in the Escrow Account until the Escrow Agent has received in writing the subscription information required with respect to such payments.

No interest will be available for payment to either us or the investors (since the funds are being held in a non-interest bearing account). All subscription funds will be held in trust pending the raising of the minimum offering amount and no funds will be released to us until the completion of the offering. Release of the funds to us is based upon the Escrow Agent reviewing the records of the depository institution holding the escrow to verify that the funds received have cleared the banking system prior to releasing the funds to us. All subscription information and subscription funds through checks or wire transfers should be delivered to the Escrow Agent. Failure to do so will result in subscription funds being returned to the investor. In event that the offering is terminated, all subscription funds from the escrow account will be returned to investors. We have appointed \_\_\_\_\_, an independent third party, as our Escrow Agent.

### **Electronic Offer, Sale and Distribution of ADSs**

A prospectus in electronic format may be made available on the websites maintained by the underwriter. In addition, ADSs may be sold by the underwriter to securities dealers who resell ADSs to online brokerage account holders. Other than the prospectus in electronic format, the information on the underwriter's website and any information contained in any other website maintained by the underwriter is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or the underwriter in its capacity as underwriter and should not be relied upon by investors.

### **Selling Restrictions**

No action has been taken in any jurisdiction (except in the United States) that would permit a public offering of the ADSs, or the possession, circulation or distribution of this prospectus or any other material relating to us or the ADSs, where action for that purpose is required. Accordingly, the ADSs may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material or advertisements in connection with the ADSs may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

*Australia.* This prospectus is not a product disclosure statement, prospectus or other type of disclosure document for the purposes of Corporations Act 2001 (Commonwealth of Australia) (the "Act") and does not purport to include the information required of a product disclosure statement, prospectus or other disclosure document under Chapter 6D.2 of the Act. No product disclosure statement, prospectus, disclosure document, offering material or advertisement in relation to the offer of the ADSs has been or will be lodged with the Australian Securities and Investments Commission or the Australian Securities Exchange.

Accordingly, (1) the offer of the ADSs under this prospectus may only be made to persons: (i) to whom it is lawful to offer the ADSs without disclosure to investors under Chapter 6D.2 of the Act under one or more exemptions set out in Section 708 of the Act, and (ii) who are "wholesale clients"

as that term is defined in section 761G of the Act, (2) this prospectus may only be made available in Australia to persons as set forth in clause (1) above, and (3) by accepting this offer, the offeree represents that the offeree is such a person as set forth in clause (1) above, and the offeree agrees not to sell or offer for sale any of the ADSs sold to the offeree within 12 months after their issue except as otherwise permitted under the Act.

*Canada.* The ADSs may not be offered, sold or distributed, directly or indirectly, in any province or territory of Canada other than the provinces of Ontario and Quebec or to or for the benefit of any resident of any province or territory of Canada other than the provinces of Ontario and Quebec, and only on a basis that is pursuant to an exemption from the requirement to file a prospectus in such province, and only through a dealer duly registered under the applicable securities laws of such province or in accordance with an exemption from the applicable registered dealer requirements.

*Cayman Islands.* This prospectus does not constitute a public offer of the ADSs or ordinary shares, whether by way of sale or subscription, in the Cayman Islands. Each underwriter has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any ADSs or ordinary shares to any member of the public in the Cayman Islands.

*European Economic Area.* In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive, or a Relevant Member State, from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, or the Relevant Implementation Date, an offer of the ADSs to the public may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the ADSs that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and the competent authority in that Relevant Member State has been notified, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the ADS to the public in that Relevant Member State at any time,

- to legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than €43,000,000, and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive; or
- in any other circumstances that do not require the publication by the company of a prospectus pursuant to Article 3 of the Prospectus Directive;

provided that no such offer of ADSs shall result in a requirement for the publication by the company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of the above provision, the expression "an offer of ADSs to the public" in relation to any ADSs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the ADSs to be offered so as to enable an investor to decide to purchase or subscribe the ADSs, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

*Hong Kong.* The ADSs may not be offered or sold by means of this document or any other document other than (i) in circumstances that do not constitute an offer or invitation to the public

within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong) or the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances that do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the ADSs may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), that is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to ADSs which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

*Israel.* In the State of Israel, the ADSs offered hereby may not be offered to any person or entity other than the following:

- a fund for joint investments in trust (i.e., mutual fund), as such term is defined in the Law for Joint Investments in Trust, 5754-1994, or a management company of such a fund;
- a provident fund as defined in Section 47(a)(2) of the Income Tax Ordinance of the State of Israel, or a management company of such a fund;
- an insurer, as defined in the Law for Oversight of Insurance Transactions, 5741-1981, a banking entity or satellite entity, as such terms are defined in the Banking Law (Licensing), 5741-1981, other than a joint services company, acting for their own account or for the account of investors of the type listed in Section 15A(b) of the Securities Law 1968;
- a company that is licensed as a portfolio manager, as such term is defined in Section 8(b) of the Law for the Regulation of Investment Advisors and Portfolio Managers, 5755-1995, acting on its own account or for the account of investors of the type listed in Section 15A(b) of the Securities Law 1968;
- a company that is licensed as an investment advisor, as such term is defined in Section 7(c) of the Law for the Regulation of Investment Advisors and Portfolio Managers, 5755-1995, acting on its own account;
- a company that is a member of the Tel Aviv Stock Exchange, acting on its own account or for the account of investors of the type listed in Section 15A(b) of the Securities Law 1968;
- an underwriter fulfilling the conditions of Section 56(c) of the Securities Law, 5728-1968;
- a venture capital fund (defined as an entity primarily involved in investments in companies which, at the time of investment, (i) are primarily engaged in research and development or manufacture of new technological products or processes and (ii) involve above-average risk);
- an entity primarily engaged in capital markets activities in which all of the equity owners meet one or more of the above criteria; and
- an entity, other than an entity formed for the purpose of purchasing the ADSs in this offering, in which the shareholders equity (including pursuant to foreign accounting rules, international accounting regulations and U.S. generally accepted accounting rules, as defined in the Securities Law Regulations (Preparation of Annual Financial Statements), 1993) is in excess of NIS 250 million.

*Japan.* The underwriter will not offer or sell any of the ADSs directly or indirectly in Japan or to, or for the benefit of any Japanese person or to others, for re-offering or re-sale directly or indirectly in Japan or to any Japanese person, except, in each case, pursuant to an exemption from the registration

requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan and any other applicable laws and regulations of Japan. For purposes of this paragraph, "Japanese person" means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

*People's Republic of China.* This prospectus may not be circulated or distributed in the PRC and the ADSs may not be offered or sold, and will not offer or sell to any person for re-offering or resale directly or indirectly to any resident of the PRC except pursuant to applicable laws and regulations of the PRC. For the purpose of this paragraph, PRC does not include Taiwan and the special administrative regions of Hong Kong and Macau.

*Singapore.* This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the ADSs may not be circulated or distributed, nor may the ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the ADSs are subscribed or purchased under Section 275 by a relevant person that is:

- (a) a corporation (that is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the ADSs under Section 275 except:

- (1) to an institutional investor (for corporations, under 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- (2) where no consideration is or will be given for the transfer; or
- (3) where the transfer is by operation of law.

*Taiwan.* The ADSs have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan or relevant laws and regulations that require a registration, filing or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer or sell the ADSs in Taiwan.

*Switzerland.* The ADSs will not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This prospectus has been prepared without regard to the disclosure standards for issuance

prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland.

Neither this prospectus nor any other offering or marketing material relating to our company or the ADSs have been or will be filed with or approved by any Swiss regulatory authority. In particular, this prospectus will not be filed with, and the offer of the ADSs will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of the ADSs has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or the CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the ADSs.

*United Arab Emirates and Dubai International Financial Centre.* This offering of the ADSs has not been approved or licensed by the Central Bank of the United Arab Emirates, or the UAE, the Emirates Securities and Commodities Authority or any other relevant licensing authority in the UAE, including any licensing authority incorporated under the laws and regulations of any of the free zones established and operating in the territory of the UAE, in particular the Dubai Financial Services Authority, or the DFSA, a regulatory authority of the Dubai International Financial Centre, or the DIFC. This offering does not constitute a public offer of securities in the UAE, DIFC and/or any other free zone in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended), DFSA Offered Securities Rules and the Dubai International Financial Exchange Listing Rules, respectively, or otherwise.

The ADSs may not be offered to the public in the UAE and/or any of the free zones. The ADSs may be offered and this prospectus may be issued, only to a limited number of investors in the UAE or any of its free zones who qualify as sophisticated investors under the relevant laws and regulations of the UAE or the free zone concerned. The ADSs will not be offered, sold, transferred or delivered to the public in the UAE or any of its free zones.

*United Kingdom.* An offer of the ADSs may not be made to the public in the United Kingdom within the meaning of Section 102B of the Financial Services and Markets Act 2000, as amended, or the FSMA, except to legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances that do not require the publication by the company of a prospectus pursuant to the Prospectus Rules of the Financial Services Authority, or the FSA.

An invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) may only be communicated to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which Section 21 of FSMA does not apply to the company.

All applicable provisions of the FSMA with respect to anything done by the underwriter in relation to the ADSs must be complied with in, from or otherwise involving the United Kingdom.

EXPENSES RELATING TO THIS OFFERING

Set forth below is an itemization of the total expenses, excluding underwriting discounts and commissions, expected to be incurred in connection with the offer and sale of the ADSs by us. With the exception of the SEC registration fee, listing fee and the Financial Industry Regulatory Authority Inc. filing fee, all amounts are estimates.

SEC registration fee	US\$
listing fee	
Financial Industry Regulatory Authority Inc. filing fee	
Printing and engraving expenses	
Legal fees and expenses	
Accounting fees and expenses	
Miscellaneous	
Total	US\$

## LEGAL MATTERS

We are being represented by Shearman & Sterling LLP with respect to certain legal matters as to United States federal securities and New York State law. The underwriter is being represented by Mei & Mark LLP with respect to certain legal matters as to United States federal securities and New York State law. The validity of the ordinary shares represented by the ADSs offered in this offering will be passed upon for us by Maples and Calder (Hong Kong) LLP. Certain legal matters as to PRC law will be passed upon for us by Han Kun Law Offices and for the underwriter by DaHui Lawyers. Shearman & Sterling LLP may rely upon Maples and Calder (Hong Kong) LLP with respect to matters governed by Cayman Islands law and Han Kun Law Offices with respect to matters governed by PRC law. Mei & Mark LLP may rely upon DaHui Lawyers with respect to matters governed by PRC law.



## EXPERTS

The financial statements as of March 31, 2015 and 2016, and for each of the fiscal years ended March 31, 2015 and 2016, included in this prospectus, have been audited by Marcum Bernstein & Pinchuk LLP, an independent registered public accounting firm, as stated in their report appearing herein and elsewhere in the Registration Statement. Such financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The office of Marcum Bernstein & Pinchuk LLP is Unit 2419-2422, South Office Tower, Kerry Center, No. 1 Guang Hua Road, Chaoyang District, Beijing 100020, the People's Republic of China.

The section in this prospectus entitled "Our Industry" is based in part upon, and summaries elsewhere in this prospectus of certain information contained in such section are based upon, information either compiled or produced by Oliver Wyman and are included on reliance upon the authority of that firm as an expert, although Oliver Wyman has not independently verified the material provided to it by the outside sources referenced in that section. This information has been included with the consent of Oliver Wyman and Oliver Wyman has authorized that portions of the prospectus be attributed to it. The registered business address of Oliver Wyman is 1166 6th Ave, New York, NY 10036.

## **WHERE YOU CAN FIND ADDITIONAL INFORMATION**

We have filed with the SEC a registration statement on Form F-1, including relevant exhibits and schedules under the Securities Act with respect to underlying ordinary shares represented by the ADSs, to be sold in this offering. We have also filed with the SEC a related registration statement on Form F-6 to register the ADSs. This prospectus, which constitutes a part of the registration statement, does not contain all of the information contained in the registration statement. You should read the registration statements on Form F-1 and Form F-6 and their exhibits and schedules for further information with respect to us and our ADSs.

Immediately upon completion of this offering we will become subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be 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 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 these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. You may also obtain additional information over the Internet at the SEC's website at [www.sec.gov](http://www.sec.gov).

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 to shareholders, 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 will not be 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 financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meeting and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our written 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.

**HEXINDAI INC.**  
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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders  
of Hexindai Inc.

We have audited the accompanying consolidated balance sheets of Hexindai Inc. and Subsidiaries (the "Company") as of March 31, 2016 and 2015, and the related consolidated statements of income and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hexindai Inc., as of March 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Marcum Bernstein & Pinchuk LLP

Marcum Bernstein & Pinchuk LLP  
Beijing, China  
April 7, 2017

**HEXINDAI INC.  
CONSOLIDATED BALANCE SHEETS**

	March 31 2016	March 31 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 7,818,936	\$ 954,681
Prepayments and other assets	1,797,319	888,923
<b>TOTAL CURRENT ASSETS</b>	<b>9,616,255</b>	<b>1,843,604</b>
Amounts due from related parties	11,951,205	5,122,746
Property, equipment and software at cost, net	252,830	205,380
Deferred tax assets	568,405	220,108
<b>TOTAL ASSETS</b>	<b>\$ 22,388,695</b>	<b>\$ 7,391,838</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accrued expenses and other current liabilities	\$ 3,514,551	\$ 2,486,152
Risk reserve liability	2,717,335	927,763
Taxes payable	2,100,637	627,535
Amounts due to related party	48,412	—
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,380,935</b>	<b>4,041,450</b>
<b>TOTAL LIABILITIES</b>	<b>8,380,935</b>	<b>4,041,450</b>
<b>COMMITMENTS</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Ordinary shares, \$0.0001 par value, 500,000,000 shares authorized, 105,200 shares issued and outstanding	11	11
Additional paid-in capital	11,284,230	3,683,182
Retained Earnings (deficit)	3,188,236	(350,171)
Accumulated other comprehensive (loss) income	(464,717)	17,366
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>14,007,760</b>	<b>3,350,388</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 22,388,695</b>	<b>\$ 7,391,838</b>

The accompanying notes are an integral part of these consolidated financial statements.

**HEXINDAI INC.**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)**

	For the Years Ended March 31,	
	2016	2015
<b>NET REVENUE</b>		
Loan facilitation, post-origination and other service, net	\$ 11,917,870	\$ 4,648,318
Business and sales related taxes	(23,644)	(2,345)
<b>NET REVENUE</b>	<b>11,894,226</b>	<b>4,645,973</b>
<b>OPERATING EXPENSES</b>		
Sales and marketing	3,840,143	2,605,042
Service and development	2,358,867	1,605,636
General and administrative	1,554,833	733,920
Total operating expenses	7,753,843	4,944,598
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>4,140,383</b>	<b>(298,625)</b>
<b>OTHER INCOME (EXPENSE)</b>		
Other income	37,751	5,151
Other expense	(11,481)	(12,855)
Total other income (expense)	26,270	(7,704)
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>4,166,653</b>	<b>(306,329)</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>628,246</b>	<b>43,842</b>
<b>NET INCOME (LOSS)</b>	<b>3,538,407</b>	<b>(350,171)</b>
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>		
Foreign currency translation adjustment	(482,083)	17,366
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ 3,056,324</b>	<b>\$ (332,805)</b>
Basic and diluted earnings (loss) per common share	\$ 33.6	\$ (3.3)
Weighted average number of shares outstanding	105,200	105,200

The accompanying notes are an integral part of these consolidated financial statements.

**HEXINDAI INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

	Ordinary Shares		Additional paid in capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
April 1, 2014	105,200	\$ 11	\$ —	\$ —	\$ —	\$ 11
Owner's contribution	—	—	3,683,182	—	—	3,683,182
Net loss for the year	—	—	—	(350,171)	—	(350,171)
Foreign currency translation adjustment	—	—	—	—	17,366	17,366
March 31, 2015	105,200	\$ 11	\$ 3,683,182	\$ (350,171)	\$ 17,366	\$ 3,350,388
Owners' contribution	—	—	7,601,048	—	—	7,601,048
Net income for the year	—	—	—	3,538,407	—	3,538,407
Foreign currency translation adjustment	—	—	—	—	(482,083)	(482,083)
March 31, 2016	105,200	\$ 11	\$ 11,284,230	\$ 3,188,236	\$ (464,717)	\$ 14,007,760

The accompanying notes are an integral part of these consolidated financial statements.

HEXINDAI INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended March 31,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 3,538,407	\$ (350,171)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	61,392	19,701
Deferred tax benefit	(366,498)	(218,949)
<i>Changes in operating assets and liabilities:</i>		
Prepayments and other assets	(972,276)	(884,231)
Accrued expenses and other current liabilities	1,177,828	2,473,058
Taxes payable	1,534,277	624,230
Risk reserve liability	1,872,509	922,877
Amounts due to related party	179,803	—
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>7,025,442</b>	<b>2,586,515</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisitions of property, equipment and software	(120,461)	(223,999)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(120,461)</b>	<b>(223,999)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Capital contributions by owners	7,601,048	3,683,182
Due from related parties	(10,009,630)	(8,056,847)
Repayments from related parties	2,651,848	2,961,074
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>243,266</b>	<b>(1,412,591)</b>
<b>EFFECT OF EXCHANGE RATE CHANGE ON CASH</b>	<b>(283,992)</b>	<b>4,756</b>
<b>NET INCREASE IN CASH</b>	<b>6,864,255</b>	<b>954,681</b>
<b>CASH—beginning of year</b>	<b>954,681</b>	<b>—</b>
<b>CASH—end of year</b>	<b>\$ 7,818,936</b>	<b>\$ 954,681</b>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES:</b>		
Cash paid for income tax	\$ —	\$ —
Cash paid for interest	\$ —	\$ —

The accompanying notes are an integral part of these consolidated financial statements.



# HEXINDAI INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1—BUSINESS DESCRIPTION

#### *Organization and description of business*

Hexindai Inc. ("Hexindai" or the "Company"), through its subsidiaries and variable interest entity ("VIE"), is an online marketplace connecting borrowers and investors in the People's Republic of China ("PRC" or "China").

Hexindai is a limited company established under the laws of the Cayman Islands on April 26, 2016. Mr. Xiaobo An, the Chairman of the Board of the Company, is the ultimate controlling shareholder ("the Controlling Shareholder") of the Company.

On March 7, 2014, Hexin E-Commerce Co., Ltd ("Hexin E-Commerce" or "VIE") was incorporated by the controlling shareholder in PRC. Hexin E-Commerce provides services through its online marketplace connecting borrowers and investors. On October 16, 2015, a third party A invested to Hexin E-Commerce and received 5% ownership of Hexin E-Commerce (see Note 12). Subsequently, the third party A transferred its ownership in Hexin E-Commerce to a third party B on October 19, 2016 and the third party B in turn received a 5% ownership interest of Hexindai on November 1, 2016.

On March 25, 2016, Hexin E-Commerce established a branch Hexin E-Commerce Tianjin Technology ("Tianjin"), which also provides similar service to the borrower and investors.

On May 27, 2016, Hexindai incorporated Hexindai Hong Kong Limited ("HK Hexindai"), a limited company formed in accordance with laws and regulations of Hong Kong. On August 8, 2016, HK Hexindai incorporated a Beijing Hexin Yongheng Technology Development Co., LTD ("WFOE").

#### *Reorganization*

In anticipation of an initial public offering ("IPO") of its equity securities, the Company undertook a reorganization and became the ultimate holding company of HK Hexindai, WFOE and Hexin E-Commerce, which were all controlled by the same shareholders before and after the Reorganization. Details of the subsidiaries and VIE of the Company are set out below:

	<u>Date of incorporation</u>	<u>Place of incorporation</u>	<u>Percentage of ownership</u>	<u>Principal activities</u>
<b>Wholly owned subsidiaries</b>				
Hexindai Hong Kong Limited ("HK Hexindai")	May 27, 2016	Hong Kong	100%	Investment holding
Beijing Hexin Yongheng Technology Development Co., Ltd ("WFOE")	August 8, 2016	PRC	100%	Consultancy and information technology support
<b>Variable Interest Entity ("VIE")</b>				
Hexin E-Commerce Co., Ltd ("Hexin E-Commerce")	March 7, 2014	PRC	VIE	an online marketplace connecting borrowers and investors
<b>VIE's subsidiary</b>				
Hexin E-Commerce Tianjin Technology ("Tianjin")	March 25, 2016	PRC	100% owned by Hexin E-Commerce	Service the borrowers and investors

**HEXINDAI INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 1—BUSINESS DESCRIPTION (Continued)**

Effective on November 1, 2016, shareholders of Hexin E-Commerce and WOFE entered into a series of contractual agreements ("VIE Agreements" which are described below). As a result, the Company, through its wholly owned subsidiaries HK Hexindai and WOFE, has been determined to be the primary beneficiary of Hexin E-Commerce and the Company treats Hexin E-Commerce as a VIE. Accordingly, the Company consolidates Hexin E-Commerce's operations, assets and liabilities.

The above mentioned transactions were accounted for as a recapitalization. The Company together with its wholly-owned subsidiary HK Hexindai and WOFE and its VIE were effectively controlled by the same shareholders before and after the reorganization and therefore the Reorganization is considered under common control and was accounted for similar to the pooling method of accounting. The accompanying consolidated financial statements have been prepared as if the current corporate structure has been in existence throughout the periods presented. The consolidation of the Company and its subsidiaries and VIE has been accounted for at historical cost as of the beginning of the first period presented in the accompanying consolidated financial statements.

**The VIE arrangements**

Foreign ownership of internet-based businesses, including distribution of online information (such as an online marketplace connecting borrowers and investors), is subject to restrictions under current PRC laws and regulations. The Company is a Cayman Islands company and WOFE (its PRC subsidiary) is considered foreign invested enterprise. To comply with these regulations, the Company conducts the majority of its activities in PRC through its consolidated affiliate Hexin E-Commerce.

Hexin E-Commerce holds the requisite licenses and permits necessary to conduct the Company's online marketplace connecting borrowers and investors business. WOFE has entered into the following contractual arrangements with shareholders of Hexin E-Commerce, that enable the Company to (1) have power to direct the activities that most significantly affects the economic performance of Hexin E-Commerce, and (2) receive the economic benefits of Hexin E-Commerce that could be significant to Hexin E-Commerce. The Company is fully and exclusively responsible for the management of Hexin E-Commerce, assumes all of risk of losses of Hexin E-Commerce and has the exclusive right to exercise all voting rights of Hexin E-Commerce's shareholder. Therefore, in accordance with ASC 810 "Consolidation", the Company is considered the primary beneficiary of Hexin E-Commerce and has consolidated Hexin E-Commerce's assets, liabilities, results of operations, and cash flows in the accompanying consolidated financial statements.

**Exclusive Business Cooperation Agreement.** On November 1, 2016, WOFE entered into an Exclusive Business Cooperation Agreement with Hexin E-Commerce to enable WOFE to receive substantially all of the assets and business of Hexin E-Commerce in China. Under this Agreement, WOFE has the exclusive right to provide Hexin E-Commerce with comprehensive technical support, consulting services and other services during the term of this Agreement, including but not limited to software licensing; development, maintenance and update of software, network system, hardware and database; technical support and training for employees; consultancy on technology and market information; business management consultation; marketing and promotion services, etc. WOFE has the right to determine the fees associated with the services it provides based on the technical difficulty and complexity of the services, the actual labor costs it incurs for providing the services and some other factors during the relevant period. This Agreement became effective on November 1, 2016 and will remain effective unless otherwise terminated in writing by WOFE.

## HEXINDAI INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## Note 1—BUSINESS DESCRIPTION (Continued)

**Equity Pledge Agreements.** Pursuant to the three Equity Pledge Agreements dated November 1, 2016 among Hexin E-Commerce, each of the Shareholders of Hexin E-Commerce and WOFE, each Shareholder of Hexin E-Commerce agreed to pledge his equity interest in Hexin E-Commerce to WOFE to secure the performance of the VIEs' obligations under the Exclusive Business Cooperation Agreement and any such agreements to be entered into in the future. The Shareholders of Hexin E-Commerce agreed not to transfer, sell, pledge, dispose of or otherwise create any encumbrance on their equity interests in Hexin E-Commerce without the prior written consent of WOFE. The Pledge became effective on such date when the pledge of the Equity Interest contemplated herein is registered with relevant administration for industry and commerce (the "AIC") and will remain effective until all contract obligations have been fully performed and all secured indebtedness have been fully paid.

**Exclusive Option Agreements.** Pursuant to the three Exclusive Option Agreements entered into on November 1, 2016 among WOFE, Hexin E-Commerce and each of the Shareholders of Hexin E-Commerce, each of the Shareholders of Hexin E-Commerce irrevocably grant WOFE an irrevocable and exclusive right to purchase, or designate one or more persons (including individuals, corporations, partnerships, partners, enterprises, trusts or non-corporate organizations) to purchase the equity interests in Hexin E-Commerce then held by such Shareholder of Hexin E-Commerce once or at multiple times at any time in part or in whole at WOFE's sole and absolute discretion to the extent permitted by Chinese laws at the price of RMB 1 or at the price of the minimum amount of consideration permitted by applicable PRC law at the time when such purchase occurs. These three Agreements became effective on November 1, 2016 and will remain effective until all equity interests held by the shareholders of Hexin E-Commerce in Hexin E-Commerce have been transferred or assigned to WOFE and/or its designees.

**Loan Agreements.** Pursuant to the three Loan Agreements dated November 1, 2016 between each of the Shareholders of Hexin E-Commerce and WOFE, WOFE agreed to lend each of the Shareholders of Hexin E-Commerce a loan only to subscribe registered capital of Hexin E-Commerce. The repayment of the loan shall be made by permitting Hexin Yonggeng to execute its exclusive right to purchase shares from the shareholders of Hexin E-Commerce under the Exclusive Option Agreement as the repayment is equivalent with the consideration of the purchased shares. The term of these loans is 10 years from November 1, 2016, which may be extended upon mutual written consent of both parties.

**Power of Attorney.** On November 1, 2016, each Shareholder of Hexin E-Commerce, executed Power of Attorney agreement with WOFE and Hexin E-Commerce, whereby Shareholders of Hexin E-Commerce irrevocably appoint and constitute WOFE as their attorney-in-fact to exercise on the shareholders' behalf any and all rights that Shareholders of Hexin E-Commerce have in respect of their equity interests in Hexin E-Commerce. These three Power of Attorney documents became effective on November 1, 2016 and will remain irrevocable and continuously effective and valid as long as the original shareholders of Hexin E-Commerce remains as the Shareholders of Hexin E-Commerce.

**Risks in relation to the VIE structure**

The Company believes that the contractual arrangements with its VIEs and their respective shareholders are in compliance with PRC laws and regulations and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce the contractual

**HEXINDAI INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 1—BUSINESS DESCRIPTION (Continued)**

arrangements. If the legal structure and contractual arrangements were found to be in violation of PRC laws and regulations, the PRC government could:

- revoke the business and operating licenses of the Company's PRC subsidiary and VIEs;
- discontinue or restrict the operations of any related-party transactions between the Company's PRC subsidiary and VIEs;
- limit the Group's business expansion in China by way of entering into contractual arrangements;
- impose fines or other requirements with which the Company's PRC subsidiary and VIEs may not be able to comply;
- require the Company or the Company's PRC subsidiary and VIEs to restructure the relevant ownership structure or operations; or
- restrict or prohibit the Company's use of the proceeds of the additional public offering to finance the Group's business and operations in China.

The Company's ability to conduct its online Peer to Peer ("P2P") Marketplace business may be negatively affected if the PRC government were to carry out any of the aforementioned actions. As a result, the Company may not be able to consolidate its VIEs in its consolidated financial statements as it may lose the ability to exert effective control over the VIEs and their respective shareholders and it may lose the ability to receive economic benefits from the VIEs. The Company, however, does not believe such actions would result in the liquidation or dissolution of the Company, its PRC subsidiary and VIEs.

The interests of the shareholders of VIE may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms, for example by influencing VIE not to pay the service fees when required to do so. The Company cannot assure that when conflicts of interest arise, shareholders of VIE will act in the best interests of the Company or that conflicts of interests will be resolved in the Company's favor. Currently, the Company does not have existing arrangements to address potential conflicts of interest the shareholders of VIE may encounter in its capacity as beneficial owners and directors of VIE, on the one hand, and as beneficial owners and directors of the Company, on the other hand. The Company believes the shareholders of VIE will not act contrary to any of the contractual arrangements and the exclusive option agreements provide the Company with a mechanism to remove the current shareholders of VIE should they act to the detriment of the Company. The Company relies on certain current shareholders of VIE to fulfill their fiduciary duties and abide by laws of the PRC and act in the best interest of the Company. If the Company cannot resolve any conflicts of interest or disputes between the Company and the shareholders of VIE, the Company would have to rely on legal proceedings, which could result in disruption of its business, and there is substantial uncertainty as to the outcome of any such legal proceedings.

Total assets and liabilities presented on the Company's consolidated balance sheets and sales, expense, net income presented on Consolidated Statement of Income and Comprehensive Income (Loss) as well as the cash flow from operating, investing and financing activities presented on the Consolidated Statement of Cash Flows are substantially the financial position, operation and cash flow of the Company's VIE Hexin E-Commerce. The Company has not provided any financial support to

## HEXINDAI INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 1—BUSINESS DESCRIPTION (Continued)**

Hexin E-Commerce for the years ended March 31, 2016 and 2015. The assets and liabilities of the consolidated VIE as of March 31, 2016 and 2015 are listed below:

	March 31, 2016	March 31, 2015
Current assets	\$ 9,616,245	\$ 1,843,594
Non-current assets	12,722,787	5,546,993
<b>Total assets</b>	<b>22,339,032</b>	<b>7,390,587</b>
Current liabilities	8,332,523	4,041,450
Non-current liabilities	—	—
<b>Total liabilities</b>	<b>8,332,523</b>	<b>4,041,450</b>

**Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*****Basis of consolidation***

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S GAAP") and have been consistently applied.

The consolidated financial statements include the financial statements of Hexindai Inc., HK Hexindai, WOFE, Hexin E-Commerce and Tianjin (collectively, the "Company"). All inter-company balances and transactions are eliminated upon consolidation.

***Uses of estimates***

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during each reporting period. Actual results could differ from those estimates. Significant accounting estimates reflected in the Company's consolidated financial statements include: the Company's ability to realize deferred tax assets, estimated useful lives and fair value in connection with the impairment of property and equipment, risk reserve liability and accruals for income tax uncertainties.

***Revenue recognition***

The Company is an online marketplace connecting borrowers and investors. The Company performs loan facilitation and management service to borrowers and provides post-origination service to investors and earns revenue accordingly. Revenue is recognized when all of the following conditions are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collectability is reasonably assured. These criteria as they relate to each of the following major revenue generating activities are described below.

## HEXINDAI INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

• ***Transaction with credit loans' borrowers and investors***

The Company generates loan facilitation service fees and post-facilitation service fees by providing the following services:

- a) Connecting investors to qualified borrowers and facilitating loan arrangements between the parties;
- b) Providing post-facilitation services for investors over the loan term, including monitoring payments from borrowers and to investors and maintaining investors' account portfolios;
- c) Providing risk reserve

The Company has determined that the transactions with credit loans' borrowers and investors contain the following multiple elements: loan facilitation, post-facilitation service and the risk reserve. The Company has determined that both investors and borrowers are its customers. It receives loan facilitation service fees paid by credit loan borrowers upfront at the time of credit loan issuance and post-facilitation service fees from investors when investors receive each interest payment from borrowers over the term of the credit loan. The amount equal to the fair value of the risk reserve liability is firstly allocated to the risk reserve in accordance with ASC Topic 460, Guarantees at fair value, and deducted from the total revenue. The remaining amount from investors and borrowers is allocated to loan facilitation service fee and post-facilitation service fee using best estimated selling price, as neither vendor specific objective evidence nor third party evidence of selling price is available. Loan facilitation revenue is recognized at loan inception. Revenue earned from investors for post-facilitation services is recognized over the term of the loan as cash is received.

• ***Transaction with secured loans' borrowers and investors***

The Company generates loan management service fees and post-facilitation service fees by providing the following services:

- a) Connecting investors to qualified borrowers and facilitating the execution of loan agreements between the parties and managing the pledge assets;
- b) Providing post-facilitation services for investors over the loan term, including monitoring payments from borrowers and to investors and maintaining investors' account portfolios.
- c) Providing risk reserve

The Company has determined that the transactions with secured loans' borrowers and investors contain the following multiple elements: loan management, post-facilitation service and the risk reserve. The Company has determined that both investors and borrowers are its customers. It receives loan management service fees paid by secured loan borrowers over the term of secured loan and post-facilitation service fees from investors when investors receive each interest payment from borrowers over the term of the secured loan. The amount equal to the fair value of the risk reserve liability is firstly allocated to the risk reserve in accordance with ASC Topic 460, Guarantees at fair value, and deducted from total fees. The remaining amount from investors and borrowers is allocated to loan management service fee and post-facilitation service fee using best estimated selling price, as neither vendor specific objective evidence nor third party evidence of selling price is available. Loan management fee is recognized over the loan period in accordance with the monthly service provided.

## HEXINDAI INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue earned from investors for post-facilitation services is recognized over the term of the loan as cash is received.

*Other revenue*

Other revenue includes membership fee for investors, banking fee to investor and one-time fees for loan transfers. Other revenue is recognized as earned.

*Cash incentives reward program*

To expand its market presence, the Company provide cash incentives to qualified investor within a limited period. During the relevant incentive program period, the Company set certain thresholds for the investor to qualify to enjoy the cash incentive. When qualified investment is made, the cash payment is provided to the investor. The cash incentives provided are accounted for as reduction of revenue in accordance with ASC subtopic 605-50.

***Risk reserve liability***

Since inception, the Company launched an investor protection service in the form of risk reserve policy. In accordance with the risk reserve policy agreed upon between the Company and its investors, if a loan facilitated by the Company defaults, the Company is obligated to guarantee the certain portion of unpaid principal and interest repayment of the defaulted loan up to the balance of the risk reserve liability on a portfolio basis. Pursuant to the Company's public announcement on its website to all investors, the Company grouped loans facilitated in the Company's marketplace into two portfolios: Credit loans (loans without pledged assets) and Secured loans (loans with pledged assets). In accordance with the term of risk reserve agreed by the Company and investors, the risk reserve liability being set aside equals total of 1% and 2% of the total loan facilitation amount under all secured loans and credit loans, respectively ("Risk Reserve Rate"). The Company reserves the right to revise the percentage upwards or downwards as a result of the Company's continuing evaluation of factors such as working capital and market conditions. There is no limit on the period of time in which an investor can receive payments for unpaid interest and principal from the risk reserve policy, but the Company's obligation under the risk reserve liability to make payments is limited to the balance of the risk reserve liability at any point in time.

Starting on February 1, 2017, the Company entered into an agreement ("Insurance Agreement") with a third party insurance company. Pursuant to the Insurance Agreement, the insurance company charges borrowers an insurance fee at 2% of credit loan principal amount plus interest under credit loan starting from February 1, 2017, which is to be collected by the Company on behalf of the insurance company at the inception of loan. Additionally, the Company pays the balance of the risk reserve liability to the insurance company as a one-time payment at the inception of the Insurance Agreement. In return, the insurance company assumes the guarantee obligation of the Company on the outstanding loan balances that were covered under the risk reserve policy and insures future defaults. Any additional fees paid to the insurance company will be included in service and development expense starting in the first quarter of calendar year 2017 and the Company will no longer record risk reserve liability. Starting from calendar year 2017, there is no secured loan transacted through the Company's platform due to changes in the regulation.

**HEXINDAI INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In accordance with ASC 460-10-55-23 (b), at the inception of each loan, the Company recognizes a stand-ready liability based on Risk Reserve Rate of loan facilitation amount under all secured loans and credit loans, respectively, and offset the revenue. The Company estimated the fair value of the risk reserve liability based on the expected future payouts from the estimated loan loss rate ("Loan Loss Rate"), which is assessed from the underlying borrower's risk assessment and historical and estimated future loan defaults. In determining the fair value of the risk reserve liability, the Company considers factors including but not limited to the historical loan loss rate, the estimated future loan loss rate and the impacts from the Insurance Agreement effective on February 1, 2017, the Company determines the estimated fair value of risk reserve liability as of March 31, 2016 and 2015 approximates the amounts calculated based on the Risk Reserve Rate. The Company regularly reviews the borrower's risk profile, actual loss rate of each loan performance to ensure the estimation are kept up-to-date.

According to ASC 460-10-35-1, the risk reserve liability initially recognized would typically be reduced as the Company is released from risk under the guarantee either through expiry or performance. The Company tracks its risk reserve liability on a loan-by-loan basis to monitor the expiration.

On a portfolio basis, when the aggregate contingent liability required to be recognized under ASC 450-20-25 exceeds the risk reserve liability balance, the Company will record the excess as expense.

The movement of risk reserve liability for the years ended March 31, 2016 and 2015 is as follows:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
<b>Opening balance</b>	\$ 927,763	\$ —
Liability arising at the inception of loans	5,715,313	3,447,105
Release on expiration	(3,699,071)	(2,524,228)
Payout	(143,733)	—
Foreign exchange translation impact	(82,937)	4,886
<b>Ending Balance</b>	<u>2,717,335</u>	<u>927,763</u>

**Cash**

The Company maintains cash with financial institutions in the People's Republic of China ("PRC") which are not insured or otherwise protected. Should any of these institutions holding the Company's cash become insolvent, or if the Company is unable to withdraw funds for any reason, the Company could lose the cash on deposit with that institution.



## HEXINDAI INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Property, equipment and software, net***

Property, equipment and software acquired are recorded at cost. Depreciation and amortization is provided in amounts sufficient to amortize the cost of the related assets over their useful lives using the straight line method, as follows:

	Useful life
Office equipment	3-5 years
Software	5 years
Leasehold improvements	over shorter of the lease term or expected useful life

The Company eliminates the cost and related accumulated depreciation and amortization of assets sold or otherwise retired from the accounts and includes any gain or loss in the statement of income. The Company charges maintenance, repairs and minor renewals directly to expenses as incurred; major additions and betterment to equipment are capitalized.

***Long-lived assets and other acquired intangible assets***

The Company reviews property, equipment and identifiable intangibles for impairment. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows the assets are expected to generate. If property and equipment and certain identifiable intangibles are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the assets exceeds its fair value. The Company did not record any impairment for the years ended March 31, 2016 and 2015, respectively.

***Advertising and promotion expenses***

Advertising expenses represent expenses for placing advertisements on television, radio and newspaper, as well as on Internet websites and search engines. Advertising and promotion cost are expensed as incurred.

***Research and development costs***

Research and development costs are expensed to operations as incurred. For the years ended March 31, 2016 and 2015, research and development expense was \$895,993 and \$250,010, respectively.

***Service and development expense***

Service and development expense consists primarily of variable expenses and vendor costs, including costs related to credit assessment, customer and system support, payment processing services and collection associated with facilitating and servicing loan.

## HEXINDAI INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Income taxes*

The Company's subsidiary and VIE in China are subject to the income tax laws of the relevant tax jurisdiction. No taxable income was generated outside the PRC for the years ended March 31, 2016 and 2015. The Company accounts for income tax under the asset and liability method, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of the events that have been included in the financial statements or tax returns. Deferred income taxes will be recognized if significant temporary differences between tax and financial statements occur. Valuation allowances are established against net deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized. As of March 31, 2016 and 2015, no valuation allowance is considered necessary.

In the normal course of business, the Company may be subject to challenges from taxing authorities regarding the amounts of taxes due. These challenges may alter the timing or amount of taxable income or deductions. Management determines whether the benefits of its tax positions are more-likely-than-not of being sustained upon audit based on the technical merits of the tax position. The Company records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated.

The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. An uncertain tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. The Company evaluates each uncertain tax position (including the potential application of interest and penalties) based on the technical merits, and measure the unrecognized benefits associated with the tax positions. As of March 31, 2016 and 2015, the Company did not have any significant unrecognized uncertain tax positions. All tax returns since the Company's inception are still subject to examination by tax authorities.

*Value added tax ("VAT")*

The Company is subject to VAT at the rate of 6% and related surcharges on revenue generated from providing services. The Company reported revenue net of VAT. This VAT may be offset by qualified input VAT paid by the Company to supplies. Net VAT payable balance is included in the taxes payable on the face of consolidated balance sheets.

*Earnings per share*

The Company computes earnings per share ("EPS") in accordance with ASC 260, "Earnings per Share" ("ASC 260"). ASC 260 requires public companies with capital structures to present basic and diluted EPS. Basic EPS is measured as net income divided by the weighted average common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (e.g., convertible securities, options and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common

**HEXINDAI INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. There are no potential dilutive ordinary shares outstanding as of March 31, 2016 and 2015.

***Foreign currency translation***

Since the Company operates primarily in the PRC, the Company's functional currency is the Chinese Yuan ("RMB"). The Company's financial statements have been translated into the reporting currency, the United States Dollar ("USD"). Assets and liabilities of the Company are translated at the exchange rate at each reporting period end date. Equity is translated at historical rates. Income and expense accounts are translated at the average rate of exchange during the reporting period. The resulting translation adjustments are reported under accumulated other comprehensive income (loss). Gains and losses resulting from the translations of foreign currency transactions and balances are reflected in the consolidated statements of income and comprehensive income (loss).

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into USD at the rates used in translation.

	March 31, 2016	March 31, 2015
Balance sheet items, except for share capital, additional paid in capital and retained earnings, as of the years ended	US\$1=RMB 6.4494	US\$1=RMB 6.1197
Amounts included in the statements of operations and cash flows for the years ended	US\$1=RMB 6.3271	US\$1=RMB 6.1521

***Fair value of financial instruments***

The Company follows the provisions of Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures. ASC 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The carrying amounts reported in the balance sheets for cash, other receivables, amounts due from related party, risk reserve liability, accounts payable, amounts due to related party and accrued

**HEXINDAI INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

expenses and other current liabilities, approximate their fair value based on the short-term maturity of these instruments.

***Recent Accounting Pronouncements***

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business". The amendments in this ASU clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Basically these amendments provide a screen to determine when a set is not a business. If the screen is not met, the amendments in this ASU first, require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and second, remove the evaluation of whether a market participant could replace missing elements. These amendments take effect for public businesses for fiscal years beginning after December 15, 2017 and interim periods within those periods, and all other entities should apply these amendments for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements.

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. In August 2015, the FASB issued ASU No. 2015-14, "Deferral of the Effective Date" ("ASU 2015-14"), which defers the effective date for ASU 2014-09 by one year. For public entities, the guidance in ASU 2014-09 will be effective for annual reporting periods beginning after December 15, 2017 (including interim reporting periods within those periods), which means it will be effective for the Company's fiscal year beginning April 1, 2018. In March 2016, the FASB issued ASU No. 2016-08, "Principal versus Agent Considerations (Reporting Revenue versus Net)" ("ASU 2016-08"), which clarifies the implementation guidance on principal versus agent considerations in the new revenue recognition standard. In April 2016, the FASB issued ASU No. 2016-10, "Identifying Performance Obligations and Licensing" ("ASU 2016-10"), which reduces the complexity when applying the guidance for identifying performance obligations and improves the operability and understandability of the license implementation guidance. In May 2016, the FASB issued ASU No. 2016-12 "Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"), which amends the guidance on transition, collectability, noncash consideration and the presentation of sales and other similar taxes. In December 2016, the FASB further issued ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers" ("ASU 2016-20"), which makes minor corrections or minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments are intended to address implementation issues that were raised by stakeholders and provide additional practical expedients to reduce the cost and complexity of applying the new revenue standard. These amendments have the same effective date as the new revenue standard. Preliminarily, we plan to adopt

**HEXINDAI INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Topic 606 in the first quarter of our fiscal 2018 using the retrospective transition method, and are continuing to evaluate the impact our pending adoption of Topic 606 will have on our consolidated financial statements. The Company's current revenue recognition policies are generally consistent with the new revenue recognition standards set forth in ASU 2014-09.

Potential adjustments to input measures are not expected to be pervasive to the majority of the Company's contracts. While no significant impact is expected upon adoption of the new guidance, the Company will not be able to make that determination until the time of adoption based upon outstanding contracts at that time.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows: Restricted Cash". The amendments address diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. The amendment is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-17, Consolidation (Topic 810): Interest Held through Related Parties That Are under Common Control, to provide guidance on the evaluation of whether a reporting entity is the primary beneficiary of a VIE by amending how a reporting entity, that is a single decision maker of a VIE, treats indirect interests in that entity held through related parties that are under common control. The amendments are effective for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016 15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, to provide guidance on the presentation and classification of certain cash receipts and cash payments on the statement of cash flows. The guidance specifically addresses cash flow issues with the objective of reducing the diversity in practice. The guidance will be effective for the Company in fiscal year 2018, but early adoption is permitted. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments—Credit Losses", which will require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The guidance is effective for annual reporting periods beginning after December 15, 2019 and interim periods within those fiscal years. The Company is currently evaluating this statement and its impact on its results of operations or financial position.

In May 2016, FASB issued ASU No. 2016-12—Revenue from Contracts with Customers (Topic 606); Narrow-Scope Improvements and Practical Expedients, which is intended to not change the core principle of the guidance in Topic 606, but rather affect only the narrow aspects of Topic 606 by reducing the potential for diversity in practice at initial application and by reducing the cost and

**HEXINDAI INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

complexity of applying Topic 606 both at transition and on an ongoing basis. The Company is assessing the impact of the adoption of the ASU on its financial statements, disclosure requirements and methods of adoption.

In May 2016, the FASB issued ASU No. 2016-11 Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815); Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting, which is rescinding certain SEC Staff Observer comments that are codified in Topic 605, Revenue Recognition, and Topic 932, Extractive Activities—Oil and Gas, effective upon adoption of Topic 606. The Company does not expect the adoption of the ASU to have any impact on its financial statements.

In April 2016, the FASB released ASU 2016-09, Compensation—Stock Compensation (Topic 718); Improvements to Employee Share-Based Payment Accounting. The ASU includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. While aimed at reducing the cost and complexity of the accounting for share-based payments, the amendments are expected to significantly impact net income, EPS, and the statement of cash flows. Implementation and administration may present challenges for companies with significant share-based payment activities. The ASU is effective for public companies in annual periods beginning after December 15, 2016, and interim periods within those years. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance supersedes existing guidance on accounting for leases with the main difference being that operating leases are to be recorded in the statement of financial position as right-of-use assets and lease liabilities, initially measured at the present value of the lease payments. For operating leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the guidance is permitted. In transition, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Company is in the process of evaluating the impact that this guidance will have on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" This guidance revises the accounting related to the classification and measurement of investments in equity securities as well as the presentation for certain fair value changes in financial liabilities measured at fair value, and amends certain disclosure requirements. The guidance requires that all equity investments, except those accounted for under the equity method of accounting or those resulting in the consolidation of the investee, be accounted for at fair value with all fair value changes recognized in income. For financial liabilities measured using the fair value option, the guidance requires that any change in fair value caused by a change in instrument-specific credit risk be presented separately in other comprehensive income until the liability is settled or reaches maturity. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017, with early adoption permitted for certain provisions. A reporting entity would generally record a cumulative-effect adjustment to beginning retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company is in the process of evaluating the impact that this guidance will have on its consolidated financial statements.

HEXINDAI INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 3—PREPAYMENTS AND OTHER ASSETS**

	March 31, 2016	March 31, 2015
Funds receivable from external payment network providers (i)	\$ 1,245,413	\$ 731,943
Rental deposit	151,527	489
Prepayments to suppliers and others	399,299	156,053
Staff advances	1,080	438
	<u>\$ 1,797,319</u>	<u>\$ 888,923</u>

- i. The Company opened accounts with external online payment service providers to collect and transfer loan funds to investors or borrowers. The Company also uses such accounts to collect all the service charges. The balance of funds receivable from external payment network providers mainly represents (a) fund received from investors but not yet transferred to accounts of borrowers by external payment network providers due to the settlement time lag; (b) repayment of loan principal and interest amounts received from borrowers but not yet transferred to accounts of investors by external payment network due to the settlement time lag and (c) amounts of the Company service charges received at the balance sheet date.

**Note 4—PROPERTY, EQUIPMENT AND SOFTWARE AT COST, NET**

	March 31, 2016	March 31, 2015
Office equipment	\$ 113,502	\$ 70,810
Leasehold improvements	146,483	154,375
Software	71,866	—
Total property, equipment and software, at cost	331,851	225,185
Accumulated depreciation and amortization	(79,021)	(19,805)
Property, equipment and software, at cost, net	<u>\$ 252,830</u>	<u>\$ 205,380</u>

Depreciation and amortization expense on property, equipment and software for the years ended March 31, 2016 and 2015 were \$61,392 and \$19,701, respectively.

**Note 5—ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	March 31, 2016	March 31, 2015
Fund payable (i)	\$ 2,987,333	\$ 2,148,552
Accrued payroll and welfare	451,085	328,286
Professional fee and other accrued expenses	76,133	9,314
	<u>\$ 3,514,551</u>	<u>\$ 2,486,152</u>

- i. The balance of fund payable mainly includes fund payable to investors or borrowers due to the settlement time lag by external payment network

# HEXINDAI INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 6—RELATED PARTY BALANCES AND TRANSACTIONS

Hexin Holding Limited and its affiliates (together "Hexin Group") was incorporated and owned by Mr. Xiaobo An, the Chairman of the Board of the Company (the "Controlling Shareholder"). The Company historically utilized Hexin Group's centralized banking systems for its own cash and banking management, which resulted in a significant balance of amount due from related party-Hexin Group. In addition, Hexin Group also paid expense on behalf of the Company. The Company has recorded all expenses paid by Hexin Group on behalf of the Company in the related historical periods presented in its consolidated financial statements.

(1) Amount due from related parties consists of:

	March 31, 2016	March 31, 2015
Due from Hexin Group (i)	\$ 11,951,205	\$ 4,987,937
Due from a director (ii)	—	134,809
Ending Balance	<u>11,951,205</u>	<u>5,122,746</u>

(2) Amount due to related party consists of:

	March 31, 2016	March 31, 2015
Due to a director (ii)	\$ 48,412	\$ —
Ending Balance	<u>48,412</u>	<u>—</u>

- i. Amount due from Hexin Group mainly represents the transactions fees and services fees received by Hexin Group through the external payment network on behalf of the Company, offset with the expense paid by the Hexin Group on behalf of the Company. The Company expects to collect the balance by September 30, 2017.
- ii. Amount due from (to) a director represents the amounts advanced to (or paid by) Mr. Xiaobo An, the Chairman of the Board of the Company for daily business operation purpose.

### Note 7—EMPLOYEE RETIREMENT BENEFIT

The Company has made employee benefit contribution in accordance with PRC relevant regulations, including retirement insurance, unemployment insurance, medical insurance, work injury insurance and birth insurance. The Company recorded the contribution in the salary and employee charges when incurred. The contributions made by the Company were \$437,815 and \$350,475 for the years ended March 31, 2016 and 2015, respectively.

### Note 8—TAXES PAYABLE

	March 31, 2016	March 31, 2015
Income tax payable	\$ 1,226,557	\$ 264,182
Value added tax payable	871,604	363,024
Other taxes payable	2,476	329
Total taxes payable	<u>\$ 2,100,637</u>	<u>\$ 627,535</u>



## HEXINDAI INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 9—INCOME TAX***Cayman Islands*

Hexindai Inc. was incorporated in the Cayman Islands and is not subject to income taxes or capital gain under the current laws of Cayman Islands.

*Hong Kong*

HK Hexindai is an investment holding company registered in Hong Kong and are exempted from income tax on its foreign-derived income.

*PRC*

The Company subsidiary and a consolidated VIE established in the PRC are subject to the PRC statutory income tax rate of 25%, according to the PRC Enterprise Income Tax ("EIT") law. The Company's VIE Hexin E-Commerce has been granted the "high technology enterprise" status in 2015 and is qualified to a preferred income tax rate of 15% since January 1, 2015. Substantially all the pretax income of the Company is from Hexin E-Commerce. Hexin E-Commerce tax returns generally remain open and subject to examination by tax authorities for five years.

*i) The components of the income tax provision (benefit) are as follows:*

	For the year ended March 31, 2016	For the year ended March 31, 2015
Current	\$ 994,744	\$ 262,791
Deferred	(366,498)	(218,949)
Total	<u>\$ 628,246</u>	<u>\$ 43,842</u>

*ii) The following table summarizes deferred tax assets resulting from differences between financial accounting basis and tax basis of assets and liabilities:*

	As of March 31, 2016	As of March 31, 2015
Accrued expense	\$ 160,805	\$ 80,944
Risk reserve liability	407,600	139,164
Total	<u>\$ 568,405</u>	<u>\$ 220,108</u>

No valuation allowance against the deferred tax assets is considered necessary since the Company believes that it will more likely than not utilize the future benefits. The Company had no net operating loss carry forward as of March 31, 2016.

# HEXINDAI INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 9—INCOME TAX (Continued)

The following table reconciles the PRC statutory rates to the Company's effective tax rate for the years ended March 31, 2016 and 2015.

	For the year ended March 31, 2016	For the year ended March 31, 2015
PRC Income tax statutory rate	25.0%	25.0%
Effect of preferred tax rate	(10%)	(2.4%)
Effect of change tax rate	—	(35.7%)
Non-deductible items in China	0.1%	(1.2%)
Effective tax rate	15.1%	(14.3%)

Aggregate undistributed earnings of the Company's subsidiaries and VIEs located in the PRC that are available for distribution at March 31, 2016 are considered to be indefinitely reinvested and accordingly, no provision has been made for the Chinese dividend withholding taxes that would be payable upon the distribution of those amounts to any entity within the Group that is outside the PRC.

The Company does not have any present plan to pay any cash dividends on its ordinary shares in the foreseeable future. It intends to retain most of its available funds and any future earnings for use in the operation and expansion of its business. As of March 31, 2016, the Company has not declared any dividends.

### Note 10—EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share ("EPS") is the amount of net earnings (loss) available to each share of ordinary shares outstanding during the reporting period. Diluted EPS is the amount of net earnings (loss) available to each share of ordinary shares outstanding during the reporting period adjusted to include the effect of potentially dilutive ordinary shares.

The following table details the computation of the basic and diluted net earnings (loss) per share:

	For the year ended March 31, 2016	For the year ended March 31, 2015
Net income (loss) attributable to ordinary share holders	3,538,407	(350,171)
Weighted average number of ordinary shares used in computing basic and diluted net income (loss) per share (i)	105,200	105,200
Basic and diluted earnings (loss) per share	\$ 33.6	\$ (3.3)

- i. The Company believes it is appropriate to reflect these nominal stock issuance to result in 105,200 ordinary shares issued and outstanding on a retroactive basis similar to stock split or dividend pursuant to ASC 260. The Company has retroactively restated all shares and per share data for all the periods presented.

**HEXINDAI INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 11—ORDINARY SHARES**

Hexindai Inc. was established under the laws of the Cayman Islands on April 26, 2016. The authorized number of ordinary shares is 500,000,000 shares with par value of \$0.0001 each. 105,200 ordinary shares were issued at par value, equivalent to share capital of \$11.

**Note 12—ADDITONAL PAID-IN CAPITAL**

As of March 31, 2016, additional paid-in capital in the consolidated balance sheet represented the combined contributed capital of the Company's subsidiaries and VIE.

For the year ended March 31, 2015, Mr. Xiaobo An, the Chairman of the Board of the Company, made capital injection of \$3,683,182 to the Company's VIE Hexin E-Commerce.

For the year ended March 31, 2016, Mr. Xiaobo An, the Chairman of the Board of the Company, made further capital injection of \$4,397,234 to Hexin E-Commerce. Additionally, a third party A made capital injection of \$3,203,814 to Hexin E-Commerce and received 5% ownership of Hexin E-Commerce. Subsequently, the third party A transferred its 5% ownership interest in Hexin E-Commerce to a third party B on October 19, 2016 (see Note—1).

On April 1, 2016, to reward our employees and further align their interests with the Company in the future, the Company granted options to purchase 15,780 ordinary shares under the 2016 Share Option Scheme to our directors, officers, consultant and key employees on the effective date of the registration statement of which this prospectus is a part, at an exercise price per share equal to the initial public offering price of the Company's ordinary shares, which will vest in three equal installments with the first vesting commencement date being the later of the first anniversary of the granted date or the closing date of a Qualified IPO. Shares subject to the Option in two (2) substantially equal annual installments, with the first installment vesting on the second anniversary of the grant date and the second installment vesting on the third anniversary of the grant date; provided that a Qualified IPO shall have occurred on or prior to the second anniversary of the grant date. These grants of options will be accounted for according to FASB ASC 718. We will measure the cost of employee services received in exchange for the options based on the grant date fair value of these options, and recognize the cost over the vesting period. We will start incurring share based compensation expenses associated with these grants in upon the completion of initial public offering.

**Note 13—RETAINED EARNINGS (DEFICIT)**

Pursuant to the Company Law of the PRC, each of the PRC entity is required to appropriate 10% of its net income to the statutory reserve on an annual basis until the aggregated amount of the reserve reaches 50% of its registered capital. Statutory reserve is not distributable. Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of the company. There are no appropriations to these reserves by the Company's PRC entities for the calendar years ended December 31, 2014 and 2015. The Company expects to appropriate the required portion of net income to the statutory reserve in the end of calendar year of 2016. As a result of PRC laws and regulations and the requirement that distributions by the PRC entity can only be paid out of distributable profits computed in accordance with the PRC GAAP, the PRC entity is restricted from transferring a portion of their net assets to the Company. Amounts restricted include paid in capital, capital reserve and statutory reserves of the Company's PRC entity. As of March 31, 2016 and 2015, the aggregated amounts of paid in Capital, capital reserve and statutory reserves represented the

**HEXINDAI INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 13—RETAINED EARNINGS (DEFICIT) (Continued)**

amount of net assets of the relevant entity in the Company not available for distribution amounted to \$14,006,509 and \$3,349,137, respectively.

**Note 14—COMMITMENTS AND CONTINGENCIES**

The Company leases its main office space under a non-cancelable operating lease agreement. Rental expenses under operating leases for the years ended March 31, 2016 and 2015 were \$702,005 and \$209,594, respectively.

Future minimum lease payments under non-cancelable operating lease agreements as of March 31, 2016 are follows:

	<u>Minimum lease payment</u>
Years ending March 31,	
2017	\$ 565,100
2018	618,100
2019	692,000
2020	692,000
2021	346,000
2022 and thereafter	—
Total	<u>\$ 2,913,200</u>

**Note 15—SUBSEQUENT EVENTS**

On December 12, 2016, the Company completed a private placement to issue an aggregated of 2,104 ordinary shares to two investors and received an aggregated proceeds of \$2 million.

**Note 16—CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY**

The Company's PRC VIE and subsidiary are restricted in their ability to transfer a portion of their net assets to the Company. The payment of dividends by entities organized in China is subject to limitations, procedures and formalities. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. The Company's subsidiaries and its VIEs are also required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its statutory reserves account until the accumulative amount of such reserves reaches 50% of its respective registered capital. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends.

In addition, the Company's operations and revenues are conducted and generated in China, all of the Company's revenues being earned and currency received are denominated in RMB. RMB is subject to the foreign exchange control regulation in China, and, as a result, the Company may be unable to distribute any dividends outside of China due to PRC foreign exchange control regulations that restrict the Company's ability to convert RMB into US Dollars.

Regulation S-X requires the condensed financial information of registrant shall be filed when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the

HEXINDAI INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 16—CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (Continued)**

end of the most recently completed fiscal year. For purposes of the above test, restricted net assets of consolidated subsidiaries shall mean that amount of the registrant's proportionate share of net assets of consolidated subsidiaries (after intercompany eliminations) which as of the end of the most recent fiscal year may not be transferred to the parent company by subsidiaries in the form of loans, advances or cash dividends without the consent of a third party. The condensed parent company financial statements have been prepared in accordance with Rule 12-04, Schedule I of Regulation S-X as the restricted net assets of the Company's PRC subsidiary and VIE exceed 25% of the consolidated net assets of the Company.

Certain information and footnote disclosures normally included in financial statements prepared in conformity with generally accepted accounting principles have been condensed or omitted. The Company's investment in subsidiary and variable interest entity ("VIE") is stated at cost plus equity in undistributed earnings of subsidiaries.

HEXINDAI INC.  
PARENT COMPANY BALANCE SHEETS

ASSETS

	March 31 2016	March 31 2015
<b>ASSETS:</b>		
Long term investments	\$ 14,007,760	\$ 3,350,388
<b>TOTAL ASSETS</b>	<b>\$ 14,007,760</b>	<b>\$ 3,350,388</b>
<b>SHAREHOLDERS' EQUITY:</b>		
Ordinary shares, \$0.0001 par value, 500,000,000 shares authorized, 105,200 shares issued and outstanding	11	11
Additional paid-in capital	11,284,230	3,683,182
Retained Earnings (deficit)	3,188,236	(350,171)
Accumulated other comprehensive (loss) income	(464,717)	17,366
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>14,007,760</b>	<b>3,350,388</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 14,007,760</b>	<b>\$ 3,350,388</b>

HEXINDAI INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 16—CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (Continued)

HEXINDAI INC.  
PARENT COMPANY STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)

	For The Years Ended March 31,	
	2016	2015
Equity in earnings of subsidiaries and VIE	3,538,407	(350,171)
<b>NET INCOME (LOSS)</b>	<b>3,538,407</b>	<b>(350,171)</b>
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>		
Foreign currency translation (loss) gain	(482,083)	17,366
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ 3,056,324</b>	<b>\$ (332,805)</b>
Basic and diluted earnings (loss) per common share	\$ 33.6	\$ (3.3)
Weighted average number of shares outstanding	105,200	105,200

HEXINDAI INC.  
PARENT COMPANY STATEMENTS OF CASH FLOWS

	For The Years Ended March 31,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 3,538,407	\$ (350,171)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Equity in earnings of subsidiaries and VIE	(3,538,407)	350,171
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>—</b>	<b>—</b>
<b>NET INCREASE IN CASH</b>	<b>—</b>	<b>—</b>
<b>CASH—beginning of year</b>	<b>—</b>	<b>—</b>
<b>CASH—end of year</b>	<b>\$ —</b>	<b>\$ —</b>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES:</b>		
Cash paid for income tax	\$ —	\$ —
Cash paid for interest	\$ —	\$ —

HEXINDAI INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	September 30 2016	March 31 2016
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 11,241,099	\$ 7,818,936
Prepayments and other assets	6,316,566	1,797,319
Amounts due from related parties	9,332,466	—
<b>TOTAL CURRENT ASSETS</b>	<b>26,890,131</b>	<b>9,616,255</b>
Amounts due from related parties	—	11,951,205
Property, equipment and software at cost, net	284,922	252,830
Deferred tax assets	988,214	568,405
<b>TOTAL ASSETS</b>	<b>\$ 28,163,267</b>	<b>\$ 22,388,695</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accrued expenses and other current liabilities	\$ 4,932,005	\$ 3,514,551
Risk reserve liability	3,268,264	2,717,335
Taxes payable	3,699,290	2,100,637
Amounts due to related party	—	48,412
<b>TOTAL CURRENT LIABILITIES</b>	<b>11,899,559</b>	<b>8,380,935</b>
<b>TOTAL LIABILITIES</b>	<b>11,899,559</b>	<b>8,380,935</b>
<b>COMMITMENTS</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Common stock, \$0.0001 par value, 500,000,000 shares authorized, 105,200 shares issued and outstanding	11	11
Additional paid-in capital	11,284,230	11,284,230
Retained Earnings	5,936,775	3,188,236
Accumulated other comprehensive loss	(957,308)	(464,717)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>16,263,708</b>	<b>14,007,760</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 28,163,267</b>	<b>\$ 22,388,695</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

HEXINDAI INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)

(UNAUDITED)

	For the Six Months Ended	
	September 30, 2016	September 30, 2015
<b>NET REVENUE</b>		
Loan facilitation, post-origination and other service, net	\$ 9,090,021	\$ 3,953,325
Business and sales related taxes	(26,001)	(2,134)
<b>NET REVENUE</b>	<b>9,064,020</b>	<b>3,951,191</b>
<b>OPERATING EXPENSES</b>		
Sales and marketing	1,853,748	1,634,537
Service and development	2,381,367	854,306
General and administrative	1,118,349	642,551
Total operating expenses	5,353,464	3,131,394
<b>INCOME FROM OPERATIONS</b>	<b>3,710,556</b>	<b>819,797</b>
<b>OTHER INCOME (EXPENSE)</b>		
Other income	155,572	18,788
Other expense	(15,577)	(8,331)
Total other income (expense), net	139,995	10,457
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>3,850,551</b>	<b>830,254</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>1,102,012</b>	<b>125,676</b>
<b>NET INCOME</b>	<b>2,748,539</b>	<b>704,578</b>
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>		
Foreign currency translation adjustment	(492,591)	(217,626)
<b>COMPREHENSIVE INCOME</b>	<b>\$ 2,255,948</b>	<b>\$ 486,952</b>
Basic and diluted earnings per common share	\$ 26.1	\$ 6.7
Weighted average number of shares outstanding	105,200	105,200

The accompanying notes are an integral part of these interim condensed consolidated financial statements.



HEXINDAI INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the Six Months Ended	
	September 30, 2016	September 30, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 2,748,539	\$ 704,578
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,427	26,418
Deferred tax benefit	(443,290)	(204,435)
<i>Changes in operating assets and liabilities:</i>		
Prepayments and other assets	(4,626,204)	(2,216,010)
Accrued expenses and other current liabilities	1,550,110	4,387,586
Taxes payable	1,685,933	586,439
Risk reserve liability	647,696	579,755
Amounts due to related party	(48,520)	132,071
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,553,691</b>	<b>3,996,402</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisitions of property, equipment and software	(80,319)	(12,084)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(80,319)</b>	<b>(12,084)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Capital contributions by owners	—	4,392,332
Due from related parties	(3,855,715)	(12,132,599)
Repayments from related parties	6,102,486	4,006,446
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>2,246,771</b>	<b>(3,733,821)</b>
<b>EFFECT OF EXCHANGE RATE CHANGE ON CASH</b>	<b>(297,980)</b>	<b>(462)</b>
<b>NET INCREASE IN CASH</b>	<b>3,422,163</b>	<b>250,035</b>
<b>CASH—beginning of period</b>	<b>7,818,936</b>	<b>954,681</b>
<b>CASH—end of period</b>	<b>\$ 11,241,099</b>	<b>\$ 1,204,716</b>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES:</b>		
Cash paid for income tax	\$ 274,048	\$ —
Cash paid for interest	\$ —	\$ —

The accompanying notes are an integral part of these interim condensed consolidated financial statements

**HEXINDAI INC.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****Note 1—BUSINESS DESCRIPTION*****Organization and description of business***

Hexindai Inc. ("Hexindai" or the "Company"), through its subsidiaries and variable interest entity ("VIE"), is an online marketplace connecting borrowers and investors in the People's Republic of China ("PRC" or "China").

**Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*****Basis of consolidation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial statements. Accordingly, they may not include all of the information and footnotes required by US GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended September 30, 2016 and 2015 are not necessarily indicative of the results that many be expected for the full year.

The interim condensed consolidated financial statements include the financial statements of Hexindai Inc., HK Hexindai, Beijing Hexin Yongheng Technology Development Co., Ltd, Hexin E-commerce and Tianjin Hexin E-commerce (collectively, the "Company"). All significant inter-company balances and transactions are eliminated upon consolidation.

***Uses of estimates***

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during each reporting period. Actual results could differ from those estimates. Significant accounting estimates reflected in the Company's consolidated financial statements include: the Company's ability to realize deferred tax assets, estimated useful lives and fair value in connection with the impairment of property and equipment, risk reserve liability and accruals for income tax uncertainties.

***Revenue recognition***

The Company is an online marketplace connecting borrowers and investors. The Company performs loan facilitation and management service to borrowers and provides post-origination service to investors and earns revenue accordingly. Revenue is recognized when all of the following conditions are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collectability is reasonably assured. These criteria as they relate to each of the following major revenue generating activities are described below.

- ***Transaction with credit loans' borrowers and investors***

The Company generates loan facilitation service fee and post-facilitation service fees by providing the following services:

- a) Connecting investors to qualified borrowers and facilitating the execution of loan agreements between the parties;

**HEXINDAI INC.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- b) Providing post-facilitation services for investors over the loan term, including monitoring payments from borrowers and to investors and maintaining investors' account portfolios;
- c) Providing risk reserve

The Company has determined that the transactions with credit loans' borrowers and investors contain the following multiple elements: loan facilitation, post-facilitation service and the risk reserve. The Company has determined that both investors and borrowers are its customers. It receives loan facilitation service fees paid by credit loan borrowers upfront at the time of credit loan issuance and post-facilitation service fees from investors when investors receive each interest payment from borrowers over the term of the credit loan. The amount equal to the fair value of the risk reserve liability is firstly allocated to the risk reserve in accordance with ASC Topic 460, Guarantees at fair value. The remaining amount from investors and borrowers is allocated to loan facilitation service fee and post-facilitation service fee using best estimated selling price, as neither vendor specific objective evidence nor third party evidence of selling price is available. Loan facilitation revenue is recognized at loan inception. Revenue earned from investors for post-facilitation services is recognized over the term of the loan as cash is received.

• ***Transaction with secured loans' borrowers and investors***

The Company generates loan management service fees and post-facilitation service fees by providing the following services:

- a) Connecting investors to qualified borrowers and facilitating the execution of loan agreements between the parties and managing the pledge assets;
- b) Providing post-facilitation services for investors over the loan term, including monitoring payments from borrowers and to investors and maintaining investors' account portfolios;
- c) Providing risk reserve

The Company has determined that the transactions with secured loans' borrowers and investors contain the following multiple elements: loan management, post-facilitation service and the risk reserve liability. The Company has determined that both investors and borrowers are its customers. It receives loan management service fees paid by secured loan borrowers over the term of secured loan and post-facilitation service fees from investors when investors receive each interest payment from borrowers over the term of the secured loan. The amount equal to the fair value of the risk reserve liability is firstly allocated to the risk reserve in accordance with ASC Topic 460, Guarantees at fair value. The remaining amount from investors and borrowers is allocated to loan management service fee and post-facilitation service fee using best estimated selling price, as neither vendor specific objective evidence nor third party evidence of selling price is available. Loan management fee is recognized over the loan period in accordance with the monthly service provided. Revenue earned from investors for post-facilitation services is recognized over the term of the loan as cash is received.

***Other revenue***

Other revenue includes membership fee for investors, banking fee to investor and one-time fees for loan transfers. Other revenue is recognized as earned.

## HEXINDAI INC.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Cash incentives reward program*

To expand its market presence, the Company provide cash incentives to qualified investor within a limited period. During the relevant incentive program period, the Company set certain thresholds for the investor to qualify to enjoy the cash incentive. When qualified investment is made, the cash payment is provided to the investor. The cash incentives provided are accounted for as reduction of revenue in accordance with ASC subtopic 605-50.

***Risk reserve liability***

Since inception, the Company launched an investor protection service in the form of risk reserve policy. In accordance with the risk reserve policy agreed upon between the Company and its investors, if a loan facilitated by the Company defaults, the Company is obligated to guarantee the certain portion of unpaid principal and interest repayment of the defaulted loan up to the balance of the risk reserve liability on a portfolio basis. Pursuant to the agreements between the Company and the investors, the Company grouped loans facilitated in the Company's marketplace into two portfolios: Credit loans (loans without pledged assets) and Secured loans (loans with pledged assets). In accordance with the term of risk reserve agreed by the Company and investors, the risk reserve liability being set aside equals total of 1% and 2% of the total loan facilitation amount under all secured loans and credit loans, respectively ("Risk Reserve Rate"). The Company reserves the right to revise the percentage upwards or downwards as a result of the Company's continuing evaluation of factors such as working capital and market conditions. There is no limit on the period of time in which an investor can receive payments for unpaid interest and principal from the risk reserve policy, but the Company's obligation under the risk reserve liability to make payments is limited to the balance of the risk reserve liability at any point in time.

Starting on February 1, 2017, the Company entered into an agreement ("Insurance Agreement") with a third party insurance company. Pursuant to the Insurance Agreement, the insurance company charges borrowers an insurance fee at 2% of credit loan principal amount plus interest under credit loan starting from February 1, 2017, which is to be collected by the Company on behalf of the insurance company at the inception of loan. Additionally, the Company pays the balance of the risk reserve liability to the insurance company as a one-time payment at the inception of the Insurance Agreement and is obligated to pay an annual fee to the insurance company. In return, the insurance company assumes the guarantee obligation of the Company on the outstanding loan balances that were covered under the risk reserve policy and insures future defaults. Any additional fees paid to the insurance company will be included in service and development expense starting in the first quarter of calendar year 2017 and the Company will no longer record risk reserve liability. Starting from calendar year 2017, there is no secured loan transacted through the Company's platform due to changes in the regulation.

In accordance with ASC 460-10-55-23 (b), at the inception of each loan, the Company recognizes a stand-ready liability based on Risk Reserve Rate of loan facilitation amount under all secured loans and credit loans, respectively, and offset the revenue. The Company estimated the fair value of the risk reserve liability based on the expected future payouts from the estimated loan loss rate ("Loan Loss Rate"), which is assessed from the underlying borrower's risk assessment and historical and estimated future loan defaults. In determining the fair value of the risk reserve liability, the Company considers factors including but not limited to the historical loan loss rate, the estimated future loan loss rate and

# HEXINDAI INC.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the impacts from the Insurance Agreement effective on February 1, 2017, the Company determines the estimated fair value of risk reserve liability as of September 30, 2016 and March 31, 2016 approximates the amounts calculated based on the Risk Reserve Rate. The Company regularly reviews the borrower's risk profile, actual loss rate of each loan performance to ensure the estimation are kept up-to-date.

According to ASC 460-10-35-1, the risk reserve liability initially recognized would typically be reduced as the Company is released from risk under the guarantee either through expiry or performance. The Company tracks its risk reserve fund liability on a loan-by-loan basis to monitor the expiration.

On a portfolio basis, when the aggregate contingent liability required to be recognized under ASC 450-20-25 exceeds the risk reserve liability balance, the Company will record the excess as expense.

The movement of risk reserve liability for the six months and twelve months periods ended September 30, 2016 and March 31, 2016, respectively, is as follows:

	September 30, 2016	March 31, 2016
<b>Opening balance</b>	\$ 2,717,335	\$ 927,763
Liability arising at the inception of loans	3,758,620	5,715,313
Release on expiration	(1,350,962)	(3,699,071)
Payout	(1,759,963)	(143,733)
Foreign exchange translation impact	(96,766)	(82,937)
<b>Ending Balance</b>	<u>3,268,264</u>	<u>2,717,335</u>

### Income taxes

The Company's subsidiary and VIEs in China are subject to the income tax laws of the relevant tax jurisdiction. No taxable income was generated outside the PRC for the six months ended September 30, 2016 and 2015. The Company accounts for income tax under the asset and liability method, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of the events that have been included in the financial statements or tax returns. Deferred income taxes will be recognized if significant temporary differences between tax and financial statements occur. Valuation allowances are established against net deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized. As of September 30, 2016 and March 31, 2016, no valuation allowance is considered necessary.

In the normal course of business, the Company may be subject to challenges from taxing authorities regarding the amounts of taxes due. These challenges may alter the timing or amount of taxable income or deductions. Management determines whether the benefits of its tax positions are more-likely-than-not of being sustained upon audit based on the technical merits of the tax position. The Company records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated.

The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. An uncertain tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a

**HEXINDAI INC.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. The Company evaluates each uncertain tax position (including the potential application of interest and penalties) based on the technical merits, and measure the unrecognized benefits associated with the tax positions. As of September 30, 2016 and March 31, 2016, the Company did not have any significant unrecognized uncertain tax positions. All tax returns since the Company's inception are still subject to examination by tax authorities.

***Value added tax ("VAT")***

The Company is subject to VAT at the rate of 6% and related surcharges on revenue generated from providing services. The Company reported revenue net of VAT. This VAT may be offset by qualified input VAT paid by the Company to supplies. Net VAT payable balance is included in the taxes payable on the face of consolidated balance sheets.

***Foreign currency translation***

Since the Company operates primarily in the PRC, the Company's functional currency is the Chinese Yuan ("RMB"). The Company's financial statements have been translated into the reporting currency, the United States Dollar ("USD"). Assets and liabilities of the Company are translated at the exchange rate at each reporting period end date. Equity is translated at historical rates. Income and expense accounts are translated at the average rate of exchange during the reporting period. The resulting translation adjustments are reported under accumulated other comprehensive income (loss). Gains and losses resulting from the translations of foreign currency transactions and balances are reflected in the statements of income.

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into USD at the rates used in translation.

	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Balance sheet items, except for share capital, additional paid in capital and retained earnings, as of the six months ended	US\$1=RMB 6.6702	US\$1=RMB 6.3568
Amounts included in the statements of operations and cash flows for the six months ended	US\$1=RMB 6.6000	US\$1=RMB 6.1891

***Fair value of financial instruments***

The Company follows the provisions of Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures. ASC

**HEXINDAI INC.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2—Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3—Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The carrying amounts reported in the balance sheets for cash, other receivables, amounts due from related party, risk reserve liability, accounts payable, amounts due to related party and accrued expenses and other current liabilities, approximate their fair value based on the short-term maturity of these instruments.

***Recent Accounting Pronouncements***

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business". The amendments in this ASU clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Basically these amendments provide a screen to determine when a set is not a business. If the screen is not met, the amendments in this ASU first, require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and second, remove the evaluation of whether a market participant could replace missing elements. These amendments take effect for public businesses for fiscal years beginning after December 15, 2017 and interim periods within those periods, and all other entities should apply these amendments for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements.

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. In August 2015, the FASB issued ASU No. 2015-14, "Deferral of the Effective Date" ("ASU 2015-14"), which defers the effective date for ASU 2014-09 by one year. For public entities, the guidance in ASU 2014-09 will be effective for annual reporting periods beginning after December 15, 2017 (including interim reporting periods within those periods), which means it will be effective for the Company's fiscal year beginning April 1, 2018. In March 2016, the FASB issued

**HEXINDAI INC.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

ASU No. 2016-08, "Principal versus Agent Considerations (Reporting Revenue versus Net)" ("ASU 2016-08"), which clarifies the implementation guidance on principal versus agent considerations in the new revenue recognition standard. In April 2016, the FASB issued ASU No. 2016-10, "Identifying Performance Obligations and Licensing" ("ASU 2016-10"), which reduces the complexity when applying the guidance for identifying performance obligations and improves the operability and understandability of the license implementation guidance. In May 2016, the FASB issued ASU No. 2016-12 "Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"), which amends the guidance on transition, collectability, noncash consideration and the presentation of sales and other similar taxes. In December 2016, the FASB further issued ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers" ("ASU 2016-20"), which makes minor corrections or minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments are intended to address implementation issues that were raised by stakeholders and provide additional practical expedients to reduce the cost and complexity of applying the new revenue standard. These amendments have the same effective date as the new revenue standard. Preliminarily, we plan to adopt Topic 606 in the first quarter of our fiscal 2018 using the retrospective transition method, and are continuing to evaluate the impact our pending adoption of Topic 606 will have on our consolidated financial statements. The Company's current revenue recognition policies are generally consistent with the new revenue recognition standards set forth in ASU 2014-09. Potential adjustments to input measures are not expected to be pervasive to the majority of the Company's contracts. While no significant impact is expected upon adoption of the new guidance, the Company will not be able to make that determination until the time of adoption based upon outstanding contracts at that time.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows: Restricted Cash". The amendments address diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. The amendment is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-17, Consolidation (Topic 810): Interest Held through Related Parties That Are under Common Control, to provide guidance on the evaluation of whether a reporting entity is the primary beneficiary of a VIE by amending how a reporting entity, that is a single decision maker of a VIE, treats indirect interests in that entity held through related parties that are under common control. The amendments are effective for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact of this new standard on its unaudited condensed consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016 15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, to provide guidance on the presentation and classification of certain cash receipts and cash payments on the statement of cash flows. The guidance specifically addresses cash flow issues with the objective of reducing the diversity in practice. The guidance will be effective for the Company in fiscal year 2018, but early adoption is permitted. The



**HEXINDAI INC.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Company is currently evaluating the impact of this new standard on its unaudited condensed consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments—Credit Losses", which will require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The guidance is effective for annual reporting periods beginning after December 15, 2019 and interim periods within those fiscal years. The Company is currently evaluating this statement and its impact on its results of operations or financial position.

In May 2016, FASB issued ASU No. 2016-12—Revenue from Contracts with Customers (Topic 606); Narrow-Scope Improvements and Practical Expedients, which is intended to not change the core principle of the guidance in Topic 606, but rather affect only the narrow aspects of Topic 606 by reducing the potential for diversity in practice at initial application and by reducing the cost and complexity of applying Topic 606 both at transition and on an ongoing basis. The Company is assessing the impact of the adoption of the ASU on its unaudited condensed consolidated financial statements and related disclosures.

In May 2016, the FASB issued ASU No. 2016-11 Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815); Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting, which is rescinding certain SEC Staff Observer comments that are codified in Topic 605, Revenue Recognition, and Topic 932, Extractive Activities—Oil and Gas, effective upon adoption of Topic 606. The Company does not expect the adoption of the ASU to have any impact on its unaudited condensed consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance supersedes existing guidance on accounting for leases with the main difference being that operating leases are to be recorded in the statement of financial position as right-of-use assets and lease liabilities, initially measured at the present value of the lease payments. For operating leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the guidance is permitted. In transition, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Company is in the process of evaluating the impact that this guidance will have on its unaudited condensed consolidated financial statements and related disclosures.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" This guidance revises the accounting related to the classification and measurement of investments in equity securities as well as the presentation for certain fair value changes in financial liabilities measured at fair value, and amends certain disclosure requirements. The guidance requires that all equity investments, except those accounted for under the equity method of accounting or those resulting in the consolidation of the investee, be accounted for at fair value with all fair value changes recognized in income. For financial liabilities measured using the fair value option, the guidance requires that any change in fair value caused by a change in instrument-specific credit risk be presented separately in other comprehensive income until the liability is settled or reaches maturity. The guidance is effective for

**HEXINDAI INC.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

interim and annual reporting periods in fiscal years beginning after December 15, 2017, with early adoption permitted for certain provisions. A reporting entity would generally record a cumulative-effect adjustment to beginning retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company is in the process of evaluating the impact that this guidance will have on its unaudited condensed consolidated financial statements and related disclosures.

In April 2016, the FASB released ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The ASU includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. While aimed at reducing the cost and complexity of the accounting for share-based payments, the amendments are expected to significantly impact net income, EPS, and the statement of cash flows. Implementation and administration may present challenges for companies with significant share-based payment activities. The ASU is effective for public companies in annual periods beginning after December 15, 2016, and interim periods within those years. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

**Note 3—PREPAYMENTS AND OTHER ASSETS**

	September 30, 2016	March 31, 2016
Funds receivable from external payment network providers (i)	\$ 5,528,552	\$ 1,245,413
Rental and advertising deposit	447,306	151,527
Prepayments to suppliers and others	301,141	399,299
Staff advances	39,567	1,080
	<u>\$ 6,316,566</u>	<u>\$ 1,797,319</u>

- i. The Company opened accounts with external online payment service providers to collect and transfer loan funds to investors or borrowers. The Company also uses such accounts to collect all the service charges. The balance of funds receivable from external payment network providers mainly represents (a) fund received from investors but not yet transferred to accounts of borrowers by external payment network providers due to the settlement time lag; (b) repayment of loan principal and interest amounts received from borrowers but not yet transferred to accounts of investors by external payment network due to the settlement time lag and (c) amounts of the Company service charges received at the balance sheet date.

HEXINDAI INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 4—ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	September 30, 2016	March 31, 2016
Fund payable (i)	\$ 4,306,672	\$ 2,987,333
Accrued payroll and welfare	625,333	451,085
Professional fee and other accrued expenses	—	76,133
	<u>\$ 4,932,005</u>	<u>\$ 3,514,551</u>

- i. The balance of fund payable mainly includes fund payable to investors or borrowers due to the settlement time lag by external payment network

**Note 5—RELATED PARTY BALANCES AND TRANSACTIONS**

Hexin Holding Limited and its affiliates (together "Hexin Group") was incorporated and owned by Mr. Xiaobo An, the Chairman of the Board of the Company (the "Controlling Shareholder"). The Company historically utilized Hexin Group's centralized banking systems for its own cash and banking management, which resulted in a significant balance of amount due from related party-Hexin Group. In addition, Hexin Group also paid expense on behalf of the Company. The Company has recorded all expenses paid by Hexin Group on behalf of the Company in the related historical periods presented in its consolidated financial statements.

- (1) Amount due from related parties consists of:

	September 30, 2016	March 31, 2016
Due from Hexin Group (i)	\$ 9,332,466	\$ 11,951,205
Due from a director (ii)	—	—
Less: non-current portion	—	(11,951,205)
Ending Balance	<u>9,332,466</u>	<u>—</u>

- (2) Amount due to related party consists of:

	September 30, 2016	March 31, 2016
Due to a director (ii)	\$ —	\$ 48,412
Ending Balance	<u>—</u>	<u>48,412</u>

- i. Amount due from Hexin Group mainly represents the transactions fees and services fees received by Hexin Group through the external payment network on behalf of the Company, offset with the expense paid by the Hexin Group on behalf of the Company. The Company expects to collect the balance by September 30, 2017.
- ii. Amount due from (to) a director represents the amounts advanced to (or paid by) Mr. Xiaobo An, the Chairman of the Board of the Company for daily business operation purpose.

# HEXINDAI INC.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 6—TAXES PAYABLE

	September 30, 2016	March 31, 2016
Income tax payable	\$ 2,443,830	\$ 1,226,557
Value added tax payable	1,250,304	871,604
Other taxes payable	5,156	2,476
Total taxes payable	<u>\$ 3,699,290</u>	<u>\$ 2,100,637</u>

### Note 7—INCOME TAX

#### *Cayman Islands*

Hexindai Inc. was incorporated in the Cayman Islands and is not subject to income taxes or capital gain under the current laws of Cayman Islands.

#### *Hong Kong*

HK Hexindai is an investment holding company registered in Hong Kong and are exempted from income tax on it foreign-derived income.

#### *PRC*

The Company subsidiary and a consolidated VIE established in the PRC are subject to the PRC statutory income tax rate of 25%, according to the PRC Enterprise Income Tax ("EIT") law. The Company's VIE Hexin E-commerce has been granted the "high technology enterprise" status in 2015 and is qualified to a preferred income tax rate of 15%. Since January 1, 2015. Substantially all the pretax income of the Company is from Hexin E-commerce. Hexin E-commerce tax returns generally remain open and subject to examination by tax authorities for tax years 2014 onwards. Hexin E-commerce incorporated a 100% subsidiary—Tianjin Hexin E-commerce in March 2016 and Tianjin Hexin E-commerce is not qualified as "high technology enterprise, therefore is still subject to 25% statutory income tax rate.

#### *i) The components of the income tax provision (benefit) are as follows:*

	For the six months ended September 30, 2016	For the six months ended September 30, 2015
Current	\$ 1,545,302	\$ 330,111
Deferred	(443,290)	(204,435)
Total	<u>\$ 1,102,012</u>	<u>\$ 125,676</u>

HEXINDAI INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 7—INCOME TAX (Continued)**

ii) The following table summarizes deferred tax assets resulting from differences between financial accounting basis and tax basis of assets and liabilities:

	As of September 30, 2016	As of March 31, 2016
Accrued expense	\$ 305,167	\$ 160,805
risk reserve liability	683,047	407,600
Total	<u>\$ 988,214</u>	<u>\$ 568,405</u>

No valuation allowance against the deferred tax assets is considered necessary since the Company believes that it will more likely than not utilize the future benefits. The Company had no net operating loss carry forward as of September 30, 2016 and March 31, 2016.

The following table reconciles the PRC statutory rates to the Company's effective tax rate for the six months ended September 30, 2016 and 2015.

	For the six months ended September 30, 2016	For the six months ended September 30, 2015
PRC Income tax statutory rate	25.0%	25.0%
Effect of preferred tax rate	—	(10%)
Effect of change tax rate	—	—
Non-deductible and other items in China	3.6%	0.1%
Effective tax rate	<u>28.6%</u>	<u>15.1%</u>

Aggregate undistributed earnings of the Company's subsidiaries and VIEs located in the PRC that are available for distribution at September 30, 2016 are considered to be indefinitely reinvested and accordingly, no provision has been made for the Chinese dividend withholding taxes that would be payable upon the distribution of those amounts to any entity within the Group that is outside the PRC.

The Company does not have any present plan to pay any cash dividends on its ordinary shares in the foreseeable future. It intends to retain most of its available funds and any future earnings for use in the operation and expansion of its business. As of September 30, 2016 and March 31, 2016, the Company has not declared any dividends.

**Note 8—EARNINGS PER SHARE**

Basic earnings per share ("EPS") is the amount of net earnings available to each share of ordinary shares outstanding during the reporting period. Diluted EPS is the amount of net earnings (loss) available to each share of ordinary shares outstanding during the reporting period adjusted to include the effect of potentially dilutive ordinary shares.

**HEXINDAI INC.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 8—EARNINGS PER SHARE (Continued)**

The following table details the computation of the basic and diluted net earnings per share:

	For the six months ended September 30, 2016	For the six months ended September 30, 2015
Net income attributable to ordinary share holders	2,748,539	704,578
Weighted average number of ordinary shares used in computing basic and diluted net income per share (i)	105,200	105,200
Basic and diluted earnings per share	\$ 26.1	\$ 6.7

- i. The Company believes it is appropriate to reflect these nominal stock issuance to result in 105,200 ordinary shares issued and outstanding on a retroactive basis similar to stock split or dividend pursuant to ASC 260. The Company has retroactively restated all shares and per share data for all the periods presented.

**Note 9—ORDINARY SHARES**

Hexindai Inc. was established under the laws of the Cayman Islands on April 26, 2016. The authorized number of ordinary shares is 500,000,000 shares with par value of \$0.0001 each. 105,200 ordinary shares were issued at par value, equivalent to share capital of \$11.

**Note 10—ADDITONAL PAID-IN CAPITAL**

As of September 30, 2016 and March 31, 2016, additional paid-in capital in the consolidated balance sheet represented the combined contributed capital of the Company's subsidiaries and VIE.

For the year ended March 31, 2015, Mr. Xiaobo An, the Chairman of the Board of the Company, made capital injection of \$3,683,182 to the Company's VIE Hexin E-commerce.

For the year ended March 31, 2016, Mr. Xiaobo An, the Chairman of the Board of the Company, made further capital injection of \$4,397,234 to the Company's VIE Hexin E-commerce. Meanwhile, a third party A invested additional capital of \$3,203,814 to the Company's VIE Hexin E-commerce and received 5% ownership of Hexin E-Commerce. Subsequently, the third party A transferred its 5% ownership interest in Hexin E-Commerce to a third party B on October 19, 2016.

On April 1, 2016, to reward our employees and further align their interests with the Company in the future, the Company granted options to purchase 15,780 ordinary shares under the 2016 Share Option Scheme to our directors, officers, consultant and key employees on the effective date of the registration statement of which this prospectus is a part, at an exercise price per share equal to the initial public offering price of the Company's ordinary shares, which will vest in three equal installments with the first vesting commencement date being the later of the first anniversary of the granted date or the closing date of a Qualified IPO. Shares subject to the Option in two (2) substantially equal annual installments, with the first installment vesting on the second anniversary of the grant date and the second installment vesting on the third anniversary of the grant date; provided that a Qualified IPO shall have occurred on or prior to the second anniversary of the grant date. These grants of options will be accounted for according to FASB ASC 718. We will measure the cost of employee services received in exchange for the options based on the grant date fair value of these options, and recognize the cost

**HEXINDAI INC.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 10—ADDITONAL PAID-IN CAPITAL (Continued)**

over the vesting period. We will start incurring share based compensation expenses associated with these grants in upon the completion of initial public offering.

**Note 11—COMMITMENTS AND CONTINGENCIES**

The Company leases its main office space under a non-cancelable operating lease agreement. Rental expenses under operating leases for the six months ended September 30, 2016 and 2015 were \$306,174 and \$361,476, respectively.

Future minimum lease payments under non-cancelable operating lease agreements as of September 30, 2016 are follows:

<u>Twelve months ending September 30,</u>	<u>Minimum lease payment</u>
2017	782,478
2018	916,756
2019	668,488
2020	668,488
2021	—
Total	<u><u>3,036,210</u></u>

**Note 12—SUBSEQUENT EVENTS**

On December 12, 2016, the Company completed a private placement to issue an aggregated of 2,104 ordinary shares to two investors and received an aggregated proceeds of \$2 million.

**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.**

Cayman Islands law does not limit the extent to which a company's articles of association may provide indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to the public interest, such as providing indemnification against civil fraud or the consequences of committing a crime. The post-offering amended and restated memorandum and articles of association that we expect to adopt provide that each officer or director of our company shall be indemnified against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such director or officer, other than by reason of such person's own dishonesty, willful default or fraud, in or about the conduct of our company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere.

Under the form of indemnification agreement filed as Exhibit 10.9 to this registration statement, we will 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 such a director or executive officer.

The form of underwriting agreement to be filed as Exhibit 1.1 to this registration statement will also provide for indemnification of us and our officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to 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.

**ITEM 7. RECENT SALES OF UNREGISTERED SECURITIES.**

During the past three years, we have issued the following securities. We believe that each of the following issuances was exempt from registration under the Securities Act pursuant to Section 4(2) of the Securities Act regarding transactions not involving a public offering or in reliance on Regulation S under the Securities Act regarding sales by an issuer in offshore transactions. No underwriters were involved in these issuances of securities.

<u>Purchaser</u>	<u>Date of Sale or Issuance</u>	<u>Number of Securities</u>	<u>Consideration</u>
Hexin Holding Limited	April 25, 2016	1	US\$ 0.0001
	April 25, 2016	7,999	US\$ 0.7999
	November 1, 2016	71,952	US\$ 7.1952
AnHe Holding Limited	April 25, 2016	2,000	US\$ 0.20
	November 1, 2016	17,988	US\$ 1.7988
Velencia Holdings Limited	November 1, 2016	5,260	US\$ 0.5260
Long Harvest Fund Management, LLC	December 10, 2016	1,052	US\$ 1,000,000.00
Dragon Gate Investment Partners Limited	December 10, 2016	1,052	US\$ 1,000,000.00



## **ITEM 8. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

### **a) Exhibits**

See Exhibit Index beginning on page II-7 of this registration statement.

The agreements included as exhibits to this registration statement contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties were made solely for the benefit of the other parties to the applicable agreement and (i) were not intended to be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) may have been qualified in such agreement by disclosure that was made to the other party in connection with the negotiation of the applicable agreement; (iii) may apply contract standards of "materiality" that are different from "materiality" under the applicable securities laws; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement.

We acknowledge that, notwithstanding the inclusion of the foregoing cautionary statements, we are responsible for considering whether additional specific disclosure of material information regarding material contractual provisions is required to make the statements in this registration statement not misleading.

### **b) Financial Statement Schedules**

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the Consolidated Financial Statements or the Notes thereto.

## **ITEM 9. UNDERTAKINGS.**

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 6, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

- (3) For the purpose of determining liability under the Securities Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness; provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.
- (4) For the purpose of determining any liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:
- (i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
  - (ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
  - (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
  - (iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in \_\_\_\_\_, People's Republic of China, on \_\_\_\_\_, 2017.

Hexindai Inc.

By:

\_\_\_\_\_

Name:

Title: *Chief Executive Officer and Director*

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints \_\_\_\_\_ and \_\_\_\_\_ as attorneys-in-fact with full power of substitution, for him or her in any and all capacities, to do any and all acts and all things and to execute any and all instruments which said attorney and agent may deem necessary or desirable to enable the registrant to comply with the Securities Act of 1933, as amended, or the Securities Act, and any rules, regulations and requirements of the Securities and Exchange Commission thereunder, in connection with the registration under the Securities Act of ordinary shares of the registrant, including, without limitation, the power and authority to sign the name of each of the undersigned in the capacities indicated below to the Registration Statement on Form F-1, or the Registration Statement, to be filed with the Securities and Exchange Commission with respect to such ordinary shares, to any and all amendments or supplements to such Registration Statement, whether such amendments or supplements are filed before or after the effective date of such Registration Statement, to any related Registration Statement filed pursuant to Rule 462(b) under the Securities Act, and to any and all instruments or documents filed as part of or in connection with such Registration Statement or any and all amendments thereto, whether such amendments are filed before or after the effective date of such Registration Statement; and each of the undersigned hereby ratifies and confirms all that such attorney and agent shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
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_____	Chief Executive Officer and Director (principal executive officer)	
Name:		

_____	Chief Financial Officer (principal financial and accounting officer)	
Name:		

_____	Director	
Name:		

_____	Director	
Name:		

_____	Director	
Name:		

**SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES**

Pursuant to the Securities Act of 1933, the undersigned, the duly authorized representative in the United States of Hexindai Inc., has signed this Registration Statement or amendment thereto in \_\_\_\_\_ on \_\_\_\_\_, 2017.

Authorized U.S. Representative

By: \_\_\_\_\_

Name:

Title:

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**HEXINDAI INC.  
EXHIBIT INDEX**

- 1.1\* Form of Underwriting Agreement
- 3.1\* Memorandum and Articles of Association of the Registrant, as currently in effect
- 3.2\* Form of Amended and Restated Memorandum and Articles of Association of the Registrant
- 4.1\* Registrant's Specimen American Depositary Receipt
- 4.2\* Registrant's Specimen Certificate for Ordinary Shares
- 4.3\* Form of Deposit Agreement, dated as of \_\_\_\_\_, among the Registrant, the Depositary and Beneficial Owners of the American Depositary Receipts
- 5.1\* Opinion of Maples and Calder (Hong Kong) LLP regarding the validity of the ordinary shares being registered and certain other legal matters
- 8.1\* Opinion of Maples and Calder (Hong Kong) LLP regarding certain Cayman Islands tax matters
- 8.2\* Opinion of Han Kun Law Offices regarding certain PRC tax matters
- 10.1 English translation of the Cooperation Agreement among Hexin E-Commerce, Hexin Information and Hexin Financial Information
- 10.2 English translation of a form of the Equity Interest Pledge Agreement
- 10.3 English translation of a form of the Power of Attorney
- 10.4 English translation of a form of the Exclusive Option Agreement
- 10.5 English translation of a form of the Loan Agreement
- 10.6 English translation of a form of the Exclusive Business Cooperation Agreement
- 10.7 2016 Equity Incentive Plan
- 10.8 Form of Option Agreement
- 10.9\* Form of Indemnification Agreement with Executive Officers and Directors
- 21.1\* List of Subsidiaries of the Registrant
- 23.1\* Consent of Shearman & Sterling LLP
- 23.2\* Consent of Han Kun Law Offices
- 23.3\* Consent of Oliver Wyman Inc.
- 23.4\* Consent of Marcum Bernstein & Pinchuk LLP, an independent registered public accounting firm
- 24.1\* Powers of Attorney (included on signature page in Part II of the registration statement)
- 99.1\* Opinion of Han Kun Law Offices regarding certain PRC law matters
- 99.2 Registrant's Waiver Request and Representations

\* \_\_\_\_\_  
To be filed by amendment.



## Business Cooperation Framework Agreement

This Business Cooperation Framework Agreement (this “**Agreement**”) is made and entered into by and among the following parties on March 17, 2017 (the “**Date of Execution**”), in Beijing, the People’s Republic of China (the “**PRC**”).

**Party A. Hexin E-Commerce Co., Ltd. (“Hexin E-Commerce”)**

Address: Room 1313, 13/F Nei, 4/F-24/F, No. 92 Jia, Jianguo Road, Chaoyang District, Beijing

**Party B. Hexin Financial Information Service (Beijing) Co., Ltd. (“Hexin Finance”)**

Address: Room 1208, 12/F Nei, 4/F-24/F, No. 92 Jia, Jianguo Road, Chaoyang District, Beijing

**Party C. Hexin Information Service Co., Ltd. (“Hexin Information”)**

Address: Room 1204, 12/F Nei, 4/F-24/F, No. 92 Jia, Jianguo Road, Chaoyang District, Beijing

In this Agreement, Party A, Party B and Party C shall be hereinafter referred to as a “Party” individually, and as “Parties” collectively.

Whereas,

1. Hexin E-Commerce is a limited liability company incorporated in the PRC. It is mainly engaged in business including economic information consultation, investment management, investment consultation and asset management, etc. (“**Hexin E-Commerce Business**”);
2. Hexin Finance is a limited liability company incorporated in the PRC. It is mainly engaged in business including investment management, investment consultation, and asset management, etc. (“**Hexin Finance Business**”);
3. Hexin Information is a limited liability company incorporated in the PRC. It is mainly engaged in business including economic and trade consultation and financial business process outsourcing service entrusted by financial institutions, etc. (“**Hexin Information Business**”);
4. The Parties recognize and acknowledge that, the ultimate overseas controlling company of Hexin E-Commerce, namely Hexindai Inc., intends to conduct Hexin E-Commerce Business through Hexin E-Commerce and plans to submit

an initial public offering registration statement to SEC (as defined below) for review (“**IPO Application**”).

5. The Parties intend in this Agreement to set forth the principal terms and conditions with respect to their agreement upon the execution of this Agreement.

NOW, THEREFORE, with respect to cooperation in the term of this Agreement, the Parties intending to be legally bound, agree as follows:

### 1 Definition

- 1.1 Unless otherwise defined, the following terms have the meanings given to them in this Section 1:
- 1.2 “Force Majeure” means any force majeure events such as earthquakes, typhoons, floods, fires, flu, wars, riots, strikes or any other events that cannot be predicted and are unpreventable and unavoidable by the affected Party.
- 1.3 “Non-Competition Period” means the period beginning from the IPO Completion Date and ending on the earlier of: (i) 2 years after the IPO Completion Date; or (ii) the date on which the shares of Hexindai Inc. cease to trading on NASDAQ or the New York Stock Exchange.
- 1.4 “Underwriters” means the underwriters engaged for the IPO.
- 1.5 “Law” means any law, statute, rule, regulation or other requirement imposed by a governmental authority, including any order, statute or other legal measures and any regulation, rule, treaty, order, decree or judgment.
- 1.6 “US” means the United States of America.
- 1.7 “SEC” means the U.S. Securities and Exchange Commission.
- 1.8 “Group Members” or “Group Member” collectively means a company and its every subsidiary.
- 1.9 “Approval” means any right, license, permit, approval, waiver, consent and authorization by any governmental authority and all the registrations and filings with any governmental authority.
- 1.10 “IPO” means an initial public offering of shares of Hexindai Inc.
- 1.11 “IPO Completion Date” means the date on which the IPO of Hexindai Inc. on NASDAQ or the New York Stock Exchange is completed.
- 1.12 “Securities Act” means the Securities Act of 1933, as amended from time



to time.

## 2 The IPO and Relevant Actions

- 2.1 Transactions prior to the IPO. Subject to the occurrence of the events described in this Article 2, the Parties intend to consummate the IPO of Hexindai Inc. and to take, or cause to be taken, the actions specified in this Section 2.1.
- 2.1.1 Registration Statement. Hexindai Inc. has submitted or plans to submit on a confidential basis for review by the SEC the Draft IPO Registration Statement, and intends to submit such amendments or supplements thereto as may be requested by the SEC staff in connection with such review and agreed to by Hexindai Inc., and subsequently to file with the SEC the IPO Registration Statement and make such amendments and supplements thereto as may be necessary or desirable in order to cause the same to comply with the Securities Act and other applicable law, to become and remain effective under the Securities Act, or as may be requested by the representatives of the Underwriters for the IPO, including, without limitation, filing such amendments or supplements to the IPO Registration Statement as may be required by the underwriting agreement to be entered into among Hexindai Inc. and the Underwriters following the effectiveness of the IPO Registration Statement under the Securities Act.
- 2.1.2 Underwriting Agreement. Following the effectiveness of the IPO Registration Statement, Hexindai Inc. will enter into the underwriting agreement, which shall in form and substance be satisfactory to Hexindai Inc., as determined by its board of directors or authorized designees, as appropriate, and Hexindai Inc. shall comply with its obligations thereunder.
- 2.1.3 NASDAQ or NYSE Listing. Hexindai Inc. plans to prepare, file and have approved an application for listing on NASDAQ or the New York Stock Exchange of the American depositary shares (ordinary shares), to be offered and sold in the IPO.
- 2.2 Cooperation. Hexin Finance and Hexin Information shall each consult with, and cooperate in all respects with Hexin E-Commerce in connection with the marketing of Hexindai Inc., including any roadshow presentations, and pricing of the ADSs and shall take any and all actions as may be reasonably necessary or desirable to consummate the IPO as contemplated by the IPO Registration Statement and the underwriting agreement.

## 3 Recommendation of Clients (Borrowers)

- 3.1 During the Non-Competition Period, Hexin Finance and Hexin Information shall recommend clients including borrowers, etc. to Hexin E-Commerce in an active way. Subject to the scope of Hexin E-Commerce's principal business, Hexin Finance and Hexin Information shall first recommend the clients they acquire from the front end only to Hexin E-Commerce. Hexin Finance and Hexin Information are entitled to charge the clients with reasonable fees.
- 3.2 The Parties hereby further agree on the following principles and procedures in relation to client recommendation service: as far as borrower acquisition is concerned, Hexin E-Commerce shall submit its request for borrowers to Hexin Finance and Hexin Information on a monthly basis, and Hexin Finance and Hexin Information shall provide borrowers' information as required by Hexin E-Commerce. Hexin Finance and Hexin Information shall direct all the borrowers that meet Hexin E-Commerce's borrower criteria to Hexin E-Commerce per the aforesaid request, and only when Hexin E-Commerce rejects a borrower and explicitly informs Hexin Finance and Hexin Information, Hexin Finance and Hexin Information may then offer the borrower any other loan products and services.

## 4 Non-Competition

- 4.1 Undertaking of Hexin Finance and Hexin Information. During the Non-Competition Period, Hexin Finance and Hexin Information will not, and will cause each of the other Group Members of Hexin Finance and Hexin Information not to, other than through Hexin E-Commerce, directly or indirectly be engaged, invest, participate or otherwise be interested in, whether on its own account or with each other or in conjunction with or on behalf of any person, (i) the Hexin E-Commerce Business; or (ii) any business that is of the same nature as or similar to the Hexin E-Commerce Business. Notwithstanding the foregoing, any group member of Hexin Finance and Hexin Information shall not be prohibited from:
- 4.1.1 being engaged in the Hexin E-Commerce Business or any business that is of the same nature as the Hexin E-Commerce Business through contracts, engagements with or on behalf of any Group Member of Hexin E-Commerce;
- 4.1.2 continuing to engage in the Hexin Finance Business and the Hexin Information Business that Hexin Finance and Hexin Information engage as of the date of this Agreement; or

- 4.1.3 holding shares, invest or otherwise being interested in, beneficially or of record, no more than 50% (calculated on an aggregate basis combining any such ownership by any Group Members of the Hexin Finance and Hexin Information) of the equity or its equivalent of any company (other than Hexin E-Commerce) that engages in any business that is of the same nature as the Hexin E-Commerce Business; provided that Hexin Finance and Hexin Information do not have board or management control of such company.

- 4.2 Undertaking of Hexin E-Commerce. During the Non-Competition Period, Hexin E-Commerce will not, and will cause each of the other group members of Hexin E-Commerce not to, directly or indirectly be engaged, invest, participate or otherwise be interested in, whether on its own account or with each other or in conjunction with or on behalf of any person, (i) the Hexin Finance Business and the Hexin Information Business; or (ii) any business that is of the same nature as the Hexin Finance Business and the Hexin Information Business. Notwithstanding the foregoing, any Group Member of Hexin E-Commerce shall not be prohibited from:
- 4.2.1 being engaged in the Hexin Finance Business and the Hexin Information Business or any business that is of the same nature or similar as the Hexin Finance Business and the Hexin Information Business through contracts, engagements with or on behalf of any group member of Hexin Finance and Hexin Information; or
- 4.2.2 holding shares, invest or otherwise being interested in, beneficially or of record, no more than 50% (calculated on an aggregate basis combining any such ownership by any group members of Hexin E-Commerce) of the equity or its equivalent of any company that engages in any business that is of the same nature as the Business of Hexin Finance and the Business of Hexin Information; provided that Hexin E-Commerce does not have board or management control of such company.

## **5 Non-Solicitation**

- 5.1 Non-Solicitation by Hexin Finance and Hexin Information. During the Non-Competition Period, Hexin Finance and Hexin Information will not, and will cause each other Group Member of Hexin Finance and Hexin Information not to, directly or indirectly, hire, or solicit for hire, any active employees of or individuals conducting the Hexin E-Commerce Business, or any former employees of Hexin E-Commerce within six

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months of the termination of their employment with Hexin E-Commerce, to conduct the Hexin E-Commerce Business within Hexin Finance and Hexin Information without Hexin E-Commerce's consent; provided that the foregoing shall not prohibit any solicitation activities through generalized non-targeted advertisement not directed to such employees or individuals that do not result in the hiring of any such employees or individuals by Hexin Finance and Hexin Information within the Non-Competition Period.

- 5.2 Non-Solicitation by Hexin E-Commerce. During the Non-Competition Period, Hexin E-Commerce will not, and will cause each other group member of Hexin E-Commerce not to, directly or indirectly, hire, or solicit for hire, any active employees of or individuals conducting the Business of Hexin Finance and the Hexin Information Business, or any former employees of Hexin Finance and Hexin Information within six months of the termination of their employment with Hexin Finance and Hexin Information, to conduct the Hexin Finance Business and the Hexin Information Business within Hexin E-Commerce without the consent of Hexin Finance and Hexin Information; provided that the foregoing shall not prohibit any solicitation activities through generalized non-targeted advertisement not directed to such employees or individuals that do not result in the hiring of any such employees or individuals by Hexin E-Commerce within the Non-Competition Period.

## **6 Confidentiality Clauses**

Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between Parties in connection with the preparation and performance of this Agreement are regarded as confidential information. Any Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the shareholders, director, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

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## **7 Term of Agreement**

- 7.1 This Agreement shall become effective upon execution by the Parties. This agreement may be terminated upon written consent of the Parties.
- 7.2 The rights and obligations of the Parties under Article 6 and Article 8 shall survive the termination of this Agreement.

## **8 Governing Law and Resolution of Disputes**

- 8.1 The execution, effectiveness, interpretation, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of PRC.
- 8.2 In the event of any dispute with respect to the interpretation and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute, any Party may submit the relevant dispute to the Beijing Arbitration Commission for arbitration, in accordance with the arbitration rules of such arbitration commission effective at that time. The place of the hearing of the arbitration shall be Beijing. The arbitration award shall be final and binding on all the Parties.
- 8.3 Upon the occurrence of any disputes arising from the interpretation and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, Parties shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

## **9 Breach of Agreement and Indemnification**

- 9.1 If Hexin Finance and Hexin Information materially breach any provision under this Agreement, or fail to perform, perform incompletely or delay to perform any obligation under this Agreement, it shall constitute a breach under this Agreement on the part of Hexin Finance and Hexin Information. Hexin E-Commerce is entitled to require Hexin Finance and Hexin Information to rectify or take remedial measures. If Hexin Finance and Hexin Information fail to rectify or take remedial measures within ten (10) days after Hexin E-Commerce delivers written notices to Hexin Finance and Hexin Information and requires for rectification (or within any other reasonable period required by Hexin E-Commerce), Hexin E-Commerce is entitled to, at its sole discretion, (1) terminate this Agreement and require Hexin Finance and Hexin Information to compensate all the losses; or (2) require specific performance of the obligations of Hexin Finance and Hexin Information under this Agreement and require Hexin

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Finance and Hexin Information to compensate all the losses. This Section shall not prejudice any other rights of Hexin E-Commerce under this Agreement.

- 9.2 In view of the special nature of Internet, Hexin E-Commerce shall not bear any liability to Hexin Finance and Hexin Information under the following circumstances: (a) hacker attack; (b) hugely influenced by the technology adjustment of Internet and Telecommunication Department, not including losses caused by Hexin E-Commerce's poor management; (c) virus attack; (d) common breakdown of the public internet.
- 9.3 Unless otherwise required by the applicable laws, Hexin Finance and Hexin Information shall not unilaterally terminate this Agreement in any event.
- 9.4 Hexin Finance and Hexin Information shall indemnify Hexin E-Commerce and hold Hexin E-Commerce harmless from any losses, damages, obligations or expenses caused by any lawsuit, claims or other demands raised by any third party against Hexin E-Commerce arising from or caused by the services provided by Hexin E-Commerce to Hexin Finance and Hexin Information pursuant this Agreement, except where such losses, damages, obligations or expenses arise from the gross negligence or willful misconduct of Party A.

## 10 Force Majeure

- 10.1 In the case of any Force Majeure which causes the failure of any Party to perform or completely perform this Agreement or perform this Agreement on time, the Party affected by such Force Majeure shall not be liable for this. However, the Party affected by such Force Majeure shall give the other Party written notices without any delay, and shall provide details and related documents evidencing such event within 15 days after sending out such notice, explaining the reasons for such failure of, partial or delay of performance.
- 10.2 If such Party claiming Force Majeure fails to notify other Party and furnish it with proof pursuant to the above provision, such Party shall not be excused from the non-performance, incomplete performance or delay of performance of its obligations hereunder. The Party so affected by the event of Force Majeure shall use reasonable efforts to minimize the consequences of such Force Majeure and to promptly resume performance hereunder whenever the causes of such excuse are cured. Should the Party so affected by the event of Force Majeure fail to resume performance hereunder when the causes of such excuse are cured, such Party shall be liable to the other Party.

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- 10.3 In the event of Force Majeure, the Parties shall immediately consult with others to find an equitable solution and shall use all reasonable endeavors to minimize the consequences of such Force Majeure.

## 11 Notices

- 11.1 All notices and other communications required to be given pursuant to this Agreement or otherwise given in connection with this Agreement shall be delivered personally, or sent by registered mail, prepaid postage, a commercial courier service, facsimile transmission or email to the address of such Party set forth below. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
- 11.1.1 Notices given by personal delivery shall be deemed effectively given on the date of receipt at the address set forth below, or the date on which such notices are placed at the address set forth below; Notices given by courier service, registered mail or prepaid postage shall be deemed effectively given on the date of receipt, refusal or return for any reason at the address set forth below;
- 11.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission to the Fax no. set forth below (as evidenced by an automatically generated confirmation of transmission). Notices given by email shall be deemed effectively given on the date of successful transmission, provided that the sending Party has received a system message indicating successful transmission or has not received a system message within 24 hours indicating failure of delivery or return of email.
- 11.1.3 For the purpose of notices, the addresses of the Parties are as follows:

**Party A. Hexin E-Commerce Co., Ltd.**

Address: Room 1313, 13/F Nei, 4/F-24/F, No. 92 Jia, Jianguo Road, Chaoyang District, Beijing

Recipient: ZHOU Xinming (周新明)

Tel: 010-53579038

E-mail: zhouxinming@hexindai.com

Address: Room 1208, 12/F Nei, 4/F-24/F, No. 92 Jia, Jianguo Road, Chaoyang District, Beijing

Recipient: YANG Geng (□□)

Tel: 010-52511263

E-mail: yanggeng@hexindai.com

**Party C. Hexin Information Service Co., Ltd.**

Address: Room 1204, 12/F Nei, 4/F-24/F, No. 92 Jia, Jianguo Road, Chaoyang District, Beijing

Recipient: WU Mingxiong (□□□)

Tel: 010-59856888

E-mail: wumingxiong@hexindai.com

11.2 Any Party may at any time change its address for notices by a notice delivered to the other Party in accordance with the terms of this Section.

## **12 Assignment**

- 12.1 Without Hexin E-Commerce's prior written consent, Hexin Finance and Hexin Information shall not assign their rights and obligations under this Agreement to any third party.
- 12.2 Hexin Finance and Hexin Information agree that unless expressly required by the applicable laws otherwise, Hexin E-Commerce may assign its obligations and rights under this Agreement to any third party and in case of such assignment, Hexin E-Commerce is only required to give written notices to Hexin Finance and Hexin Information and does not need any consent from Hexin Finance and Hexin Information for such assignment.

## **13 Severability**

In the event that one or several of the provisions of this Agreement are held to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those

invalid, illegal or unenforceable provisions.

## **14 Amendments and Supplements**

Any amendment, change and supplement to this Agreement shall be made in writing by all of the Parties. Any amendment agreement and supplementary agreement duly executed by Parties hereto with regard to this Agreement shall constitute an integral part of this Agreement, and shall have equal legal validity as this Agreement.

## **15 Successors**

The terms of this Agreement shall be binding on Parties hereto and their respective successors and permitted assigns, and shall be valid with respect to Parties and any of their successors and permitted assigns.

## **16 Language and Counterparts**

This Agreement is written in English language in three copies, each Party shall hold one copy respectively.

**(EXECUTION PAGE FOLLOW)**

IN WITNESS WHEREOF, Parties have caused their authorized representatives to execute this Business Cooperation Framework Agreement as of the date first above written.

**Party A: Hexin E-Commerce Co., Ltd. (Seal)**

By: \_\_\_\_\_  
Name: AN Xiaobo (安晓波)  
Position: Legal Representative

**Party B: Hexin Financial Information Service (Beijing) Co., Ltd. (Seal)**

By: \_\_\_\_\_  
Name: AN Xiaobo (安晓波)  
Position: Legal Representative

**Party C: Hexin Information Service Co., Ltd. (Seal)**

By: \_\_\_\_\_  
Name: AN Xiaobo (安晓波)  
Position: Legal Representative

## Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this “Agreement”) has been executed by and among the following parties on [ ], 2016 in Beijing, the People’s Republic of China (“China” or the “PRC”):

- Party A:** Beijing Hexin Yongheng Technology Development Co., Ltd (hereinafter “Pledgee”), a wholly foreign owned enterprise, organized and existing under the laws of the PRC, with its address at Room C107, Floor 2, No. 88 Xiangshan Road, Haidian District, Beijing, People’s Republic of China;
- Party B:** [·] (hereinafter “Pledgor”), a Chinese citizen with Chinese Identification No.: [·]; and
- Party C:** **Hexin E-Commerce Co., Ltd.**, a limited liability company organized and existing under the laws of the PRC, with its address at Floor 13, No. 92 Jianguo Road, Chaoyang District, Beijing, People’s Republic of China.

In this Agreement, each of Pledgee, Pledgor and Party C shall be referred to as a “Party” respectively, and they shall be collectively referred to as the “Parties”.

Whereas:

1. Pledgor is a citizen of China who as of the date hereof holds [·]% of equity interests of Party C, representing RMB[·] in the registered capital of Party C. Party C is a limited liability company registered in Beijing, China, engaging in [ ]. Party C acknowledges the respective rights and obligations of Pledgor and Pledgee under this Agreement, and intends to provide any necessary assistance in registering the Pledge;
2. Pledgee is a wholly foreign-owned enterprise registered in China. Pledgee and Party C which is partially owned by Pledgor have executed an Exclusive Business Cooperation Agreement (as defined below) in Beijing; Party C, Pledgee and Pledgor have executed an Exclusive Option Agreement (as defined below); Pledgor has executed a Power of Attorney (as defined below) in favor of Pledgee; and Pledgee and Pledgor have executed a Loan Agreement (as defined below);
3. To ensure that Party C and Pledgor fully perform their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Loan Agreement and the Power of Attorney, Pledgor hereby pledges to the Pledgee all of the equity interest that Pledgor holds in Party C as security for Party C’s and Pledgor’s obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Loan Agreement and the Power of Attorney.

To perform the provisions of the Transaction Documents (as defined below), the Parties have mutually agreed to execute this Agreement upon the following terms.

Strictly Confidential

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### 1. Definitions

Unless otherwise provided herein, the terms below shall have the following meanings:

- 1.1 Pledge: shall refer to the security interest granted by Pledgor to Pledgee pursuant to Section 2 of this Agreement, i.e., the right of Pledgee to be paid in priority with the Equity Interest based on the monetary valuation that such Equity Interest is converted into or from the proceeds from auction or sale of the Equity Interest.
- 1.2 Equity Interest: shall refer to [·]% equity interests in Party C currently held by Pledgor, representing RMB[·] in the registered capital of Party C, and all of the equity interest hereafter acquired by Pledgor in Party C.
- 1.3 Term of Pledge: shall refer to the term set forth in Section 3 of this Agreement.
- 1.4 Transaction Documents: shall refer to the Exclusive Business Cooperation Agreement executed by and between Party C and Pledgee on [ ], 2016 (the “Exclusive Business Cooperation Agreement”), the Exclusive Option Agreement executed by and among Party C, Pledgee and Pledgor on [ ], 2016 (the “Exclusive Option Agreement”), the Loan Agreement executed by and between Pledgee and Pledgor on [ ], 2016 (the “Loan Agreement”), Power of Attorney executed on [ ], 2016 by Pledgor (the “Power of Attorney”) and any modification, amendment and restatement to the aforementioned documents.
- 1.5 Contract Obligations: shall refer to all the obligations of Pledgor under the Exclusive Option Agreement, the Power of Attorney, the Loan Agreement and this Agreement; all the obligations of Party C under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Loan Agreement and this Agreement.
- 1.6 Secured Indebtedness: shall refer to all the direct, indirect and derivative losses and losses of anticipated profits, suffered by Pledgee, incurred as a result of any Event of Default. The amount of such loss shall be calculated in accordance with the reasonable business plan and profit forecast of Pledgee, the consulting and service fees payable to Pledgee under the Exclusive Business Cooperation Agreement, all expenses occurred in connection with enforcement by Pledgee of Pledgor’s and/or Party C’s Contract Obligations and etc.
- 1.7 Event of Default: shall refer to any of the circumstances set forth in Section 7 of this Agreement.

## **2. Pledge**

- 2.1 Pledgor agrees to pledge all the Equity Interest as security for performance of the Contract Obligations and payment of the Secured Indebtedness under this Agreement. Party C hereby assents that Pledgor pledges the Equity Interest to the Pledgee pursuant to this Agreement.
- 2.2 During the term of the Pledge, Pledgee is entitled to receive dividends distributed on the Equity Interest. Pledgor may receive dividends distributed on the Equity Interest only with prior written consent of Pledgee. Dividends received by Pledgor on Equity Interest after deduction of individual income tax paid by Pledgor shall be, as required by Pledgee, (1) deposited into an account designated and supervised by Pledgee and used to secure the Contract Obligations and pay the Secured Indebtedness prior and in preference to make any other payment; or (2) unconditionally donated to Pledgee or any other person designated by Pledgee to the extent permitted under applicable PRC laws.
- 2.3 Pledgor may subscribe for capital increase in Party C only with prior written consent of Pledgee. Any equity interest obtained by Pledgor as a result of Pledgor's subscription of the increased registered capital of the Company shall also be deemed as Equity Interest.
- 2.4 In the event that Party C is required by PRC law to be liquidated or dissolved, any interest distributed to Pledgor upon Party C's dissolution or liquidation shall, upon the request of the Pledgee, be (1) deposited into an account designate and supervised by Pledgee and used to secure the Contract Obligations and pay the Secured Indebtedness prior and in preference to make any other payment; or (2) unconditionally donated to Pledgee or any other person designated by Pledgee to the extent permitted under applicable PRC laws.

## **3. Term of Pledge**

- 3.1 The Pledge shall become effective on such date when the pledge of the Equity Interest contemplated herein is registered with relevant administration for industry and commerce (the "AIC"). The Pledge shall remain effective until all Contract Obligations have been fully performed and all Secured Indebtedness have been fully paid. Pledgor and Party C shall (1) register the Pledge in the shareholders' register of Party C within 3 business days following the execution of this Agreement, and (2) submit an application to the AIC for the registration of the Pledge of the Equity Interest contemplated herein within 15 business days following the execution of this Agreement. The parties covenant that for the purpose of registration of the Pledge, the parties hereto and all other shareholders of Party C shall submit to the AIC this Agreement or an equity interest pledge contract in the form required by the AIC at the location of Party C which shall truly reflect the information of the Pledge hereunder (the "AIC Pledge Contract"). For matters not specified in the AIC Pledge Contract, the parties shall be bound by the provisions of this Agreement. Pledgor and

Party C shall submit all necessary documents and complete all necessary procedures, as required by the PRC laws and regulations and the relevant AIC, to ensure that the Pledge of the Equity Interest shall be registered with the AIC as soon as possible after submission for filing.

- 3.2 During the Term of Pledge, in the event Pledgor and/or Party C fails to perform the Contract Obligations or pay Secured Indebtedness, Pledgee shall have the right, but not the obligation, to exercise the Pledge in accordance with the provisions of this Agreement.

## **4. Custody of Records for Equity Interest subject to Pledge**

- 4.1 During the Term of Pledge set forth in this Agreement, Pledgor shall deliver to Pledgee's custody the capital contribution certificate for the Equity Interest and the shareholders' register containing the Pledge within one week from the execution of this Agreement. Pledgee shall have custody of such documents during the entire Term of Pledge set forth in this Agreement.

## **5. Representations and Warranties of Pledgor and Party C**

As of the execution date of this Agreement, Pledgor and Party C hereby jointly and severally represent and warrant to Pledgee that:

- 5.1 Pledgor is the sole legal and beneficial owner of the Equity Interest.
- 5.2 Pledgee shall have the right to dispose of and transfer the Equity Interest in accordance with the provisions set forth in this Agreement.
- 5.3 Except for the Pledge, Pledgor has not placed any security interest, collateral or other encumbrance on the Equity Interest.
- 5.4 Pledgor and Party C have obtained any and all approvals and consents from applicable government authorities and third parties (if required) for execution, delivery and performance of this Agreement.
- 5.5 The execution, delivery and performance of this Agreement will not: (i) violate any relevant PRC laws; (ii) conflict with Party C's articles of association or other constitutional documents; (iii) result in any breach of or constitute any default under any contract or instrument to which it is a party or by which it is otherwise bound; (iv) result in any violation of any condition for the grant and/or maintenance of any permit or approval granted to any Party; or (v) cause any permit or approval granted to any Party to be suspended, cancelled or attached with additional conditions.

## **6. Covenants of Pledgor and Party C**

- 6.1 During the term of this Agreement, Pledgor and Party C hereby jointly and severally covenant to the Pledgee:

- 6.1.1 Pledgor shall not transfer the Equity Interest, place or permit the existence of any security interest or other encumbrance on the Equity Interest or any portion thereof, without the prior written consent of Pledgee, except for the performance of the Transaction Documents;
- 6.1.2 Pledgor and Party C shall comply with the provisions of all laws and regulations applicable to the pledge of rights, and within five (5) days of receipt of any notice, order or recommendation issued or prepared by relevant competent authorities regarding the Pledge, shall present the aforementioned notice, order or recommendation to Pledgee, and shall comply with the aforementioned notice, order or recommendation or submit objections and representations with respect to the aforementioned matters upon Pledgee's reasonable request or upon consent of Pledgee;
- 6.1.3 Pledgor and Party C shall promptly notify Pledgee of any event or notice received by Pledgor that may have an impact on the Equity Interest or any portion thereof, as well as any event or notice received by Pledgor that may have an impact on any guarantees and other obligations of Pledgor arising out of this Agreement.
- 6.1.4 Party C shall complete the registration procedures for extension of the term of operation within three (3) months prior to the expiration of such term to maintain the validity of this Agreement.
- 6.2 Pledgor agrees that the rights acquired by Pledgee in accordance with this Agreement with respect to the Pledge shall not be interrupted or harmed by Pledgor or any heirs or representatives of Pledgor or any other persons through any legal proceedings.
- 6.3 To protect or perfect the security interest granted by this Agreement for the Contract Obligations and Secured Indebtedness, Pledgor hereby undertakes to execute in good faith and to cause other parties who have an interest in the Pledge to execute all certificates, agreements, deeds and/or covenants required by Pledgee. Pledgor also undertakes to perform and to cause other parties who have an interest in the Pledge to perform actions required by Pledgee, to facilitate the exercise by Pledgee of its rights and authority granted thereto by this Agreement, and to enter into all relevant documents regarding ownership of Equity Interest with Pledgee or designee(s) of Pledgee (natural persons/legal persons). Pledgor undertakes to provide Pledgee within a reasonable time with all notices, orders and decisions regarding the Pledge that are required by Pledgee.
- 6.4 Pledgor hereby undertakes to comply with and perform all guarantees, promises, agreements, representations and conditions under this Agreement. In the event of failure or partial performance of its guarantees, promises, agreements, representations and conditions, Pledgor shall indemnify Pledgee for all losses resulting therefrom.

## **7. Event of Breach**

- 7.1 The following circumstances shall be deemed Event of Default:
  - 7.1.1 Pledgor's any breach to any obligations under the Transaction Documents and/or this Agreement.
  - 7.1.2 Party C's any breach to any obligations under the Transaction Documents and/or this Agreement.
- 7.2 Upon notice or discovery of the occurrence of any circumstances or event that may lead to the aforementioned circumstances described in Section 7.1, Pledgor and Party C shall immediately notify Pledgee in writing accordingly.
- 7.3 Unless an Event of Default set forth in this Section 7.1 has been successfully resolved to Pledgee's satisfaction within twenty (20) days after the Pledgee and /or Party C delivers a notice to the Pledgor requesting ratification of such Event of Default, Pledgee may issue a Notice of Default to Pledgor in writing at any time thereafter, demanding the Pledgor to immediately exercise the Pledge in accordance with the provisions of Section 8 of this Agreement.

## **8. Exercise of Pledge**

- 8.1 Pledgee shall issue a written Notice of Default to Pledgor when it exercises the Pledge.
- 8.2 Subject to the provisions of Section 7.3, Pledgee may exercise the right to enforce the Pledge at any time after the issuance of the Notice of Default in accordance with Section 8.1. Once Pledgee elects to enforce the Pledge, Pledgor shall cease to be entitled to any rights or interests associated with the Equity Interest.
- 8.3 After Pledgee issues a Notice of Default to Pledgor in accordance with Section 8.1, Pledgee may exercise any remedy measure under applicable PRC laws, the Transaction Documents and this Agreement, including but not limited to being paid in priority with the Equity Interest based on the monetary valuation that such Equity Interest is converted into or from the proceeds from auction or sale of the Equity Interest. The Pledgee shall not be liable for any loss incurred by its duly exercise of such rights and powers.
- 8.4 The proceeds from exercise of the Pledge by Pledgee shall be used to pay for tax and expenses incurred as result of disposing the Equity Interest and to perform Contract Obligations and pay the Secured Indebtedness to the Pledgee prior and in preference to any other payment. After the payment of the aforementioned amounts, the remaining balance shall be returned to Pledgor or any other person who have rights to such balance under applicable laws or be deposited to the local notary public office where



Pledgor resides, with all expense incurred being borne by Pledgor. To the extent permitted under applicable PRC laws, Pledgor shall unconditionally donate the aforementioned proceeds to Pledgee or any other person designated by Pledgee.

- 8.5 Pledgee may exercise any remedy measure available simultaneously or in any order. Pledgee may exercise the right to being paid in priority with the Equity Interest based on the monetary valuation that such Equity Interest is converted into or from the proceeds from auction or sale of the Equity Interest under this Agreement, without exercising any other remedy measure first.
- 8.6 Pledgee is entitled to designate an attorney or other representatives to exercise the Pledge on its behalf, and Pledgor or Party C shall not raise any objection to such exercise.
- 8.7 When Pledgee disposes of the Pledge in accordance with this Agreement, Pledgor and Party C shall provide necessary assistance to enable Pledgee to enforce the Pledge in accordance with this Agreement.

## **9. Breach of Agreement**

- 9.1 If Pledgor or Party C conducts any material breach of any term of this Agreement, Pledgee shall have right to terminate this Agreement and/or require Pledgor or Party C to indemnify all damages; this Section 9 shall not prejudice any other rights of Pledgee herein;
- 9.2 Pledgor or Party C shall not have any right to terminate this Agreement in any event unless otherwise required by applicable laws.

## **10. Assignment**

- 10.1 Without Pledgee's prior written consent, Pledgor and Party C shall not have the right to assign or delegate their rights and obligations under this Agreement.
- 10.2 This Agreement shall be binding on Pledgor and his/her successors and permitted assigns, and shall be valid with respect to Pledgee and each of his/her successors and assigns.
- 10.3 At any time, Pledgee may assign any and all of its rights and obligations under the Transaction Documents and this Agreement to its designee(s), in which case the assigns shall have the rights and obligations of Pledgee under the Transaction Documents and this Agreement, as if it were the original party to the Transaction Documents and this Agreement.
- 10.4 In the event of change of Pledgee due to assignment, Pledgor and/or Party C shall, at the request of Pledgee, execute a new pledge agreement with the new pledgee on the same terms and conditions as this Agreement, and register the same with the relevant AIC.

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- 10.5 Pledgor and Party C shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by the Parties hereto or any of them, including the Transaction Documents, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. Any remaining rights of Pledgor with respect to the Equity Interest pledged hereunder shall not be exercised by Pledgor except in accordance with the written instructions of Pledgee.

## **11. Termination**

- 11.1 Upon the fulfillment of all Contract Obligations and the full payment of all Secured Indebtedness by Pledgor and Party C, Pledgee shall release the Pledge under this Agreement upon Pledgor's request as soon as reasonably practicable and shall assist Pledgor to de-register the Pledge from the shareholders' register of Party C and with relevant PRC local administration for industry and commerce.
- 11.2 The provisions under Sections 9, 13, 14 and 11.2 herein of this Agreement shall survive the expiration or termination of this Agreement.

## **12. Handling Fees and Other Expenses**

All fees and out of pocket expenses relating to this Agreement, including but not limited to legal costs, costs of production, stamp tax and any other taxes and fees, shall be borne by Party C.

## **13. Confidentiality**

The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the shareholders, director, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

## **14. Governing Law and Resolution of Disputes**

- 14.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of China.
- 14.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Parties for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its Arbitration Rules. The arbitration shall be conducted in Beijing. The arbitration award shall be final and binding on all Parties.
- 14.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

## 15. Notices

- 15.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such party set forth below. A confirmation copy of each notice shall also be sent by E-mail. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
- 15.2 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices.
- 15.3 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).
- 15.4 For the purpose of notices, the addresses of the Parties are as follows:

**Party A:** Beijing Hexin Yongheng Technology Development Co., Ltd  
Address: Room C107, Floor 2, No. 88 Xiangshan Road, Haidian District, Beijing, People's Republic of China  
Attn: Xiaobo An  
Phone: [ ]  
Facsimile: [ ]

**Party B:** [-]  
Address: [-]

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Phone: [ ]  
Facsimile: [ ]

**Party C: Hexin E-Commerce Co., Ltd.**

Address: Floor 13, No. 92 Jianguo Road, Chaoyang District, Beijing, People's Republic of China  
Attn: Xiaobo An  
Phone: [ ]  
Facsimile: [ ]

- 15.5 Any Party may at any time change its address for notices by a notice delivered to the other Parties in accordance with the terms hereof.

## 16. Severability

In the event that one or several of the provisions of this Contract are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Contract shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

## 17. Attachments

The attachments set forth herein shall be an integral part of this Agreement.

## 18. Effectiveness

- 18.1 This Agreement shall become effective upon execution by the Parties.
- 18.2 Any amendments, changes and supplements to this Agreement shall be in writing and shall become effective upon completion of the governmental filing procedures (if applicable) after the affixation of the signatures or seals of the Parties.

## 19. Language and Counterparts

This Agreement is written in Chinese and English in four copies. Pledgor, Pledgee and Party C shall hold one copy respectively and the other copy shall be used for registration. In case of any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written.

**Party A:** Beijing Hexin Yongheng Technology Development Co., Ltd

By: \_\_\_\_\_  
Name: Xiaobo An  
Title: Legal Representative

**Party B:** [·]

By: \_\_\_\_\_

**Party C:** Hexin E-Commerce Co., Ltd.

By: \_\_\_\_\_  
Name: Xiaobo An  
Title: Legal Representative

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**Attachments:**

1. Shareholders' Register of Party C;
  2. The Capital Contribution Certificate for Party C
  3. Exclusive Business Cooperation Agreement
  4. Exclusive Option Agreement
  5. Loan Agreement
  6. Power of Attorney
-

**Power of Attorney**

I, [·], a Chinese citizen with Chinese Identification Card No.: [·], and a holder of [·]% of the entire registered capital in Hexin E-Commerce Co., Ltd. (“Hexin E-Commerce”) as of the date when the Power of Attorney is executed, hereby irrevocably authorize Beijing Hexin Yongheng Technology Development Co., Ltd (“WFOE”) to exercise the following rights relating to all equity interests held by me now and in the future in Hexin E-Commerce (“My Shareholding”) during the term of this Power of Attorney:

WFOE is hereby authorized to act on behalf of myself as my exclusive agent and attorney with respect to all matters concerning My Shareholding, including without limitation to: 1) attending shareholders’ meetings of Hexin E-Commerce; 2) exercising all the shareholder’s rights and shareholder’s voting rights I am entitled to under the laws of China and H Hexin E-Commerce’s Articles of Association, including but not limited to the sale or transfer or pledge or disposition of My Shareholding in part or in whole; and 3) designate and appoint on behalf of myself the legal representative, the directors, supervisors, the chief executive officer and other senior management members of Hexin E-Commerce.

Without limiting the generality of the powers granted hereunder, WFOE shall have the power and authority to, on behalf of myself, execute all the documents I shall sign as stipulated in the Exclusive Option Agreement entered into by and among me, WFOE and Hexin E-Commerce on [ ], 2016 and the Equity Pledge Agreement entered into by and among me, WFOE and Hexin E-Commerce on [ ], 2016 (including any modification, amendment and restatement thereto, collectively the “Transaction Documents”), and perform the terms of the Transaction Documents.

All the actions associated with My Shareholding conducted by WFOE shall be deemed as my own actions, and all the documents related to My Shareholding executed by WFOE shall be deemed to be executed by me. I hereby acknowledge and ratify those actions and/or documents by WFOE.

WFOE is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to me or obtaining my consent. If required by PRC laws, WFOE shall designate a PRC citizen to exercise the aforementioned rights.

During the period that I am a shareholder of Hexin E-Commerce, this Power of Attorney shall be irrevocable and continuously effective and valid from the date of execution of this Power of Attorney.

During the term of this Power of Attorney, I hereby waive all the rights associated with My Shareholding, which have been authorized to WFOE through this Power of Attorney, and shall not exercise such rights by myself.

This Power of Attorney is written in Chinese and English. In case of any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.

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This Power of Attorney is signed on [ ], 2016.

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[·]  
By: \_\_\_\_\_

Accepted by

Beijing Hexin Yongheng Technology Development Co., Ltd

By: \_\_\_\_\_  
Name: Xiaobo An  
Title: Legal Representative

Acknowledged by:

**Hexin E-Commerce Co., Ltd.**

By: \_\_\_\_\_  
Name: Xiaobo An  
Title: Legal Representative

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## Exclusive Option Agreement

This Exclusive Option Agreement (this “Agreement”) is executed by and among the following Parties as of [ ], 2016 in Beijing, the People’s Republic of China (“China” or the “PRC”):

**Party A:** Beijing Hexin Yongheng Technology Development Co., Ltd, a wholly foreign owned enterprise, organized and existing under the laws of the PRC, with its address at Room C107, Floor 2, No. 88 Xiangshan Road, Haidian District, Beijing, People’s Republic of China;

**Party B:** [·], a Chinese citizen with Identification No.: [·]; and

**Party C:** **Hexin E-Commerce Co., Ltd.**, a limited liability company organized and existing under the laws of the PRC, with its address at Floor 13, No. 92 Jianguo Road, Chaoyang District, Beijing, People’s Republic of China.

In this Agreement, each of Party A, Party B and Party C shall be referred to as a “Party” respectively, and they shall be collectively referred to as the “Parties”.

Whereas:

1. Party B is a shareholder of Party C and as of the date hereof holds [·]% of equity interests of Party C, representing RMB[·] in the registered capital of Party C.
2. Party A and Party B executed a Loan Agreement (“Loan Agreement”) on [ ], 2016, according to which Party A agreed to provide Party B with a loan in amount of RMB [ ] to be used for the purpose of subscribing the registered capital of Party C.
3. Party B agrees to grant Party A an exclusive right through this Agreement, and Party A agrees to accept such exclusive right to purchase all or part equity interest held by Party B in Party C.

Now therefore, upon mutual discussion and negotiation, the Parties have reached the following agreement:

### 1. Sale and Purchase of Equity Interest

#### 1.1 Option Granted

In consideration of the payment of RMB10 by Party A, the receipt and adequacy of which is hereby acknowledged by Party B, Party B hereby irrevocably grants Party A an irrevocable and exclusive right to purchase, or designate one or more persons (each, a “Designee”) to purchase the equity interests in Party C then held by Party B once or at multiple times at any time in part or in whole at Party A’s sole and absolute discretion to the

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extent permitted by Chinese laws and at the price described in Section 1.3 herein (such right being the “Equity Interest Purchase Option”). Except for Party A and the Designee(s), no other person shall be entitled to the Equity Interest Purchase Option or other rights with respect to the equity interests of Party B. Party C hereby agrees to the grant by Party B of the Equity Interest Purchase Option to Party A. The term “person” as used herein shall refer to individuals, corporations, partnerships, partners, enterprises, trusts or non-corporate organizations.

#### 1.2 Steps for Exercise of Equity Interest Purchase Option

Subject to the provisions of the laws and regulations of China, Party A may exercise the Equity Interest Purchase Option by issuing a written notice to Party B (the “Equity Interest Purchase Option Notice”), specifying: (a) Party A’s or the Designee’s decision to exercise the Equity Interest Purchase Option; (b) the portion of equity interests to be purchased by Party A or the Designee from Party B (the “Optioned Interests”); and (c) the date for purchasing the Optioned Interests or the date for transfer of the Optioned Interests.

#### 1.3 Equity Interest Purchase Price

The purchase price of all equity interests held by Party B in Party C purchased by Party A by exercising the Equity Interest Purchase Option shall be RMB [ ]; if Party A exercises the Equity Interest Purchase Option to purchase part of the equity interests held by Party B in Party C, the purchase price shall be calculated pro rata. If PRC law requires a minimum price higher than aforementioned price when Party A exercises Equity Interest Purchase Option, the minimum price regulated by PRC law shall be the purchase price (collectively, the “Equity Interest Purchase Price”).

#### 1.4 Transfer of Optioned Interests

For each exercise of the Equity Interest Purchase Option:

- 1.4.1 Party B shall cause Party C to promptly convene a shareholders’ meeting, at which a resolution shall be adopted approving Party B’s transfer of the Optioned Interests to Party A and/or the Designee(s);
- 1.4.2 Party B shall obtain written statements from the other shareholders of Party C giving consent to the transfer of the equity interest to Party A and/or the Designee(s) and waiving any right of first refusal related thereto;

- 1.4.3 Party B shall execute an equity interest transfer contract with respect to each transfer with Party A and/or each Designee (whichever is applicable), in accordance with the provisions of this Agreement and the Equity Interest Purchase Option Notice regarding the Optioned Interests;

- 1.4.4 The relevant Parties shall execute all other necessary contracts, agreements or documents, obtain all necessary government licenses and permits and take all necessary actions to transfer valid ownership of the Optioned Interests to Party A and/or the Designee(s), unencumbered by any security interests, and cause Party A and/or the Designee(s) to become the registered owner(s) of the Optioned Interests. For the purpose of this Section and this Agreement, "security interests" shall include securities, mortgages, third party's rights or interests, any stock options, acquisition right, right of first refusal, right to offset, ownership retention or other security arrangements, but shall be deemed to exclude any security interest created by this Agreement, Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney. "Party B's Equity Interest Pledge Agreement" as used in this Agreement shall refer to the Interest Pledge Agreement executed by and among Party A, Party B and Party C on the date hereof and any modification, amendment and restatement thereto. "Party B's Power of Attorney" as used in this Agreement shall refer to the Power of Attorney executed by Party B on the date hereof granting Party A with power of attorney and any modification, amendment and restatement thereto.

## **2. Covenants**

### **2.1 Covenants regarding Party C**

Party B (as a shareholder of Party C) and Party C hereby covenant as follows:

- 2.1.1 Without the prior written consent of Party A, they shall not in any manner supplement, change or amend the articles of association of Party C, increase or decrease its registered capital, or change its structure of registered capital in other manners;
- 2.1.2 They shall maintain Party C's corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating its business and handling its affairs;
- 2.1.3 Without the prior written consent of Party A, they shall not at any time following the date hereof, sell, transfer, mortgage or dispose of in any manner any assets of Party C or legal or beneficial interest in the material business or revenues of Party C, or allow the encumbrance thereon of any security interest;
- 2.1.4 Without the prior written consent of Party A, they shall not incur, inherit, guarantee or suffer the existence of any debt, except for

payables incurred in the ordinary course of business other than through loans;

- 2.1.5 They shall always operate all of Party C's businesses in the ordinary course of business to maintain the asset value of Party C and refrain from any action/omission that may affect Party C's operating status and asset value;
- 2.1.6 Without the prior written consent of Party A, they shall not cause Party C to execute any major contract, except the contracts in the ordinary course of business (for purpose of this subsection, a contract with a price exceeding RMB100,000 shall be deemed a major contract);
- 2.1.7 Without the prior written consent of Party A, they shall not cause Party C to provide any person with any loan or credit;
- 2.1.8 They shall provide Party A with information on Party C's business operations and financial condition at Party A's request;
- 2.1.9 If requested by Party A, they shall procure and maintain insurance in respect of Party C's assets and business from an insurance carrier acceptable to Party A, at an amount and type of coverage typical for companies that operate similar businesses;
- 2.1.10 Without the prior written consent of Party A, they shall not cause or permit Party C to merge, consolidate with, acquire or invest in any person;
- 2.1.11 They shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Party C's assets, business or revenue;
- 2.1.12 To maintain the ownership by Party C of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and raise necessary or appropriate defenses against all claims;
- 2.1.13 Without the prior written consent of Party A, they shall ensure that Party C shall not in any manner distribute dividends to its shareholders, provided that upon Party A's written request, Party C shall immediately distribute all distributable profits to its shareholders;
- 2.1.14 At the request of Party A, they shall appoint any person designated by Party A as the director or executive director of Party C.
- 2.1.15 Without Party A's prior written consent, they shall not engage in any business in competition with Party A or its affiliates; and

2.1.16 Unless otherwise required by PRC law, Party C shall not be dissolved or liquidated without prior written consent by Party A.

## 2.2 Covenants of Party B

Party B hereby covenants as follows:

- 2.2.1 Without the prior written consent of Party A, Party B shall not sell, transfer, mortgage or dispose of in any other manner any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon, except for the interest placed in accordance with Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney;
- 2.2.2 Without the prior written consent of Party A, Party B shall cause the shareholders' meeting and/or the directors (or the executive director) of Party C not to approve any sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon of any security interest, except for the interest placed in accordance with Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney;
- 2.2.3 Without the prior written consent of Party A, Party B shall cause the shareholders' meeting or the directors (or the executive director) of Party C not to approve the merger or consolidation with any person, or the acquisition of or investment in any person;
- 2.2.4 Party B shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the equity interests in Party C held by Party B;
- 2.2.5 Party B shall cause the shareholders' meeting or the directors (or the executive director) of Party C to vote their approval of the transfer of the Optioned Interests as set forth in this Agreement and to take any and all other actions that may be requested by Party A;
- 2.2.6 To the extent necessary to maintain Party B's ownership in Party C, Party B shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and raise necessary or appropriate defenses against all claims;
- 2.2.7 Party B shall appoint any designee of Party A as the director or the executive director of Party C, at the request of Party A;
- 2.2.8 Party B hereby waives its right of first of refusal to transfer of equity interest by any other shareholder of Party C to Party A (if any), and

gives consent to execution by each other shareholder of Party C with Party A and Party C the exclusive option agreement, the equity interest pledge agreement and the power of attorney similar to this Agreement, Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney and undertakes not to take any action in conflict with such documents executed by the other shareholders;

- 2.2.9 Party B shall promptly donate any profit, interest, dividend or proceeds of liquidation, or any proceeds from transferring its entire or a part of equity interest in Party C, to Party A or any other person designated by Party A to the extent permitted under applicable PRC laws; and
- 2.2.10 Party B shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among Party B, Party C and Party A, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. To the extent that Party B has any remaining rights with respect to the equity interests subject to this Agreement hereunder or under the Party B's Equity Interest Pledge Agreement or under the Party B's Power of Attorney, Party B shall not exercise such rights except in accordance with the written instructions of Party A.

## 3. Representations and Warranties

Party B and Party C hereby represent and warrant to Party A, jointly and severally, as of the date of this Agreement and each date of transfer of the Optioned Interests, that:

- 3.1 They have the power, capacity and authority to execute and deliver this Agreement and any equity interest transfer contracts to which they are parties concerning the Optioned Interests to be transferred thereunder (each, a "Transfer Contract"), and to perform their obligations under this Agreement and any Transfer Contracts. Party B and Party C agree to enter into Transfer Contracts consistent with the terms of this Agreement upon Party A's exercise of the Equity Interest Purchase Option. This Agreement and the Transfer Contracts to which they are parties constitute or will constitute their legal, valid and binding obligations and shall be enforceable against them in accordance with the provisions thereof;
- 3.2 Party B and Party C have obtained any and all approvals and consents from government authorities and third parties (if required) for execution, delivery and performance of this Agreement.
- 3.3 The execution and delivery of this Agreement or any Transfer Contracts and the obligations under this Agreement or any Transfer Contracts shall not: (i) cause any violation of any applicable laws of China; (ii) be inconsistent with the articles of association, bylaws or other organizational documents of Party C; (iii) cause the violation of any contracts or

instruments to which they are a party or which are binding on them, or constitute any breach under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them;

- 3.4 Party B has a good and merchantable title to the equity interests held by Party B in Party C. Except for Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney, Party B has not placed any security interest on such equity interests;
- 3.5 Party C has a good and merchantable title to all of its assets, and has not placed any security interest on the aforementioned assets;
- 3.6 Party C does not have any outstanding debts, except for (i) debt incurred in the ordinary course of business; and (ii) debts disclosed to Party A for which Party A's written consent has been obtained.
- 3.7 Party C has complied with all applicable laws and regulations; and
- 3.8 There are no pending or threatened litigation, arbitration or administrative proceedings relating to the equity interests in Party C, assets of Party C or Party C.

#### **4. Effective Date and Term**

This Agreement shall become effective upon execution by the Parties, and remain effective until all equity interests held by Party B in Party C have been transferred or assigned to Party A and/or any other person designated by Party A in accordance with this Agreement.

#### **5. Governing Law and Resolution of Disputes**

##### **5.1 Governing law**

The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of PRC.

##### **5.2 Methods of Resolution of Disputes**

In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Parties for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its arbitration rules. The

arbitration shall be conducted in Beijing. The arbitration award shall be final and binding on all Parties.

#### **6. Taxes and Fees**

Each Party shall pay any and all transfer and registration tax, expenses and fees incurred thereby or levied thereon in accordance with the laws of China in connection with the preparation and execution of this Agreement and the Transfer Contracts, as well as the consummation of the transactions contemplated under this Agreement and the Transfer Contracts.

#### **7. Notices**

- 7.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

- 7.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt or refusal at the address specified for notices;

- 7.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

- 7.2 For the purpose of notices, the addresses of the Parties are as follows:

**Party A:** Beijing Hixin Yongheng Technology Development Co., Ltd  
Address: Room C107, Floor 2, No. 88 Xiangshan Road, Haidian District, Beijing, People's Republic of China  
Attn: Xiaobo An  
Phone: [ ]  
Facsimile: [ ]

**Party B:** [-]  
Address: [-]  
Phone: [ ]  
Facsimile: [ ]

**Party C:** Hixin E-Commerce Co., Ltd.



7.3 Any Party may at any time change its address for notices by a notice delivered to the other Parties in accordance with the terms hereof.

**8. Confidentiality**

The Parties acknowledge that the existence and the terms of this Agreement, and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of other Parties, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the shareholders, director, employees or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

**9. Further Warranties**

The Parties agree to promptly execute documents that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement.

**10. Breach of Agreement**

10.1 If Party B or Party C conducts any material breach of any term of this Agreement, Party A shall have right to terminate this Agreement and/or require the Party B or Party C to compensate all damages; this Section 10 shall not prejudice any other rights of Party A herein;

10.2 Party B or Party C shall not have any right to terminate this Agreement in any event unless otherwise required by applicable laws.

**11. Miscellaneous**

11.1 Amendment, change and supplement

Any amendment, change and supplement to this Agreement shall require the execution of a written agreement by all of the Parties.

11.2 Entire agreement

Except for the amendments, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supercede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement.

11.3 Headings

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

11.4 Language

This Agreement is written in both Chinese and English language in three copies, each Party having one copy. In case of any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.

11.5 Severability

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

11.6 Successors

This Agreement shall be binding on and shall inure to the interest of the respective successors of the Parties and the permitted assigns of such Parties.

11.7 Survival

11.7.1 Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early termination thereof.

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11.7.2 The provisions of Sections 5, 8, 10 and this Section 11.7 shall survive the termination of this Agreement.

11.8 Waivers

Any Party may waive the terms and conditions of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall operate as a waiver by such a Party with respect to any similar breach in other circumstances.

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

**Party A:** Beijing Hexin Yongheng Technology Development Co., Ltd

By:

Name: Xiaobo An

Title: Legal Representative

**Party B:** [-]

By:

**Party C:** Hexin E-Commerce Co., Ltd.

By:

Name: Xiaobo An

Title: Legal Representative

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## Loan Agreement

This Loan Agreement (this “Agreement”) is made and entered into by and between the Parties below as of February 22, 2015 in Beijing, China:

- (1) Beijing Hexin Yongheng Technology Development Co., Ltd (“Lender”), a wholly foreign owned enterprise, organized and existing under the laws of the PRC, with its address at Room C107, Floor 2, No. 88 Xiangshan Road, Haidian District, Beijing, People’s Republic of China;
- (2) [·] (“Borrower”), a citizen of China with Chinese Identification No.: 130183198212131275.

Each of the Lender and the Borrower shall be hereinafter referred to as a “Party” respectively, and as the “Parties” collectively.

### Whereas:

1. As of the date hereof, Borrower holds [·]% of equity interests in Hexin E-Commerce Co., Ltd. (“Borrower Company”). All of the equity interest now held and hereafter acquired by Borrower in Borrower Company shall be referred to as Borrower Equity Interest;
2. Lender confirms that it agrees to provide Borrower with and Borrower confirms that he/she has received a loan which equals to RMB [ ] to be used for the purposes set forth under this Agreement.

After friendly consultation, the Parties agree as follows:

### 1 Loan

- 1.1 In accordance with the terms and conditions of this Agreement, Lender and Borrower hereby acknowledge that Borrower has obtained from Lender a loan in the amount of RMB [ ] (the “Loan”). The term of the Loan shall be 10 years from the effective date of this Agreement, which may be extended upon mutual written consent of the Parties. During the term of the Loan or the extended term of the Loan, Borrower shall immediately repay the full amount of the Loan in the event any one or more of the following circumstances occur:
  - 1.1.1 30 days elapse after Borrower receives a written notice from Lender requesting repayment of the Loan;
  - 1.1.2 Borrower’s death, lack or limitation of civil capacity;
  - 1.1.3 Borrower ceases (for any reason) to be an employee of Lender, Borrower Company or their affiliates;
  - 1.1.4 Borrower engages in criminal act or is involved in criminal activities;
  - 1.1.5 According to the applicable laws of China, foreign investors are permitted to invest in the principle business that is currently conducted by Borrower Company in China with a controlling stake and/or in the form of wholly-foreign-owned enterprises, the relevant competent authorities of China begin to approve such investments, and Lender exercises the exclusive option under the Exclusive Option Agreement (the “Exclusive Option Agreement”) described in this Agreement.
- 1.2 The Loan provided by Lender under this Agreement shall inure to Borrower’s benefit only and not to Borrower’s successors or assigns.
- 1.3 Borrower agrees to accept the aforementioned Loan provided by Lender, and hereby agrees and warrants using the Loan to subscribe the registered capital of Borrower Company. Without Lender’s prior written consent, Borrower shall not use the Loan for any purpose other than as set forth herein.
- 1.4 Lender and Borrower hereby agree and acknowledge that Borrower’s method of repayment shall be at the sole discretion of Lender, and shall at Lender’s option take the form of Borrower’s transferring the Borrower Equity Interest in whole to Lender or Lender’s designated persons (legal or natural persons) pursuant to the Lender’s exercise of its right to acquire the Borrower Equity Interest under the Exclusive Option Agreement, and any proceeds from the transfer of the Borrower Equity Interest (to the extent permissible) shall be used by the Borrower to repay the Loan to Lender, in accordance with this Agreement and in the manner designated by Lender.
- 1.5 Lender and Borrower hereby agree and acknowledge that to the extent permitted by applicable laws, Lender shall have the right but not the obligation to purchase or designate other persons (legal or natural persons) to purchase Borrower Equity Interest in part or in whole at any time, at the price stipulated in the Exclusive Option Agreement.
- 1.6 Borrower also undertakes to execute an irrevocable Power of Attorney (the “Power of Attorney”), which authorizes Lender or a legal or natural person designated by Lender to exercise all of Borrower’s rights as a shareholder of Borrower Company.
- 1.7 When Borrower transfers Borrower Equity Interest to Lender or Lender’s designated person(s), in the event that the transfer price of such equity interest equals or is lower than the principal of the Loan under this Agreement, the Loan under this Agreement shall be deemed an interest-free loan. In the event that the transfer price of such equity interest exceeds the principal of the Loan under this Agreement, the excess over the principal

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shall be deemed the interest of the Loan under this Agreement payable by Borrower to Lender.

## **2 Representations and Warranties**

- 2.1 Between the date of this Agreement and the date of termination of this Agreement, Lender hereby makes the following representations and warranties to Borrower:
- 2.1.1 Lender is a corporation duly organized and legally existing in accordance with the laws of China;
- 2.1.2 Lender has the legal capacity to execute and perform this Agreement. The execution and performance by Lender of this Agreement is consistent with Lender's scope of business and the provisions of Lender's corporate bylaws and other organizational documents, and Lender has obtained all necessary and proper approvals and authorizations for the execution and performance of this Agreement; and
- 2.1.3 This Agreement constitutes Lender's legal, valid and binding obligations enforceable in accordance with its terms.
- 2.2 Between the date of this Agreement and the date of termination of this Agreement, Borrower hereby makes the following representations and warranties:
- 2.2.1 Borrower has the legal capacity to execute and perform this Agreement. Borrower has obtained all necessary and proper approvals and authorizations for the execution and performance of this Agreement;
- 2.2.2 This Agreement constitutes Borrower's legal, valid and binding obligations enforceable in accordance with its terms; and
- 2.2.3 There are no disputes, litigations, arbitrations, administrative proceedings or any other legal proceedings relating to Borrower, nor are there any potential disputes, litigations, arbitrations, administrative proceedings or any other legal proceedings relating to Borrower.

## **3 Borrower's Covenants**

- 3.1 As and when he becomes, and for so long as he remains a shareholder of Borrower Company, Borrower covenants irrevocably that during the term of this Agreement, Borrower shall cause Borrower Company:
- 3.1.1 to strictly abide by the provisions of the Exclusive Option Agreement and the Exclusive Business Cooperation Agreement ("Exclusive Business Cooperation Agreement") to which the

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Borrower Company is a party, and to refrain from any action/omission that may affect the effectiveness and enforceability of the Exclusive Option Agreement and Exclusive Business Cooperation Agreement.

- 3.1.2 at the request of Lender (or a party designated by Lender), to execute contracts/agreements on business cooperation with Lender (or a party designated by Lender), and to strictly abide by such contracts/agreements;
- 3.1.3 to provide Lender with all of the information on Borrower Company's business operations and financial condition at Lender's request;
- 3.1.4 to immediately notify Lender of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Borrower Company's assets, business or income;
- 3.1.5 at the request of Lender, to appoint any persons designated by Lender as directors of Borrower Company;
- 3.2 Borrower covenants that during the term of this Agreement, he shall:
- 3.2.1 endeavor to keep Borrower Company to engage in its principle businesses;
- 3.2.2 abide by the provisions of this Agreement, the Power of Attorney, the Equity Interest Pledge Agreement ("Equity Interest Pledge Agreement") and the Exclusive Option Agreement to which the Borrower is a party, perform his obligations under this Agreement, the Power of Attorney, the Equity Interest Pledge Agreement and the Exclusive Option Agreement, and refrain from any action/omission that may affect the effectiveness and enforceability of this Agreement, the Power of Attorney, the Equity Interest Pledge Agreement and the Exclusive Option Agreement;
- 3.2.3 not sell, transfer, mortgage or dispose of in any other manner the legal or beneficial interest in Borrower Equity Interest, or allow the encumbrance thereon of any security interest or the encumbrance, except in accordance with the Equity Interest Pledge Agreement;
- 3.2.4 cause any shareholders' meeting and/or the board of directors of Borrower Company not to approve the sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in Borrower Equity Interest, or allow the encumbrance thereon of any security interest, except to Lender or Lender's designated person;
- 3.2.5 cause any shareholders' meeting and/or the board of directors of the Borrower Company not to approve the merger or consolidation of Borrower Company with any person, or its acquisition of or

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investment in any person, without the prior written consent of Lender;

- 3.2.6 immediately notify Lender of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Borrower Equity Interest;
- 3.2.7 to the extent necessary to maintain his ownership of the Borrower Equity Interest, execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defense against all claims;
- 3.2.8 without the prior written consent of Lender, refrain from any action /omission that may have a material impact on the assets, business and liabilities of Borrower Company;
- 3.2.9 appoint any designee of Lender as director of Borrower Company, at the request of Lender;
- 3.2.10 to the extent permitted by the laws of China, at the request of Lender at any time, promptly and unconditionally transfer all of Borrower Equity Interest to Lender or Lender's designated representative(s) at any time, and cause the other shareholders of Borrower Company to waive their right of first refusal with respect to the share transfer described in this Section;
- 3.2.11 to the extent permitted by the laws of China, at the request of Lender at any time, cause the other shareholders of Borrower Company to promptly and unconditionally transfer all of their equity interests to Lender or Lender's designated representative(s) at any time, and Borrower hereby waives his right of first refusal (if any) with respect to the share transfer described in this Section;
- 3.2.12 in the event that Lender purchases Borrower Equity Interest from Borrower in accordance with the provisions of the Exclusive Option Agreement, use such purchase price obtained thereby to repay the Loan to Lender; and
- 3.2.13 without the prior written consent of Lender, not to cause Borrower Company to supplement, change, or amend its articles of association in any manner, increase or decreases its registered capital or change its share capital structure in any manner.

#### **4 Liability for Default**

- 4.1 If Borrower conducts any material breach of any term of this Agreement, Lender shall have right to terminate this Agreement and require the Borrower to compensate all damages; this Section 4.1 shall not prejudice any other rights of Lender herein.

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- 4.2 Borrower shall not terminate this Agreement in any event unless otherwise required by applicable laws.
- 4.3 In the event that Borrower fails to perform the repayment obligations set forth in this Agreement, Borrower shall pay overdue interest of 0.01% per day for the outstanding payment, until the day Borrower repays the full principal of the Loan, overdue interests and other payable amounts.

#### **5 Notices**

- 5.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
  - 5.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery.
  - 5.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).
- 5.2 For the purpose of notices, the addresses of the Parties are as follows:

**Lender:** Beijing Hexin Yongheng Technology Development Co., Ltd  
**Address:** Room C107, Floor 2, No. 88 Xiangshan Road, Haidian District, Beijing, People's Republic of China  
**Attn:** Xiaobo An  
**Phone:** [ ]  
**Facsimile:** [ ]

**Borrower:** [·]  
**Address:** [·]  
**Phone:** [ ]  
**Facsimile:** [ ]

- 5.3 Any Party may at any time change its address for notices by a notice delivered to the other Party in accordance with the terms hereof.

#### **6 Confidentiality**

information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the shareholders, director, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

## **7 Governing Law and Resolution of Disputes**

- 7.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes shall be governed by the laws of China.
- 7.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Party for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its then effective arbitration rules. The arbitration shall be conducted in Beijing. The arbitration award shall be final and binding on all Parties.
- 7.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

## **8 Miscellaneous**

- 8.1 This Agreement should become effective upon execution by the Parties, and shall expire upon the date of full performance by the Parties of their respective obligations under this Agreement.
- 8.2 This Agreement shall be written in both Chinese and English language in two copies, each Party having one copy. The Chinese version and English version shall have equal legal validity.
- 8.3 This Agreement may be amended or supplemented through written agreement by and between Lender and Borrower. Such written amendment

agreement and/or supplementary agreement executed by and between Lender and Borrower are an integral part of this Agreement, and shall have the same legal validity as this Agreement.

- 8.4 In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.
- 8.5 The attachments (if any) to this Agreement shall be an integral part of this Agreement and shall have the same legal validity as this Agreement.
- 8.6 Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early termination thereof. The provisions of Sections 4, 6, 7 and this Section 8.6 shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Loan Agreement as of the date first above written.

**Lender:** Beijing Hexin Yongheng Technology Development Co., Ltd

By:  
Name: Xiaobo An  
Title: Legal Representative

**Borrower: [-]**

By: \_\_\_\_\_

\_\_\_\_\_

## Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement (this “Agreement”) is made and entered into by and between the following parties on [ ], 2016 in Beijing, the People’s Republic of China (“China” or the “PRC”).

**Party A: Beijing Hexin Yongheng Technology Development Co., Ltd**

Address: Room C107, Floor 2, No. 88 Xiangshan Road, Haidian District, Beijing, People’s Republic of China

**Party B: Hexin E-Commerce Co., Ltd.**

Address: Floor 13, No. 92 Jianguo Road, Chaoyang District, Beijing, People’s Republic of China

Each of Party A and Party B shall be hereinafter referred to as a “Party” respectively, and as the “Parties” collectively.

Whereas,

1. Party A is a wholly foreign owned enterprise established in China, and has the necessary resources to provide technical and consulting services;
2. Party B is a company established in China with exclusively domestic capital and is permitted to engage in [ ] by relevant PRC government authorities. The businesses conducted by Party B currently and any time during the term of this Agreement are collectively referred to as the “Principal Business”;
3. Party A is willing to provide Party B with technical support, consulting services and other services on exclusive basis in relation to the Principal Business during the term of this Agreement, utilizing its advantages in technology, human resources, and information, and Party B is willing to accept such services provided by Party A or Party A’s designee(s), each on the terms set forth herein.

Now, therefore, through mutual discussion, the Parties have reached the following agreements:

**1. Services Provided by Party A**

- 1.1 Party B hereby appoints Party A as Party B’s exclusive services provider to provide Party B with comprehensive technical support, consulting services and other services during the term of this

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Agreement, in accordance with the terms and conditions of this Agreement, including but not limited to the follows:

- (1) Licensing Party B to use any software legally owned by Party A;
  - (2) Development, maintenance and update of software involved in Party B’s business;
  - (3) Design, installation, daily management, maintenance and updating of network system, hardware and database design;
  - (4) Technical support and training for employees of Party B;
  - (5) Assisting Party B in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign-owned enterprises are prohibited from conducting under PRC law);
  - (6) Providing business management consultation for Party B;
  - (7) Providing marketing and promotion services for Party B;
  - (8) Providing customer order management and customer services for Party B;
  - (9) Leasing of equipments or properties; and
  - (10) Other services requested by Party B from time to time to the extent permitted under PRC law.
- 1.2 Party B agrees to accept all the services provided by Party A. Party B further agrees that unless with Party A’s prior written consent, during the term of this Agreement, Party B shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish similar corporation relationship with any third party regarding the matters contemplated by this Agreement. Party A may designate other parties, who may enter into certain agreements described in Section 1.3 with Party B, to provide Party B with the services under this Agreement. For the purpose of this Agreement, Party A and other parties designated by Party A may be respectively referred to as a “Service Provider,” or collectively as “Service Providers.”

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### 1.3 Service Providing Methodology

- 1.3.1 Party A and Party B agree that during the term of this Agreement, where necessary, Party B may enter into further service agreements with Party A or any other party designated by Party A, which shall provide the specific contents, manner, personnel, and fees for the specific services.
- 1.3.2 To fulfill this Agreement, Party A and Party B agree that during the term of this Agreement, where necessary, Party B may enter into equipment or property leases with Party A or any other party designated by Party A which shall permit Party B to use Party A's relevant equipment or property based on the needs of the business of Party B.
- 1.3.3 Party B hereby grants to Party A an irrevocable and exclusive option to purchase from Party B, at Party A's sole discretion, any or all of the assets and business of Party B, to the extent permitted under PRC law, at the lowest purchase price permitted by PRC law. The Parties shall then enter into a separate assets or business transfer agreement, specifying the terms and conditions of the transfer of the assets.

## 2. The Calculation and Payment of the Service Fees

2.1 The fees payable by Party B to Service Providers during the term of this Agreement shall be calculated as follows:

2.1.1 Party B shall pay service fee to Party A or to Service Providers as instructed by Party A in each month. The service fee for each month shall consist of management fee and fee for services provided, which shall be determined or adjusted (if necessary) by the Party A by considering the following factors. Party B shall accept such determination and adjustments.

- (1) Complexity and difficulty of the services provided by Party A;
- (2) Title of and time consumed by employees of the Service Provider providing the services;
- (3) Contents and value of the services provided by Party A;

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- (4) Market price of the same type of services;
- (5) Operation conditions of the Party B.

2.1.2 If a Service Provider transfers technology to Party B or develops software or other technology as entrusted by Party B or leases equipments or properties to Party B, the technology transfer price, development fees or rent shall be determined by Party A or the Service Provider as instructed by Party A based on the actual situations.

## 3. Intellectual Property Rights and Confidentiality Clauses

3.1 Party A shall have exclusive and proprietary ownership, rights and interests in any and all intellectual properties arising out of or created during the performance of this Agreement, including but not limited to copyrights, patents, patent applications, software, technical secrets, trade secrets and others. Party B shall execute all appropriate documents, take all appropriate actions, submit all filings and/or applications, render all appropriate assistance and otherwise conduct whatever is necessary as deemed by Party A at its sole discretion for the purposes of vesting any ownership, right or interest of any such intellectual property rights in Party A, and/or perfecting the protections for any such intellectual property rights in Party A.

3.2 The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the shareholders, director, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential

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information by such Party and such Party shall be held liable for breach of this Agreement.

## 4. Representations and Warranties

4.1 Party A hereby represents, warrants and covenants as follows:

4.1.1 Party A is a wholly foreign owned enterprise legally established and validly existing in accordance with the laws of China; Party A or the service providers designated by Party A will obtain all government permits and licenses for providing the service under this Agreement before providing such services.

- 4.1.2 Party A has taken all necessary corporate actions, obtained all necessary authorizations as well as all consents and approvals from third parties and government agencies (if required) for the execution, delivery and performance of this Agreement. Party A's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation.
- 4.1.3 This Agreement constitutes Party A's legal, valid and binding obligations, enforceable against it in accordance with its terms.
- 4.2 Party B hereby represents, warrants and covenants as follows:
- 4.2.1 Party B is a company legally established and validly existing in accordance with the laws of China and has obtained and will maintain all permits and licenses for engaging in the Principal Business in a timely manner.
- 4.2.2 Party B has taken all necessary corporate actions, obtained all necessary authorizations as well as all consents and approvals from third parties and government agencies (if required) for the execution, delivery and performance of this Agreement. Party B's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation.
- 4.2.3 This Agreement constitutes Party B's legal, valid and binding obligations, and shall be enforceable against it in accordance with its terms.

## 5. Term of Agreement

- 5.1 This Agreement shall become effective upon execution by the Parties. Unless terminated in accordance with the provisions of this Agreement or terminated in writing by Party A, this Agreement shall remain effective.
- 5.2 During the term of this Agreement, each Party shall renew its operation term prior to the expiration thereof so as to enable this Agreement to remain effective. This Agreement shall be terminated upon the expiration of the operation term of a Party if the application for renewal of its operation term is not approved by relevant government authorities.
- 5.3 The rights and obligations of the Parties under Sections 3, 6, 7 and this Section 5.3 shall survive the termination of this Agreement.

## 6. Governing Law and Resolution of Disputes

- 6.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of China.
- 6.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Party for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its arbitration rules. The arbitration shall be conducted in Beijing. The arbitration award shall be final and binding on both Parties.
- 6.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

## 7. Breach of Agreement and Indemnification

- 7.1 If Party B conducts any material breach of any term of this Agreement, Party A shall have right to terminate this Agreement and/or require

Party B to indemnify all damages; this Section 7.1 shall not prejudice any other rights of Party A herein.

- 7.2 Unless otherwise required by applicable laws, Party B shall not have any right to terminate this Agreement in any event.
- 7.3 Party B shall indemnify and hold harmless Party A from any losses, injuries, obligations or expenses caused by any lawsuit, claims or other demands against Party A arising from or caused by the services provided by Party A to Party B pursuant this Agreement, except where such losses, injuries, obligations or expenses arise from the gross negligence or willful misconduct of Party A.

## 8. Force Majeure

- 8.1 In the case of any force majeure events ("Force Majeure") such as earthquake, typhoon, flood, fire, flu, war, strikes or any other events that cannot be predicted and are unpreventable and unavoidable by the affected Party, which directly or indirectly causes the failure of either Party to perform or completely perform this Agreement, then the Party affected by such Force Majeure shall give the other Party written notices without any delay, and shall provide details of such event within 15 days after sending out such notice, explaining the reasons for such failure of, partial or delay of performance.
- 8.2 If such Party claiming Force Majeure fails to notify the other Party and furnish it with proof pursuant to the above provision, such Party shall not be excused from the non-performance of its obligations hereunder. The Party so affected by the event of Force Majeure shall use reasonable efforts to minimize the consequences of such Force Majeure and to promptly resume performance hereunder whenever the

causes of such excuse are cured. Should the Party so affected by the event of Force Majeure fail to resume performance hereunder when the causes of such excuse are cured, such Party shall be liable to the other Party.

- 8.3 In the event of Force Majeure, the Parties shall immediately consult with each other to find an equitable solution and shall use all reasonable endeavours to minimize the consequences of such Force Majeure.

## 9. Notices

- 9.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

9.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt or refusal at the address specified for notices.

9.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

- 9.2 For the purpose of notices, the addresses of the Parties are as follows:

**Party A:** Beijing Hexin Yongheng Technology Development Co., Ltd

Address: Room C107, Floor 2, No. 88 Xiangshan Road, Haidian District, Beijing, People's Republic of China

Attn: Xiaobo An

Phone: [ ]

Facsimile: [ ]

**Party B: Hexin E-Commerce Co., Ltd.**

Address: Floor 13, No. 92 Jianguo Road, Chaoyang District, Beijing, People's Republic of China

Attn: Xiaobo An

Phone: [ ]

Facsimile: [ ]

- 9.3 Any Party may at any time change its address for notices by a notice delivered to the other Party in accordance with the terms hereof.

## 10. Assignment

- 10.1 Without Party A's prior written consent, Party B shall not assign its rights and obligations under this Agreement to any third party.
- 10.2 Party B agrees that Party A may assign its obligations and rights under this Agreement to any third party and in case of such assignment, Party A is only required to give written notice to Party B and does not need any consent from Party B for such assignment.

## 11. Severability

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

## 12. Amendments and Supplements

Any amendments and supplements to this Agreement shall be in writing. The amendment agreements and supplementary agreements that have been signed by the Parties and relate to this Agreement shall be an integral part of this Agreement and shall have the same legal validity as this Agreement.

## 13. Language and Counterparts

This Agreement is written in both Chinese and English language in two copies, each Party having one copy. In case of any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first above written.

**Party A: Beijing Hexin Yongheng Technology Development Co., Ltd**

By: \_\_\_\_\_  
Name: Xiaobo An  
Title: Legal Representative

**Party B: Hexin E-Commerce Co., Ltd.**

By: \_\_\_\_\_  
Name: Xiaobo An  
Title: Legal Representative

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## HEXINDAI INC.

## 2016 EQUITY INCENTIVE PLAN

1. Purposes of this Plan. The purposes of this Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees, Directors and Consultants (each a “Service Provider” and, together, the “Service Providers”) and to promote the success of the Company’s business. This Plan permits the grant of an Option, Restricted Shares, Restricted Share Units and Local Awards.

2. Definitions. As used herein, the following definitions will apply:

(a) “Administrator” means the Board, a Committee or any subcommittee or specified Officers to whom the Board or Committee delegates its administrative authority consistent with Applicable Laws and in accordance with Section 4 of the Plan.

(b) “Applicable Laws” means any applicable legal requirements relating to the administration of and the issuance of equity-based awards under the applicable laws of any country or jurisdiction in connection with the granting, vesting and/or exercising of Awards under this Plan, including, without limitation, the requirements of the laws of the PRC, U.S. federal and state securities laws, the Code, the laws of the Cayman Islands, and the requirements of any stock exchange or quotation system upon which the Shares may be listed or quoted and the applicable laws of any country or jurisdiction where Awards are granted under the Plan. For all purposes of this Plan, references to statutes and regulations shall be deemed to include any successor statutes or regulations, where necessary as determined by the Administrator.

(c) “Award” means, individually or collectively, a grant under this Plan of an Option, Restricted Shares, Restricted Share Units or Local Awards.

(d) “Award Agreement” means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under this Plan. The Award Agreement is subject to the terms and conditions of this Plan.

(e) “Board” means the Board of Directors of the Company.

(f) “Change in Control” means the occurrence of any of the following events:

(i) Any person (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act) is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing [50]% or more of the combined voting power of the Company’s then outstanding securities; or

(ii) The individuals who, as of the date of grant, constituted the Company’s Board of Directors (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual (other than any individual whose initial assumption of office is in connection with an actual or threatened election contest (as such

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term is used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act)) becoming a Director subsequent to the date of grant of an award, whose election, or nomination for election by the stockholders of the Company, was approved by a vote of at least a majority of the Directors then comprising the Incumbent Board, shall be considered as though such individual was a member of the Incumbent Board; or

(iii) The consummation of the sale or disposition by the Company of all or substantially all of the Company’s assets; or

(iv) The consummation of a merger, amalgamation or consolidation of the Company with any other corporation or business entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

Anything in the foregoing to the contrary notwithstanding, a transaction shall not constitute a Change in Control if its sole purpose is to change the legal jurisdiction of the Company’s incorporation or to create a holding company that will be owned in substantially the same proportions by the Persons who held the Company’s Securities immediately before such transaction. In addition, a sale by the Company of its Securities in a transaction, the primary purpose of which is to raise capital for the Company’s operations and business activities including, without limitation, a Qualified IPO, shall not constitute a Change in Control.

(g) “Code” means the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder. Any reference to a section of the Code herein will be a reference to any successor or amended section of the Code.

(h) “Committee” means the compensation committee of the Board or such other committee satisfying Applicable Laws appointed by the Board to administer the Plan, in accordance with Section 4 of the Plan.

(i) “Company” means Hexindai Inc., a company organized under the laws of the Cayman Islands, or any successor thereto.

(j) “Consultant” means any person, including an advisor, engaged by the Company or any Subsidiary to render services to such entity.

(k) “Director” means a member of the Board.

(l) “Disability” means, unless determined otherwise by the Administrator, a disability that entitles the Participant to benefits under the Company’s long-term disability plan, if any, and in the absence of such a plan, the Participant being unable to engage in any substantial gainful activity by

(m) “Employee” means any person employed by the Company or any Subsidiary of the Company. Neither service as a Non-Employee Director nor payment of a Director’s fee by the Company will be sufficient to constitute “employment” by the Company.

(n) “Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(o) “Fair Market Value” means, as of any date, the value of the Shares determined as follows:

(i) If the Shares are listed on any established stock exchange or a national market system, the Fair Market Value (on a per Share basis) will be the closing sales price for such Shares (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Shares are regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value (on a per Share basis) will be the mean between the high bid and low asked prices for the Shares on the day of determination (or, if no bids and asks were reported on that date, as applicable, on the last trading date such bids and asks were reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(iii) For purposes of any Awards granted on the date of a Qualified IPO, the Fair Market Value (on a per Share basis) will be the initial price to the public as set forth in the final prospectus for the initial public offering of Shares; or

(iv) In the absence of an established market for the Shares, the Fair Market Value will be determined in good faith by the Administrator in accordance with Applicable Laws.

(p) “Liquidity Event” means the occurrence of (i) a Qualified IPO or (ii) a Change in Control; provided, however, that the Board may determine that a particular transaction is or is not a Liquidity Event notwithstanding that the transaction falls within the foregoing definition.

(q) “Local Award” shall have the meaning ascribed thereto in Section 9 of this Plan.

(r) “Lock-Up Agreement” shall have the meaning ascribed thereto in Section 13(d) of this Plan.

(s) “Non-Employee Director” means a member of the Board who is not an Officer or Employee.

(t) “Officer” means a person who is an officer of the Company, as determined by the Board.

(u) “Option” means a share option granted pursuant to this Plan.

(v) “Participant” means the holder of an outstanding Award.

(w) “Person” means any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, as well as any syndicate or group that would be deemed to be a person under Section 13(d)(3) of the Exchange Act.

(x) “Plan” means this 2016 Equity Incentive Plan, as it may be amended from time to time.

(y) “Plan Limit” shall have the meaning ascribed thereto in Section 3(a) of this Plan.

(z) “PRC” means the People’s Republic of China, which, for the purposes of this Plan, shall exclude the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

(aa) “PRC Requirements” shall have the meaning ascribed thereto in Section 15 of this Plan.

(bb) “PRC Plan Agent” means Hexin Ecommerce Co., Ltd., a limited liability company owned by the Company and registered in the PRC, or any other Subsidiary of the Company as determined by the Administrator.

(cc) “PRC Plan Registration” means any and all regulatory approvals, registrations, filings and other formalities required under the Applicable Laws in connection with a PRC citizen or resident’s participation in an employee equity incentive plan of a company incorporated outside of China, including without limitation, the registration of such employee incentive plan and its participants with the State Administration of Foreign Exchange or its competent local branch.

(dd) “Qualified IPO” means the closing of an underwritten initial public offering of not less than [15]% of the Shares (i) pursuant to an effective registration statement under the Securities Act or (ii) on the basis of an approved prospectus and/or pursuant to a valid registration, qualification or filing under Applicable Law of another jurisdiction, in each case of the Shares or other equity securities of the Company; provided, however, that a Qualified IPO shall not include a registration relating solely to employee benefit plans or to a Rule 145 transaction under the Securities Act or to similar registrations under Applicable Law of another jurisdiction.

(ee) “Restriction Period” shall have the meaning ascribed thereto in Section 7(d)(i) of this Plan.

(ff) “Restricted Shares” means Shares issued and allotted pursuant to a Restricted Share award under Section 7 of this Plan, or issued and allotted pursuant to the early exercise of an Option.

(gg) “Restricted Share Unit” means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 8 of this Plan. Each Restricted Share Unit represents an unfunded and unsecured obligation of the Company.

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(hh) “Securities” means any equity interest in, or shares of any class in the share capital (equity, preferred or otherwise) of, the Company and any convertible securities, options, warrants and any other type of equity or equity-linked securities convertible, exercisable or exchangeable for any such equity interest or shares of any class in the share capital of the Company.

(ii) “Service Provider” or “Service Providers” shall have the meaning ascribed thereto in Section 1 of this Plan.

(jj) “Share” means ordinary shares of US\$0.0001 par value in the share capital of the Company, as adjusted in accordance with Section 13 of this Plan.

(kk) “Shareholder” means a person whose name is entered in the Register of Members of the Company as the holder of one or more shares in the capital of the Company.

(ll) “Subsidiary” means any corporation, partnership, limited liability company, or other organization, whether incorporated or unincorporated, which is controlled by the Company.

(mm) “Successor Plan” means in the event of a Change in Control where Awards are assumed or replaced by substituted awards, the successor plan applicable to assumed Awards and/or new substituted awards.

(nn) “Termination of Service” shall have the meaning ascribed thereto in Section 6(d)(iii) of this Plan.

(oo) “Triggering Event” means the later to occur of (i) a Liquidity Event and (ii) if so determined by the Administrator at or before the time of a Liquidity Event in order for the issuance of Shares to comply with Applicable Laws, the completion of the PRC Plan Registration of this Plan or a Successor Plan prior to or following a Liquidity Event.

(pp) “Triggering Event Exercise Period” means:

(i) in the event of a Change of Control, whichever of the following two periods expires later: (x) the ninety (90) day period commencing on a Change in Control and (y) the ninety (90) day period commencing on the completion of the PRC Plan Registration of this Plan or the Successor Plan, if necessary to comply with Applicable Law; and

(ii) in the event of a Qualified IPO, whichever of the following two periods expires later: (x) the thirty (30) day period commencing on the expiration of the Lock-Up Agreement period and (y) the ninety (90) day period commencing on the completion of the PRC Plan Registration of this Plan or the Successor Plan, if necessary to comply with Applicable Law to permit the issue and allotment of Shares.

### 3. Shares Subject to this Plan.

(a) Shares Subject to this Plan. Subject to the provisions of Section 13 of this Plan, the maximum aggregate number of Shares that may be issued for all purposes under the Plan shall be 15,780 (the “Plan Limit”). Shares to be issued under the Plan may be authorized and

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unissued Shares, issued Shares that have been reacquired by the Company and that are being held in treasury, or a combination thereof.

(b) Automatic Share Reserve Increase. Subject to the provisions of Sections 13 and 19 of the Plan, the number of Shares available for issuance under the Plan will be increased on the last calendar day of the last fiscal year during each year of the term of the Plan beginning with the 2017 fiscal year by an amount equal to fifteen percent (15%) of (i) the total number of outstanding shares of all classes of the Company’s common stock (“X”) less (ii) the total number of unissued Shares available under the Plan (“Y”) less (iii) the total number of Shares subject to then-outstanding awards under the Plan (“Z”), in each case of (i), (ii) and (iii) as of the last calendar day of the last immediately preceding fiscal year (i.e.,  $(X * 0.15) - Y - Z$ ); provided, however, that in no case shall the foregoing equation cause the number of Shares available for issuance under the Plan to be reduced.

(c) Rules Applicable to Determining Shares Available for Issuance. The number of Shares remaining available for issuance will be reduced by the number of Shares subject to outstanding Awards. For purposes of determining the number of Shares that remain available for issuance under the Plan, the number of Shares that are tendered by a Participant or withheld by the Company to pay the exercise price of an Option or to satisfy the Participant’s tax withholding obligations in connection with an Award, shall not be added back to the Plan Limit. However, for purposes of determining the number of Shares that remain available for issuance under the Plan, the number of Shares corresponding to an Option under the Plan that are forfeited or cancelled or otherwise expire for any reason without having been exercised shall be added back to the Plan Limit and again be available for the grant of Awards. Similarly, if and to the extent an Award of Restricted Shares or Restricted Share Units is canceled or forfeited for any reason, the Shares subject to that Award shall be added back to the Plan Limit and again be available for the grant of Awards. The Shares underlying any cash-settled Award of Restricted Share Units shall not be added back to the Plan Limit. In contrast, and for the avoidance of doubt, the Shares underlying any Local Awards settled in cash shall not be counted against the Plan Limit.

(d) Limits on Awards to Non-Employee Directors and Other Service Providers.<sup>1</sup> After the occurrence of a Qualified IPO, the aggregate grant date fair value (as determined in accordance with FASB ASC Topic 718 or any successor provision) of all Awards granted during any

calendar year to (i) any Non-Employee Director shall not exceed US\$[500,000] and (ii) any other Service Provider shall not exceed US\$[500,000].

(e) Share Reserve. The Company, during the term of this Plan, will at all times keep available such number of unissued Shares available for issue as will be sufficient to satisfy the requirements of this Plan.

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<sup>1</sup> NTD: Query whether to impose limits on the value of Awards or number of Shares other Service Providers can receive during a calendar year.

#### 4. Administration of the Plan.

(a) Administration. Other than as provided in the remainder of this Section 4(a), the Plan will be administered by (i) the Board or (ii) a Committee, which Committee will be constituted to satisfy Applicable Laws.

(b) Multiple Administrative Bodies. Different Committees with respect to different groups of Service Providers may administer the Plan.

(c) Delegation of Authority. Except to the extent prohibited by Applicable Law, the Administrator may, from time to time, delegate limited authority over the day-to-day administration of the Plan to such other subcommittees or specified Officers as it deems necessary, appropriate or advisable under such conditions or limitations as it may set at the time of such delegation or thereafter. Such delegation may be revoked at any time.

(d) Powers of the Administrator. Subject to the provisions of this Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority:

(i) to determine the Fair Market Value;

(ii) to determine eligibility for Plan participant and select the Service Providers to whom Awards may be granted hereunder;

(iii) to determine the number of Shares to be covered by each Award granted hereunder;

(iv) to approve forms of Award Agreements for use under this Plan;

(v) to determine the terms and conditions of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, cancellation or repurchase restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator will determine;

(vi) to construe and interpret the terms of this Plan and Awards granted pursuant to this Plan;

(vii) to prescribe, amend and rescind rules and regulations relating to this Plan, including rules and regulations relating to sub-plans and/or Local Awards established for the purpose of satisfying Applicable Laws, including, without limitation, the Exchange Act, the Securities Act and PRC Requirements, and/or qualifying for preferred tax treatment under Applicable Laws, including, without limitation, the Code;

(viii) to modify or amend each Award (subject to Section 19 of this Plan), including but not limited to (A) the discretionary authority to extend the post-termination exercisability period of Awards and to extend the maximum term of an Option and (B) accelerate the

satisfaction of any vesting or exercisability criteria or waiver of forfeiture, cancellation or repurchase restrictions;

(ix) to allow Participants to satisfy withholding tax obligations in such manner as prescribed in Section 13 of this Plan;

(x) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;

(xi) to allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant under an Award;

(xii) to determine whether Awards will be settled in Shares, cash or in any combination thereof;

(xiii) to determine whether Awards will be adjusted for dividend equivalents;

(xiv) to establish a program whereby Service Providers designated by the Administrator can reduce compensation otherwise payable in cash in exchange for Awards under the Plan;

(xv) to impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by a Participant or other subsequent transfers by the Participant of any Shares issued as a result of or under an Award, including without limitation, (A) restrictions under an insider trading policy and (B) restrictions as to the use of a specified brokerage firm for such resales or other transfers; and

(xvi) to make all other determinations deemed necessary or advisable for administering this Plan.



(e) Plan Construction and Interpretation. The Administrator shall have full power and authority, subject to the express provisions hereof, to construe and interpret the Plan. The Administrator's decisions, determinations and interpretations in carrying out and administering the Plan and in construing and interpreting the Plan shall be made in the Administrator's sole discretion and shall be final, binding and conclusive for all purposes and upon all persons interested herein.

(f) Liability of Administrator. Subject to Applicable Laws: (i) no member of the Administrator (or its delegates) shall be liable for any good faith action or determination made in connection with the operation, administration or interpretation of the Plan and (ii) the members of the Administrator (and its delegates) shall be entitled to indemnification and reimbursement in the manner provided in the Company's governing documents, as they may be amended from time to time. In the performance of its responsibilities with respect to the Plan, the Administrator shall be entitled to rely upon information and/or advice furnished by the Company's Officers or Employees, the accountants of the Company or the Administrator, the counsel of the Company or the Administrator and any other party the Administrator deems necessary, and no member of the Administrator shall be liable for any action taken or not taken in reliance upon any such information and/or advice.

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(g) Action by the Board. Anything in the Plan to the contrary notwithstanding, subject to Applicable Laws, any authority or responsibility that, under the terms of the Plan, may be exercised by a Committee or the delegate of such Committee may alternatively be exercised by the Board.

5. Eligibility. Awards may be granted to Service Providers. Neither the Plan nor any Award shall confer upon a Participant any right with respect to continuing his or her relationship as a Service Provider, nor shall they interfere in any way with the right of the Participant or the right of the Company or its Parent or Subsidiaries to terminate such relationship at any time, with or without cause.

6. Share Option.

(a) Stock Option Award Agreement. Each Award of an Option will be evidenced by an Award Agreement that will specify the vesting and exercise terms of such Award, the number of Shares that may be granted upon exercise of an Option, any restrictions or limitations regarding the Option, and such other terms and conditions as the Administrator will determine. The terms of an Option may vary among Participants, and the Plan does not impose upon the Administrator any requirement to make each Award of an Option subject to uniform terms. Accordingly, the terms of individual Award Agreements may vary.

(b) Term of Option. Unless the Administrator provides otherwise in the applicable Award Agreement, the term of an Option will be ten (10) years.

(c) Option Exercise Price and Consideration.

(i) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator; provided, however, that the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. Notwithstanding the foregoing, an Option may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction resulting in the issuance of an Option in substitution for options from an acquired company, where such new issuance is intended to preserve the intrinsic value in the acquired company options.

(ii) Vesting and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option shall vest and may be exercised and will determine any conditions that must be satisfied before the Option may vest or be exercised. Unless specified otherwise in the Award Agreement, and subject to the other provisions of the Plan, including, without limitation, Section 6(d) and Section 13(c) of the Plan, one-third (1/3) of the Shares subject to an Award will vest on each of the first, second and third annual anniversaries of the vesting commencement date. The Administrator may accelerate the Vesting of an Award at any time. Notwithstanding the foregoing, unless the Administrator provides otherwise, no Option will be permitted to be exercised prior to the occurrence of a Triggering Event. For the avoidance of doubt, any Awards granted after the occurrence of a Triggering Event shall become vested and exercisable only as set forth in the applicable Award Agreement and in accordance with this Section 6(d)(iv).

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The Administrator shall notify Participants as soon as practicable following the occurrence of a Triggering Event.

(iii) Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. Such consideration may consist entirely of: (A) cash; (B) check; (C) promissory note, to the extent permitted by Applicable Laws, (D) other Shares, provided that such Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be exercised and provided that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Administrator determines; (E) consideration received by the Company under a broker-assisted (or other) cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with this Plan; (F) by net exercise; (G) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws; or (H) any combination of the foregoing methods of payment.

(d) Exercise of Option.

(i) Procedure for Exercise; Rights as a Shareholder. Any vested portion of the Option granted hereunder will be exercisable according to the terms of this Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement; provided, however, that unless the Administrator provides otherwise in an Award Agreement, or except as provided in Section 13(c) of this Plan, an Option may not be exercised prior to a Triggering Event. An Option will be deemed exercised when the Company receives: (A) a notice of exercise (in such form as the Administrator may specify from time to time) from the person entitled to exercise the Option, (B) full payment for the Shares with respect to which the Option is exercised (together with applicable withholding taxes) and (C) all representations, indemnifications, and documents reasonably requested by the Administrator including, without limitation, any shareholders agreement; provided, that such exercise complies with the terms of this Plan and the applicable

provisions of the applicable Award Agreement. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued and allotted upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Exercising an Option in any manner will decrease the number of Shares thereafter available for sale under the Option, by the number of Shares as to which the Option is exercised. An Option may not be exercised for a fraction of a Share.

(ii) Rights of a Shareholder. Until Shares are issued and allotted (as evidenced by the appropriate entry in the Register of Members of the Company), no right to receive dividends or any other rights as a Shareholder will exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. Subject to subsection (vi) below, the Company will issue and allot (or cause to be issued and allotted) Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued and allotted, except as provided in Section 13 of this Plan.

(iii) Termination of Relationship as a Service Provider Prior to the Occurrence of a Triggering Event. If a Participant ceases to be a Service Provider ("Termination of Service") prior to the occurrence of a Triggering Event, any vested Option held by such Participant

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shall remain outstanding for such period of time as is specified in the Award Agreement (but in no event following the expiration of the term of such Option as set forth in the Award Agreement), and, in the absence of a specified time in the Award Agreement, such vested Option shall remain outstanding following the Termination of Service until the expiration of the Triggering Event Exercise Period; provided, however, that in the event of Termination of Service due to death or Disability of such Participant within the three (3) month period preceding a Triggering Event, the periods referenced in the Triggering Event Exercise Period shall be extended to twelve (12) months. Unless otherwise provided by the Administrator, on the date of Termination of Service, the Shares covered by any unvested Option will revert to this Plan. If after the Termination of Service the Participant does not exercise any vested Option within the time specified by the Administrator (and in the absence of any such specification, within the foregoing default periods), such Option will terminate, and the Shares covered by such Option will revert to this Plan.

(iv) Termination of Relationship as a Service Provider After the Occurrence of a Triggering Event. In the event of a Participant's Termination of Service after the occurrence of a Triggering Event, any vested Option shall remain exercisable for such period as is specified in the Award Agreement, and, in the absence of a specified time in the Award Agreement, an Option shall remain outstanding for twelve (12) months in the event of Termination of Service due to death or Disability of such Participant and three (3) months otherwise; provided, however, an Option shall cease to be outstanding and shall no longer be exercisable ten (10) years from the date the Option is granted. Unless otherwise provided by the Administrator, on the date of Termination of Service, the Shares covered by any unvested Option will revert to this Plan. If after Termination of Service the Participant does not exercise any vested Option within the time specified by the Administrator (and in the absence of any such specification, within the foregoing default periods), such Option will terminate, and the Shares covered by such Option will revert to this Plan.

(v) Exercise upon death. In the event of the Participant's death, the Participant's Option, to the extent vested and exercisable, may be exercised by the Participant's designated beneficiary, provided such beneficiary has been designated prior to the Participant's death in a form acceptable to the Administrator. If no such beneficiary has been designated by the Participant, then the Participant's Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Participant's Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following the Participant's death. Unless otherwise provided by the Administrator, if at the time of death the Participant is not vested as to his entire Option, the Shares covered by the unvested portion of the Option will immediately revert to the Plan. If the Option is not exercised as to all of the vested Awarded Shares within the time specified by the Administrator, the Option will terminate, and the remaining Shares covered by such Option will revert to the Plan.

(vi) Issuance of Shares. Notwithstanding anything herein to the contrary, upon the exercise of an Option, the Administrator shall have to discretion to provide for payment in cash or property of equivalent value in lieu of the Shares that otherwise would be issued.

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## **7. Restricted Shares.**

(a) Issue and Allotment of Restricted Shares. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may issue and allot Restricted Shares to Service Providers in such amounts as the Administrator will determine. Notwithstanding anything herein to the contrary, the Administrator may place restrictions on the issuance and allotment of Restricted Shares and until the PRC Plan Registration is complete or as otherwise required in accordance with Applicable Laws.

(b) Restricted Share Award Agreement. Each Award of Restricted Shares will be evidenced by an Award Agreement that will specify the Restriction Period, the number of Shares issued and allotted, and such other terms and conditions as the Administrator will determine. The prospective recipient of an Award of Restricted Shares will not have any rights with respect to such Award, unless and until such recipient has delivered to the Company an executed Award Agreement and has otherwise complied with the applicable terms and conditions of such Award. The Administrator shall designate an escrow agent to hold Restricted Shares until the restrictions on such Shares have lapsed.

(c) Certificates. Any share certificate issued in connection with an Award of Restricted Shares will be registered in the name of the Participant receiving the Award, and will bear the following legend and/or any other legend required by this Plan, any shareholders agreement among Shareholders of the Company, the Award Agreement or by Applicable Law:

**THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED OR REGISTERED UNDER STATE SECURITIES OR BLUE SKY LAWS. THESE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO DISTRIBUTION, AND NEITHER THESE SECURITIES NOR ANY INTEREST OR PARTICIPATION THEREIN MAY BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED OR DISPOSED OF EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT OF 1933, AS AMENDED, APPLICABLE STATE SECURITIES OR BLUE SKY LAWS AND THE**

**APPLICABLE RULES AND REGULATIONS THEREUNDER. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.**

**THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND A RIGHT OF FIRST REFUSAL HELD BY THE ISSUER OR ITS ASSIGNEE(S) AS SET FORTH IN THE RESTRICTED**

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**SHARE AWARD AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH TRANSFER RESTRICTIONS AND RIGHT OF FIRST REFUSAL ARE BINDING ON TRANSFEREES OF THESE SHARES.**

Share certificates evidencing Restricted Shares will be held in custody by the Company or in escrow by an escrow agent until the restrictions thereon have lapsed.

(d) Restrictions and Conditions. The Award Agreement evidencing the grant of any Restricted Shares will incorporate the following terms and conditions and such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator deems appropriate:

(i) Restriction Period. During a period commencing with the date of an Award of Restricted Shares and ending on the later to occur of (i) such time or times as specified by the Award Agreement (the "Restriction Period") or (ii) a Triggering Event, the Participant will not be permitted to sell, transfer, pledge, assign or otherwise encumber Restricted Shares awarded under the Plan. The Administrator may condition the lapse of restrictions on Restricted Shares upon the continued employment or service of the recipient, the attainment of specified individual or corporate performance goals, or such other factors as the Administrator may determine. Unless specified otherwise in the Award Agreement, and subject to the other provisions of the Plan, including, without limitation, this Section 7 and Section 13(c) of the Plan, one-third (1/3) of the Restricted Shares subject to an Award will vest, and the restrictions on those Shares will lapse, on each of the first, second and third annual anniversaries of the vesting commencement date.

(ii) Termination of Service. Subject to the provisions of the applicable Award Agreement or as otherwise determined by the Administrator, in the event of a Participant's Termination of Service prior to the expiration of the applicable Restriction Period, the Participant's Restricted Shares then remaining subject to forfeiture will be forfeited automatically.

(iii) Removal of Restrictions. Upon the later to occur of (i) the expiration of the Restriction Period without a prior forfeiture of the Restricted Shares subject to such Restriction Period or (ii) a Triggering Event, the Restricted Shares will be released from escrow and any certificates for such Shares will be replaced with new certificates, without the restrictive legends described in Section 7(c) applicable to such lapsed restrictions, and such new certificates will be delivered to the Participant, the Participant's representative (if the Participant has suffered a Disability), or the Participant's estate or heir (if the Participant has died). Notwithstanding the foregoing, the Administrator may accelerate the time at which any restrictions will lapse or be removed.

(e) Dividends and Other Distributions. During the Restriction Period, Service Providers holding Restricted Shares will be entitled to receive all dividends and other distributions paid with respect to such Shares, unless the Administrator provides otherwise and except as required to comply with Applicable Laws, including the PRC Requirements. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions and provisions on transferability and repurchase by the Company as the Restricted Shares with respect to which they

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were paid until such restrictions on the Restricted Shares have lapsed or been removed in accordance with Section 7(d) of this Plan.

(f) Return of Restricted Shares to Company. On the date set forth in the Award Agreement, the Restricted Shares for which restrictions have not lapsed will be subject to repurchase by the Company and, if so repurchased, again will become available for grant under this Plan.

8. Restricted Share Units.

(a) Grant. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Restricted Share Units to Service Providers and may impose conditions on such units as it may deem appropriate, including, without limitation, the continued employment or service of the recipient or the attainment of specified individual or corporate performance goals. Notwithstanding anything in this Plan to the contrary, the Administrator may place restrictions on the grant and/or vesting of Restricted Share Units until the PRC Plan Registration is complete or as otherwise required in accordance with Applicable Laws.

(b) Vesting Criteria and Other Terms. Each Restricted Share Unit shall be evidenced by an Award Agreement that will specify the applicable vesting criteria, the number of Restricted Share Units granted, the terms and conditions relating to the time and form of payment and termination of units, and such other terms and conditions as the Administrator will determine. Each Restricted Share Unit will represent a right to receive from the Company, upon fulfillment of any applicable conditions, an amount equal to the Fair Market Value (at the time of the distribution) of one Share. The Participant shall not have any shareholder rights with respect to any Shares subject to a Restricted Share Unit until that Award vests and such Shares are actually issued thereunder. The Participant will not be permitted to sell, transfer, pledge, assign or otherwise encumber Restricted Share Units awarded under the Plan. Subject to the provisions of the applicable Award Agreement, or as otherwise determined by the Administrator, if a Participant's service with the Company terminates prior to the Restricted Share Unit vesting, the Participant's Restricted Share Units that then remain subject to forfeiture will then be forfeited automatically.

(c) Form and Timing of Payment. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a distribution in the form of cash and/or Shares as determined by the Administrator in accordance with Applicable Laws. Notwithstanding the foregoing, at any time after the grant of Restricted Share Units, the Administrator may reduce or waive any vesting criteria that must be met to receive a payout. Unless the

Administrator provides otherwise, no distributions of cash and/or Shares will be issued in settlement of vested Restricted Share Units before the occurrence of a Triggering Event.

(d) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Share Units will be forfeited to the Company.

9. Other Local Awards. In order to comply with Applicable Laws, including any PRC Requirements, the Administrator may cause a local PRC Subsidiary to grant local cash-settled awards in lieu of any other Award described hereunder, which such local awards shall be paid through local payroll and wholly funded by the local PRC Subsidiary (a "Local Award"). Each Local Award shall be linked to the Fair Market Value of a Share of the Company. The terms and

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conditions of each Local Award shall be set forth in an Award Agreement in a form approved by the Administrator for such Local Award, which Award Agreement shall contain terms and conditions not inconsistent with the Plan.

10. Leaves of Absence/Transfer Between Locations. Unless the Administrator provides otherwise, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence. A Participant will not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, any parent entity or any Subsidiary, unless determined otherwise by the Administrator.

11. Transferability of Awards. Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate. Shares issued upon the exercise of an Option or in connection with the vesting of any Restricted Shares or Restricted Share Units may be subject to such special forfeiture conditions, rights of repurchase or redemption, rights of first refusal, and other transfer restrictions as the Administrator may determine or as may apply to holders of Shares pursuant to the Company's articles of incorporation.

12. Voting Rights. The Awards and the Shares relating thereto issued pursuant to the Plan shall only entitle the Participant to the economic rights of a Shareholder of the Company and shall not confer on the Participant any rights to vote on matters submitted to the Shareholders of the Company.

13. Adjustments; Dissolution or Liquidation; Merger or Change in Control; Lock-Up Agreement.

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other Securities or other property), recapitalization, share division, share consolidation, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other Securities, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under this Plan, will adjust the number and class of shares that may be delivered under this Plan and/or the number, class, and price of shares covered by each outstanding Award, and the numerical share limits in Section 3 of this Plan.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

(c) Change in Control.

(i) In the event of a Change in Control, each outstanding Award will be treated as the Administrator determines, including, without limitation, that each Award be assumed or an equivalent replacement award be substituted by the successor corporation or a parent or

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Subsidiary of the successor corporation. The Administrator will not be required to treat all Awards similarly in the transaction.

(ii) In the event that the successor corporation does not assume or substitute for the Award, the Participant will fully vest in and have the right to exercise all of his or her outstanding Option, including Shares as to which such Awards would not otherwise be vested or exercisable, and all restrictions on Restricted Shares, Restricted Share Units and Local Awards will lapse. In addition, if an Option is not assumed or substituted in the event of a Change in Control, the Administrator will notify the Participant in writing or electronically that the Option will be exercisable for a period of time determined by the Administrator, and the Option will terminate upon the expiration of such period.

(iii) For the purposes of this subsection (c), an Award will be considered assumed if, following the Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, shares, cash or other securities or property) received in the Change in Control by holders of Shares for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change in Control is not solely common stock or ordinary shares of the successor corporation or its parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or upon the payout of a Restricted Share Unit, for each Share subject to such Award, to be solely common stock or ordinary shares of the successor corporation or its parent equal in fair market value to the per share consideration received by holders of Shares in the Change in Control.

(d) Lock-Up Agreement. By exercising any right granted under this Plan, each Participant shall be deemed to have agreed that, in connection with any underwritten public offering by the Company of its equity securities, including the Company's initial public offering, such Participant will not sell, make any short sale of, loan, hypothecate, pledge, grant any option for the repurchase of, or otherwise dispose or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to any Shares without the prior written consent of the Company or its underwriters, for such

period of time from and after the effective date of such registration statement as may be requested by the Company or such underwriters (the “Lock-Up Agreement”).

14. PRC Registration Events. Upon the occurrence of a Qualified IPO or at any time prior, to the extent required or permitted by Applicable Laws, the Administrator shall use reasonable efforts to cause the PRC Plan Agent to complete the PRC Plan Registration of this Plan to enable the outstanding Awards to be settled.

15. PRC Requirements. Notwithstanding anything in this Plan or any applicable Award Agreement to the contrary, including without limitation Section 20 of the Plan, the issuance, allotment, vesting and settlement of Awards and any transfers of Shares and/or cash in or out of the PRC shall be subject to the approval of the State Authority for Foreign Exchange or its competent local branch, to the extent that such approval shall be required or advisable under Applicable Laws. Pursuant to PRC laws and regulations governing the participation of a PRC citizen or resident in an employee equity incentive plan of a company incorporated outside of China (the “PRC

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Requirements”), local governmental authorities may review and examine the Plan from time to time and request that the Plan be modified, amended or cancelled in accordance with PRC Requirements. If the Plan is modified, amended or cancelled, the rights of Participants under the Plan or pursuant to any Award Agreement issued hereunder may be materially and adversely affected. No compensation shall be due to a Participant in respect of any such change in the Participant’s rights.

16. Tax.

(a) Withholding Requirements. Subject to Applicable Laws, including without limitation the PRC Requirements, prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof) or such earlier time as any tax withholding obligations are due, the Company will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local, foreign or other taxes (including the Participant’s employment tax obligation) required to be withheld with respect to such Award (or exercise thereof).

(b) Withholding Arrangements. Subject to Applicable Laws, including without limitation the PRC Requirements, the Administrator, pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part by (without limitation) (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld, or (iii) delivering to the Company already-owned Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

17. No Effect on Employment or Service. Neither this Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant’s relationship as a Service Provider with the Company, nor will they interfere in any way with the Participant’s right or the Company’s right to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.

18. Date of Grant. The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.

19. Term of Plan. This Plan will become effective upon its adoption by the Board. It will continue in effect for a term of ten (10) years from the date it becomes effective, unless terminated earlier under Section 20 of this Plan.

20. Amendment and Termination of this Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate this Plan.

(b) Shareholder Approval. The Company will obtain Shareholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws, the

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Company’s memorandum of associations and articles of association and any shareholders agreement among Shareholders of the Company.

(c) Effect of Amendment or Termination. Subject to compliance with Applicable Laws, including without limitation PRC Requirements, no amendment, alteration, suspension or termination of this Plan will materially impair the rights of any Participant with respect to an Award outstanding at the time of the amendment, alteration, suspension or termination of the Plan, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of this Plan will not affect the Administrator’s ability to exercise the powers granted to it hereunder with respect to Awards granted under this Plan prior to the date of such termination.

21. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares will not be issued and allotted pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with Applicable Laws, including without limitation the PRC Requirements, and will be further subject to the approval of counsel for the Company with respect to such compliance if deemed necessary by the Administrator.

(b) Investment Representations. As a condition to the exercise, vesting or settlement of an Award, the Company may require the person exercising such Award or receiving rights to transfer or payment upon such vesting or settlement to represent and warrant at the time of any such exercise, vesting or settlement that the Shares are being acquired only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, any such representation is required.

(c) Foreign Currency. A Participant may be required to provide evidence that any currency used to pay the exercise price of any Award was acquired and taken out of the jurisdiction in which the Participant resides in accordance with Applicable Laws, including without limitation foreign exchange control laws and regulations pursuant to the PRC Requirements. In the event the exercise price for an Award is paid in Chinese Renminbi or other foreign currency, as permitted by the Committee, the amount payable will be determined by conversion from U.S. dollars at the official rate promulgated by the People's Bank of China for Chinese Renminbi, or for jurisdictions other than the PRC, the exchange rate as selected by the Committee on the date of exercise.

22. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction or to complete or comply with the requirements of any registration or other qualification of the Shares under any state, federal or foreign law or under the rules and regulations of the stock exchange on which Shares of the same class are then listed, or any other governmental or regulatory body, which authority, registration, qualification or rule compliance is deemed by the Company's counsel to be necessary or advisable for the issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority, registration, qualification or rule compliance will not have been obtained.

23. Severability. Notwithstanding any contrary provision of the Plan or an Award to the contrary, if any one or more of the provisions (or any part thereof) of this Plan or the Awards shall be held invalid, illegal, or unenforceable in any respect, such provision shall be modified so as to make it valid, legal, and enforceable, and the validity, legality, and enforceability of the remaining provisions (or any part thereof) of the Plan or Award, as applicable, shall not in any way be affected or impaired thereby.

24. Sections 409A and 457A. Notwithstanding other provisions of the Plan or any Option Agreement, no Award may be granted, deferred, accelerated, extended, paid out or modified under this Plan in a manner that would result in the imposition of an additional tax under Section 409A or Section 457A of the Code upon a Participant. In the event that it is reasonably determined by the Board or, if delegated by the Board to the Administrator, by the Administrator that, as a result of Section 409A of the Code, payments in respect of any Award under the Plan may not be made at the time contemplated by the terms of the Plan or the relevant Option Agreement, as the case may be, without causing the Participant holding such Award to be subject to taxation under Section 409A of the Code, including as a result of the fact that the Participant is a "specified employee" under Section 409A of the Code, the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code. The Company will use commercially reasonable efforts to implement the provisions of this Section 25 in good faith; provided that neither the Company, the Administrator nor any of the Company's Employees, Directors or representatives will have any liability to Participants with respect to this Section 25.

**HEXINDAI INC.  
2016 EQUITY INCENTIVE PLAN  
OPTION AGREEMENT**

**THIS OPTION AGREEMENT** (this “**Option Agreement**”), dated \_\_\_\_\_, by and between Hexindai Inc., an exempted company incorporated with limited liability under the Companies Law of the Cayman Islands (the “**Company**”), and \_\_\_\_\_ (the “**Participant**”) evidences the option (the “**Option**”) granted by the Company to the Participant as to the number of the Company’s Ordinary Shares, par value US\$0.0001 per share (the “**Ordinary Shares**”), first set forth below.

**Number of Ordinary Shares:**<sup>1</sup> \_\_\_\_\_

**Vesting Commencement Date:** \_\_\_\_\_

**Award Date:** \_\_\_\_\_

**Expiration Date:**<sup>2</sup> \_\_\_\_\_

**Exercise Price per Share:**<sup>1</sup> US\$ \_\_\_\_\_

**Type of Option** (for U.S. residents): Nonqualified Option

**Vesting**<sup>1,2</sup> Subject to Section 2 of the Terms (as defined below), the Option shall become vested as to one third (1/3) of the total number of Ordinary Shares subject to the Option on the Vesting Commencement Date which shall be the later of the first anniversary of the Award Date or the closing date of a Qualified IPO. Subject to Section 2 of the Terms, the Option shall become vested as to the remaining two thirds (2/3) of the total number of Ordinary Shares subject to the Option in two (2) substantially equal annual installments, with the first installment vesting on the second anniversary of the Award Date and the second installment vesting on the third anniversary of the Award Date; provided that a Qualified IPO shall have occurred on or prior to the second anniversary of the Award Date.

The Option is granted under the Hexindai Inc. 2016 Equity Incentive Plan (the “**Plan**”). The Option and all rights of the Participant under this Option Agreement are subject to the Terms and Conditions of the Option (the “**Terms**”) and the Exercise Agreement attached to this Option Agreement and to the Plan, all of which are incorporated herein by reference. The Participant agrees to be bound by the terms of the Plan and this Option Agreement (including the Terms). The Participant acknowledges having read and understood the Plan and this Option Agreement. Unless otherwise expressly provided in other sections of this Option Agreement, provisions of the Plan that confer discretionary authority on the Board or the Administrator do not and shall not be deemed to create any rights in the Participant unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Administrator so conferred by appropriate action of the Board or the Administrator under the Plan after the date hereof. The Option has been granted to the Participant in addition to, and not in lieu of, any other form of compensation otherwise payable or to be paid to the Participant. Capitalized terms are defined in the Plan if not defined herein. The Participant acknowledges receipt of a copy of the Option Agreement (including the Terms) and the Plan and agrees to maintain in confidence all information provided to him or her in connection with the Option.

[Signature page follows]

<sup>1</sup> Subject to adjustment under Section 12 of the Plan.

<sup>2</sup> Not more than 10 years. Subject to early termination under Section 19 of the Plan.

“**PARTICIPANT**”

Signature \_\_\_\_\_

Print Name \_\_\_\_\_

Address \_\_\_\_\_

City, State, Zip Code \_\_\_\_\_

**Hexindai Inc.**, an exempted company organized under the Companies Law of the Cayman Islands

By: \_\_\_\_\_

Its: Authorized Representative

**CONSENT OF SPOUSE**

In consideration of the Company’s execution of this Option Agreement, the undersigned spouse of the Participant agrees to be bound by all of the terms and provisions hereof and of the Plan.

Signature of Spouse \_\_\_\_\_

Date \_\_\_\_\_

## TERMS AND CONDITIONS OF OPTION

1 Vesting; Limits on Exercise. The Option shall vest and become exercisable in percentage installments of the aggregate number of shares subject to the Option as set forth on the cover page of this Option Agreement. The Option may be exercised only to the extent the Option is vested and exercisable.

(a) Cumulative Exercisability. To the extent that the Option is vested and exercisable, the Participant has the right to exercise the Option (to the extent not previously exercised), and such right shall continue, until the expiration or earlier termination of the Option.

(b) No Fractional Shares. Fractional share interests shall be disregarded, but may be cumulated.

(c) Minimum Exercise. No fewer than one hundred (100) Ordinary Shares (subject to adjustment under Section 12(a) of the Plan) may be purchased at any one time, unless the number purchased is the total number at the time exercisable under the Option.

(d) Triggering Event. Except as otherwise provided in Section 12(c) of the Plan regarding a Change in Control or as permitted by the Administrator in accordance with Applicable Law, this Option may not be exercised prior to the occurrence of a Triggering Event.

2 Continuance of Employment/Service Required; No Employment/Service Commitment. The vesting schedule requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of the Option and the rights and benefits under this Option Agreement. Employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 6 of these Terms or under the Plan.

Nothing contained in this Option Agreement or the Plan constitutes a continued employment or service commitment by the Company or any of its Affiliates, affects the Participant's status, if he or she is an employee, as an employee at will who is subject to termination without cause, confers upon the Participant any right to remain employed by or in service to the Company or any Affiliate, interferes in any way with the right of the Company or any Affiliate at any time to terminate such employment or service, or affects the right of the Company or any Affiliate to increase or decrease the Participant's other compensation.

3 Leaves of Absence. During any leave of absence approved by the Company, the vesting of the Option will be suspended if the Participant's leave of absence exceeds thirty (30) days. Vesting in the Option will resume when the Participant returns to service to the Company, its subsidiaries ("Subsidiaries") or its affiliated entities ("Affiliates"). The vesting schedule of the Option will be extended for the length of the suspension. For avoidance of doubt, leave of absence does not include public holidays or annual vacation and sick days allotted to the Participant in accordance with the terms of the Participant's employment.

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4 Method of Exercise of Option. The Option shall be exercisable by the delivery to the Secretary of the Company (or such other person as the Administrator may require pursuant to such administrative exercise procedures as the Administrator may implement from time to time) of:

(a) an executed Option Exercise and Ordinary Share Purchase Agreement (stating the number of Ordinary Shares to be purchased pursuant to the Option) in substantially the form attached hereto as Exhibit A or such other form as the Administrator may require from time to time (the "Exercise Agreement");

(b) payment in full for the Exercise Price of the shares to be purchased, in cash or by electronic funds transfer to the Company, or by certified or cashier's check payable to the order of the Company (including, in each case, to satisfy a Prepayment Deposit), subject to such specific procedures or directions as the Administrator may establish;

(c) any written statements or agreements required pursuant to Section 20 of the Plan; and

(d) satisfaction of the tax withholding provisions of Section 15 of the Plan.

5 Cashless Exercise and Cash Settlement.

(a) The Administrator also may, but is not required to, authorize a non-cash payment alternative specified below at or prior to the time of exercise. In which case, the Exercise Price and/or applicable withholding taxes, to the extent so authorized may be paid in full or in part by delivery to the Company of:

(i) Ordinary Shares already owned by the Participant, valued at their Fair Market Value on the exercise date; and/or

(ii) if the Ordinary Shares are then registered under the Exchange Act or a similar statute in a jurisdiction other than the United States and listed or quoted on a recognized national or international securities exchange, irrevocable instructions to a broker to, upon exercise of the Option, promptly sell a sufficient number of Ordinary Shares acquired upon exercise of the Option and deliver to the Company the amount necessary to pay the Exercise Price (and, if applicable, the amount of any related tax withholding obligations) or any other consideration received by the Company under a formal broker-assisted (or other) cashless exercise program adopted by the Company in connection with the Plan; and/or

(iii) a promissory note, to the extent permitted by Applicable Laws; and/or

(iv) such other method or manner of payment as the Administrator may approve, to the extent permitted by Applicable Laws.

(b) In addition, the Administrator may permit the exercise of the Option through either (i) a cash payment to the Participant equal to the excess, if any, of the Fair Market



Value of the aggregate number of Ordinary Shares for which the Option may be exercised over the aggregate exercise price thereof or (ii) the delivery of a number of Ordinary Shares for such portion of the Option which may be exercised calculated by dividing the amount determined pursuant to clause (i) by the Fair Market Value of the Ordinary Shares on the date of exercise.

6 **Vesting and Exercise upon a Termination of Service.** Upon the termination of the Participant's status as a Service Provider, for any reason, whether such termination is occasioned by the Participant or by the Company or any of its Affiliates (a **"Termination of Service"**):

(a) prior to the occurrence of a Triggering Event, this Option (i) will immediately expire to the extent unvested, and (ii) the Participant shall have the opportunity to deposit with the Company an amount in cash (or cash equivalents such as a check or electronic funds transfer) equal to the Exercise Price per Share for each Share as to which the Option has vested and that the Participant may wish to purchase in the future. Any such deposit (the **"Prepayment Deposit"**) must be made within twelve (12) months following Termination of Service due to death or Disability and three (3) months otherwise, with the Option expiring on the foregoing deadline to the extent the foregoing **"Prepayment Condition"** is not satisfied. For the avoidance of doubt, the Participant may provide a Prepayment Deposit with respect to only a portion of the vested Option; provided, however, a Prepayment Deposit may be deposited only with respect to whole Ordinary Shares and the Participant may make only one Prepayment Deposit for the Option.

The Prepayment Deposit shall be credited to the Participant in the books and records of the Company, but the Company may use such amounts for any corporate purposes. The Prepayment Deposit shall not bear any interest and shall be returned to the Participant within thirty (30) days of the Participant's request in writing. Upon any such request, the Option shall immediately expire and may no longer be exercised as to any of the covered Ordinary Shares. The Participant shall have status as a general unsecured creditor of the Company with respect to the Prepayment Deposit.

To the extent the Prepayment Condition is satisfied, the Option shall remain outstanding until the earlier of (i) the expiration of the Triggering Event Exercise Period and (ii) the Expiration Date. Notwithstanding the foregoing, in the event of Termination of Service due to death or Disability of the Participant within the three (3) month period preceding a Triggering Event, the periods referenced in the Triggering Event Exercise Period shall be extended to twelve (12) months. In the event the Option expires and has not been exercised, the related Prepayment Deposit, if any, shall be promptly returned to the Participant.

(b) Upon the Participant's Termination of Service on or after the occurrence of a Triggering Event, this Option (i) will immediately expire to the extent unvested, and (ii) remain outstanding, to the extent vested, for twelve (12) months in the event of Termination of Service due to death or Disability and three (3) months otherwise; provided, however, that this Option shall terminate earlier upon the Expiration Date or as otherwise provided in the Plan, including pursuant to Section 12 thereof with respect to the dissolution or liquidation of the Company or a Change in Control.

7 **Early Termination of Option.** The Option, to the extent not previously exercised, and all other rights in respect thereof, whether vested and exercisable or not, shall terminate and become null and void prior to the Expiration Date in the event of: (a) the termination of the Participant's employment or service as provided in Section 6(d) of the Plan and Section 6 of these Terms, or (b) the termination of the Option pursuant to Section 12, 14 or 19 of the Plan.

8 **Non-Transferability and Other Restrictions.** The Option and any other rights of the Participant under this Option Agreement or the Plan are non-transferable and exercisable during the Participant's lifetime only by the Participant, other than by will or by the laws of descent and distribution. Any Ordinary Shares issued on exercise of the Option are subject to substantial restrictions on transfer, and are subject to rights of first refusal and other rights in favor of the Company as set forth herein and in the Exercise Agreement. The Participant will be entitled to any dividends on Ordinary Shares issued upon the exercise of the Option. The Participant hereby authorizes the Administrator or its nominee to hold all such Ordinary Shares for his or her benefit.

9 **Securities Law Compliance.** The Participant acknowledges that the Option and the Ordinary Shares underlying the Option have not been registered under any securities act (including the Securities Act), as each may be amended from time to time. The Participant, by executing this Option Agreement, hereby makes the following representations to the Company and acknowledges that the Company's reliance on applicable securities law exemptions from registration and qualification is predicated, in substantial part, upon the accuracy of these representations:

(a) The Participant is acquiring the Option and, if and when he/she exercises the Option, will acquire the Ordinary Shares solely for the Participant's own account, for investment purposes only, and not with a view to or an intent to sell, or to offer for resale in connection with any unregistered distribution, all or any portion of the shares within the meaning of any applicable securities laws.

(b) The Participant has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the Option and the restrictions imposed on any Ordinary Shares purchased upon exercise of the Option. The Participant has been furnished with, and/or has access to, such information as he or she considers necessary or appropriate for deciding whether to exercise the Option and purchase Ordinary Shares. However, in evaluating the merits and risks of an investment in the Ordinary Shares, the Participant has and will rely upon the advice of his/her own legal counsel, tax advisors, and/or investment advisors.

(c) The Participant is aware that the Option may be of no practical value, that any value it may have depends on its vesting and exercisability as well as an increase in the Fair Market Value of the underlying Ordinary Shares to an amount in excess of the Exercise Price, and that any investment in the equity of a closely held entity such as the Company is non-marketable, non-transferable and could require capital to be invested for an indefinite period of time, possibly without return, and at substantial risk of loss.

(d) The Participant understands that any Ordinary Shares acquired on exercise of the Option will be characterized as “restricted securities” under the Securities Act, and that, under such laws and applicable regulations, such securities may be resold without registration under the Securities Act only in certain limited circumstances, including in accordance with the conditions of Rule 144 promulgated under the Securities Act, as presently in effect, with which the Participant is familiar.

(e) The Participant has read and understands the restrictions and limitations set forth in the Plan, this Option Agreement (including these Terms), and the Exercise Agreement, which are imposed on the Option and any Ordinary Shares underlying the Option which may be acquired upon exercise of the Option.

(f) At no time was an oral representation made to the Participant relating to the Option or the purchase of Ordinary Shares and the Participant was not presented with or solicited by any promotional meeting or material relating to the Option or the underlying Ordinary Shares.

10 Lock-Up Agreement. Neither the Participant nor any permitted transferee under the Plan may, directly or indirectly, offer, sell or transfer or dispose of any of the Ordinary Shares acquired upon exercise of the Option or any interest therein (or agree to do any thereof) (collectively, a “**Transfer**”) during the period commencing as of fourteen (14) days prior to and ending one hundred eighty (180) days, or such lesser period of time as the relevant underwriters may permit, after (a) the occurrence of a Qualified IPO or (b) the effective date of a registration statement for a firm commitment underwritten public offering of the Company’s Securities (a “**Public Offering**”) of which the Participant has notice. For purposes of this Section 10, the term “Participant” includes, where the context so requires, any permitted direct or indirect transferee of the Participant. The Participant shall agree and consent to the entry of stop transfer instructions with the Company’s transfer agent against the Transfer of the Company’s Securities beneficially owned by the Participant and shall confirm the limitations hereunder and under the Exercise Agreement by agreement with and for the benefit of the relevant underwriters by a lock-up agreement or other agreement in customary form. Notwithstanding anything else herein to the contrary, this paragraph shall not be construed so as to prohibit the Participant from participating in a registration or a public offering of the Ordinary Shares with respect to any shares which he or she may hold at that time, provided, however, that such participation shall be at the sole discretion of the Board.

11 Right of First Refusal. The Company shall have a right of first refusal, as set forth below, to purchase the Ordinary Shares acquired by the Participant upon exercise of the Option before the Ordinary Shares (or any interest therein) can be validly transferred to any other person or entity. For purposes of this Section 11, the term “Participant” includes, where the context so requires, any permitted direct or indirect transferee of the Participant.

(a) Notice of Intent to Sell. Before there can be a valid Transfer of any Ordinary Shares by the Participant, the Participant shall first give notice in writing to the Company, mailed or delivered in accordance with the notice provisions of Section 16, of his or her intention to Transfer such Ordinary Shares (the “**Option Notice**”).

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The Option Notice shall specify the identity of the proposed transferee, the number of Ordinary Shares to be sold or transferred to the transferee, the price per Ordinary Share and the terms upon which such holder intends to make such Transfer. If the payment terms for the Ordinary Shares described in the Option Notice differ from delivery of cash or a check at closing, the Company shall have the option, as set forth herein, of purchasing the Ordinary Shares for cash (or a cash equivalent) at closing in an amount which the Company determines is a fair value equivalent of the payment described in the Option Notice. The determination of a fair value equivalent shall be made in the Company’s best judgment and such determination shall be mailed or delivered to the Participant (the “**Company’s Notice**”) within ten (10) days of the Company’s receipt of the Option Notice. Should the Participant disagree with the Company’s determination of a fair value equivalent, he or she shall have the right (the “**Retraction Right**”) to retract the proposed Transfer to a third party and the offer of Ordinary Shares to the Company pursuant to the Option Notice (such retraction to be made in writing and mailed or delivered in accordance with the notice provisions of Section 16). If the Participant again proposes to Transfer the Ordinary Shares, the Participant shall again offer such Ordinary Shares to the Company pursuant to the terms of this Section 11 prior to any Transfer.

(b) Option to Purchase. Subject to the Participant’s Retraction Right, during the 60-day period commencing upon receipt of the Option Notice by the Company (the “**Option Period**”), the Company shall have an option to purchase any or all of the Ordinary Shares specified in the Option Notice at the price offered therein or at such alternative price as set forth in the Company’s Notice in accordance with Section 11(a) (the “**Right of First Refusal**”).

(c) Purchase of Shares. Not more than thirty (30) days after receipt of the Option Notice, the Company shall give written notice to the Participant of the number of such Ordinary Shares to be purchased (or, if no Ordinary Shares are to be purchased, stating such fact) by the Company pursuant to the terms of this Section 11 (the “**Purchase Notice**”). Purchases pursuant to this Section 11 shall be consummated within thirty (30) days after delivery of the Purchase Notice to the Participant, but in no event later than the expiration of the Option Period. The purchase price shall be paid at the closing in cash, by check, by cancellation of money purchase indebtedness, or, if the payment terms set forth in the Option Notice differ from payment in cash or by check at closing, in accordance with the payment terms set forth in the Option Notice (or payment of the amount set forth in the Company’s Notice in cash, by cancellation of money purchase indebtedness, or by check). The purchase price shall be paid against surrender by the Participant of a share certificate evidencing the number of Ordinary Shares specified in the Option Notice, with duly endorsed share powers.

(d) Ability to Sell Unpurchased Shares. Unless all of the Ordinary Shares referred to in the Option Notice are to be purchased as indicated in the Purchase Notice, the Participant may dispose of any Ordinary Shares referred to in the Option Notice that are not to be purchased by the Company to the person or persons specified in the Option Notice during a period of twenty (20) days commencing upon his or her receipt of the Purchase Notice; provided, however, that (i) any such person specified in the Option Notice is not a person listed under Exhibit A hereto, (ii) the Participant shall not Transfer such Ordinary Shares at a lower price or on terms more favorable to the Participant or transferee than those specified in the Option Notice and (iii) the Participant shall not Transfer such Ordinary Shares to a person other than the person or persons specified in the Option Notice; and, provided, further, that such Transfer is consistent

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with the other provisions and limitations of the Plan, this Option Agreement (including these Terms), and the Exercise Agreement. If the Transfer is not consummated within such twenty (20) day period, the Participant shall again offer such Ordinary Shares to the Company pursuant to the terms of this Section 11 prior to any Transfer to the same or any other person.

(e) Assignment. Notwithstanding anything to the contrary, the Company may assign any or all of its rights under this Section 11 to one or more shareholders of the Company.

(f) Termination of Right of First Refusal. The Company's Right of First Refusal shall terminate upon the occurrence of a Triggering Event.

(g) No Shareholder Rights Following Repurchase. If the Participant (or any permitted transferee) holds Ordinary Shares as to which the Right of First Refusal has been exercised (in connection with the termination of the Participant's employment or otherwise), the Participant shall be entitled to payment in accordance with the provisions of this Section 11, but (unless otherwise required by Applicable Law) shall no longer be entitled to participation in the Company or other rights as a shareholder with respect to the shares subject to the repurchase. To the maximum extent permitted by law, the Participant's rights following the exercise of the Right of First Refusal shall, with respect to the repurchase and the Ordinary Shares covered thereby, be solely the rights that he or she has as a general creditor of the Company to receive payment of the amount specified in this Section 11.

(h) No Transfer to Competitors. Notwithstanding anything to the contrary, the Participant shall not transfer any shares to any person or entity listed under Exhibit B hereto or any Affiliate thereof; the Company shall not transfer any shares it purchases pursuant to this Section 11 to any person or entity listed under Exhibit B hereto or any Affiliate thereof.

12 Withholding of Taxes. To the extent required by Applicable Law, the Company has the authority to deduct or withhold, or require the Participant to remit to the Company, an amount sufficient to satisfy all applicable federal, state, local and foreign taxes (including the Participant's tax obligation) required by Applicable Law to be withheld with respect to any taxable event arising from the grant of the Option. At the Company's election, the Participant may satisfy his or her tax obligation, in whole or in part, by either: (a) electing to have the Company withhold Ordinary Shares otherwise to be delivered with a Fair Market Value (as defined in the Plan) equal to the tax withholding obligation; (b) surrendering to the Company previously owned Ordinary Shares with a Fair Market Value equal to the tax withholding obligation; (c) allowing the Company to withhold the amount of the tax withholding obligation from the Participant's cash compensation; or (d) paying the amount of the tax withholding obligation directly to the Company in cash. If the Administrator determines that the Participant has not satisfied or performed his or her tax obligations, then the Administrator has the right, but not the obligation, to suspend the vesting of the Option (the "**Suspended Period**") commencing upon the Participant's failure or default until such time the Participant has fully satisfied or performed such tax obligations. For the avoidance of doubt: (i) the Administrator has discretion in determining whether or not the Participant has satisfied or performed, fully or otherwise, his or her tax obligations; and (ii) after the vesting suspension is lifted, the time at which the specific number of Ordinary Shares underlying the Option may otherwise vest under the original vesting

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schedule shall be postponed, in each case, by the same number of days that elapse during the Suspended Period.

13 Voluntary Participation. The Participant's participation in the Plan is voluntary. The value of the Option is an extraordinary item of compensation outside the scope of the Participant's employment contract, if any. As such, the Option is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pensions or retirement benefits or similar payments unless specifically and otherwise provided.

14 Discretionary Option. This Option is granted under and governed by the terms and conditions of the Plan. The Participant acknowledges and agrees that the Plan is discretionary in nature and may be amended, canceled, or terminated by the Administrator, in its sole discretion, at any time. The grant of the Option under the Plan is a one-time benefit and does not create any contractual or other right to receive an award of Ordinary Shares or benefits in lieu of Ordinary Shares in the future. Future awards of an Option, if any, will be at the sole discretion of the Administrator, including, but not limited to, the timing of the award, the number of shares and vesting provisions. The Plan has been introduced voluntarily by the Company and in accordance with the provisions of the Plan may be terminated by the Administrator at any time. By execution of this Agreement, the Participant consents to the provisions of the Plan and this Agreement.

15 Adjustments. The Participant hereby acknowledges and confirms that in the event the Company decides to implement any other actions affecting any of its Ordinary Shares, including share splits, reverse splits, spin-offs, combinations, exchanges or distribution of unusual/nonrecurring large dividends after the date of this Agreement, (i) the number of Ordinary Shares underlying this Option grant may be subject to adjustments in accordance with such actions and (ii) the Administrator shall have the sole discretion to make such adjustments.

16 Notices. Any notice required or permitted pursuant to this Option Agreement or the Exercise Agreement shall be given in writing and shall be given either personally or by sending it by an internationally-recognized express courier service, fax, or electronic mail to the following applicable address: (i) if to the Company, at its principal executive office to the attention of the Secretary, or (ii) if to the Participant, at the Participant's last address reflected in the Company's payroll records (or, in each case, at such other address as such party may designate by fifteen (15) days' advance written notice to the other parties to this Option Agreement given in accordance with this Section). Where a notice is sent by an internationally-recognized express courier service, service of the notice shall be deemed to be effected by properly addressing, pre-paying and sending by express service through such service a letter containing the notice, with a confirmation of delivery, and to have been effected at the expiration of three (3) days after the letter containing the same is sent as aforesaid. Where a notice is sent by fax or electronic mail, service of the notice shall be deemed to be effected by properly addressing, and sending such notice through a transmitting organization, with a written confirmation of delivery, and to have been effected on the day the same is sent as aforesaid.

17 Entire Agreement. This Option Agreement (including these Terms and together with the form of Exercise Agreement attached hereto) and the Plan together constitute

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the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan, this Option Agreement and the Exercise Agreement may be amended pursuant to Sections 15 and 19 of the Plan. Such amendment must be in writing and signed by the Company. The Company may, however, unilaterally waive any provision hereof or of the Exercise Agreement in writing to the

extent such waiver does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

18 Satisfaction of All Rights to Equity. The Option is in complete satisfaction of any and all rights that the Participant may have (under an employment, consulting, or other written or oral agreement with the Company or any of its Affiliates, or otherwise) to receive (1) options or share awards with respect to the Securities of the Company or any of its Affiliates, and/or (2) any other equity or derivative security in or with respect to the Company or any of its Affiliates. This Option Agreement supersedes the terms of all prior understandings and agreements, written or oral, of the parties with respect to such matters. The Participant shall have no further rights or benefits under any prior agreement conveying any right with respect to any security or derivative security in or with respect to the Company or any of its Affiliates. Notwithstanding the foregoing, this Section 18 shall not adversely affect the Participant's rights under any prior option or share award agreement under the Plan (provided such agreement is expressly labeled as an option or share award agreement under the Plan and is similar in form to this Option Agreement) which has been signed by an authorized officer of the Company.

19 Governing Law; Construction. This Option Agreement and the Exercise Agreement shall be governed by and construed and enforced in accordance with the laws of the Cayman Islands without regard to conflict of law principles thereunder. The terms of the Option grant have resulted from the negotiations of the parties and each of the parties has had an opportunity to obtain and consult with its own counsel. The language of all parts of the Plan, this Option Agreement (including these Terms) and the Exercise Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against either of the parties.

20 Limited Rights. Until the Option is exercised and Ordinary Shares are issued and allotted to the Participant, the Participant has no rights as a shareholder of the Company with respect to the Option as set forth in Section 6(d) of the Plan. The Option does not place any limit on the corporate authority of the Company.

21 Arbitration. Any dispute, controversy or claim arising out of or in connection with or relating to this Agreement, or the interpretation, breach, termination or validity hereof, shall be resolved through arbitration. A dispute may be submitted to arbitration upon the request of either party with written notice to the other party (the "**Notice**"). The arbitration shall be conducted in Singapore under the Singapore International Arbitration Centre (the "**Centre**"). There shall be a single arbitrator. If the parties do not agree on the nomination of an arbitrator within thirty (30) days after the delivery of the Notice to the other party, the appointment shall be made by the Secretary General of the Centre. The arbitration proceedings shall be conducted in English.

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23 Severability. If the arbitrator or a court of competent jurisdiction determines that any portion of this Option Agreement, the Plan, or the Exercise Agreement is in violation of any statute or public policy, then only the portions of this Option Agreement, the Plan, or the Exercise Agreement, as applicable, which violate such statute or public policy shall be stricken, and all portions of this Option Agreement, the Plan, and the Exercise Agreement which do not violate any statute or public policy shall continue in full force and effect. Furthermore, it is the parties' intent that any court order striking any portion of this Option Agreement, the Plan, and/or the Exercise Agreement should modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties hereunder.

24 PRC Compliance. Notwithstanding anything to the contrary in this Option Agreement, with respect to any Participant who is a PRC citizen or resident in China, or otherwise, as the Administrator in its sole discretion may determine, may be deemed as a "domestic resident" as defined in the Circular No. 75 (and/or such successor circular, the "**SAFE Circular**") issued by the State Administration of Foreign Exchange of the People's Republic of China (the "**PRC**") on October 21, 2005 (a "**PRC Participant**") and as supplemented by that certain implementing rule issued by the State Administration of Foreign Exchange of the PRC on May 31, 2007 (known as Notice 106), the Option shall become exercisable only upon the receipt of written confirmation from the PRC Participant, or counsel to the Company, in form and substance reasonably satisfactory to the Administrator that

(a) (i) such PRC Participant is not subject to the registration or other compliance requirements of the SAFE Circular, or (ii) such PRC Participant (X) is subject to such registration and compliance requirements of the SAFE Circular and (Y) has fully complied with such registration and compliance requirements of the SAFE Circular; and

(b) the exercise of the Option by the PRC Participant will not violate any Applicable Laws or regulations of the PRC and will not subject the Participant or the Company to any filing or registration with, or obtain any approval or permit from, any PRC governmental or regulatory authorities (the "**PRC Compliance**") which, as the Administrator may determine in its sole discretion, would be unreasonably burdensome on the Company or is likely to have a material adverse effect on the Company's business, operations or prospects.

The PRC Participant shall have executed a Power of Attorney in substantially the form attached hereto as Exhibit C (or in such form and substance as may be required by the then applicable PRC laws or regulations and is determined by the Administrator as reasonably satisfactory to the Company) authorizing the Company (or any representative designated by the Company) to take such actions and execute such instruments on behalf of such PRC Participant in the event where such PRC Compliance is required, and the PRC Participant agrees to take, or cause to be taken, any additional actions and execute any additional instruments as may be requested by the Company to ensure such compliance.

In addition, notwithstanding anything else contained herein to the contrary, the Administrator may, at its discretion, limit the method of Option exercise to a cashless method for such PRC Participant for purpose of such PRC Compliance in accordance with Section 5(b) of these Terms. Such discretion includes and is not limited to the required exchange of proceeds by the Administrator into Renminbi for transmittal to such PRC Participant, deductions for fees

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associated with the exchange, and deductions for PRC taxes, as may be necessary to comply with the applicable PRC foreign exchange and tax regulations.

25 Personal Data. The Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described in this paragraph. The Company and the Participant's employer hold certain personal information, including the Participant's name, home address and telephone number, date of birth, national ID card number, social security number or other employee tax identification number, salary, nationality, job title

and any shares awarded, canceled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan (the "**Data**"). The Company and the Participant's employer may transfer the Data to any third parties assisting the Company in the implementation, administration and management of the Plan. These recipients may be located in Singapore, Thailand, Philippines, Vietnam, China or elsewhere. The Participant hereby authorizes these recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of Ordinary Shares on the Participant's behalf to a broker or other third party with whom the Participant may elect to deposit any Ordinary Shares acquired pursuant to the Plan. The Participant may, at any time, review the Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Participant's ability to participate in the Plan.

26 Sections 409A and 457A. Notwithstanding other provisions of the Plan or this Agreement, no Option or any rights therein may be granted, deferred, accelerated, extended, paid out or modified under this Option Agreement in a manner that would result in the imposition of an additional tax under Section 409A or Section 457A of the Code upon the Participant. In the event that it is reasonably determined by the Board or, if delegated by the Board to the Administrator, by the Administrator that, as a result of Section 409A of the Code, payments or any other rights in respect of the Option may not be granted at the time contemplated by the terms of the Plan or this Option Agreement, as the case may be, without causing the Participant holding the Option to be subject to taxation under Section 409A of the Code, including as a result of the fact that the Participant is a "specified employee" under Section 409A of the Code, the Company will make such payment or grant such rights on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code. The Company will use commercially reasonable efforts to implement the provisions of this Section 22 in good faith; provided, however, that neither the Company, the Administrator nor any of the Company's Employees, Directors or representatives will have any liability to the Participant with respect to this Section 22.

*(Remainder of Page Intentionally Left Blank)*

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## **EXHIBIT A**

### **HEXINDAI INC. SHARE INCENTIVE PLAN OPTION EXERCISE AND ORDINARY SHARE PURCHASE AGREEMENT**

The undersigned (the "**Purchaser**") hereby irrevocably elects to exercise his/her right, evidenced by that certain Option Agreement dated as of \_\_\_\_\_ (the "**Exercise Agreement**") under the Hexindai Inc. 2016 Equity Incentive Plan (the "**Plan**"), as follows:

- the Purchaser hereby irrevocably elects to purchase \_\_\_\_\_ Ordinary Shares, par value US\$0.0001 per share (the "**Shares**"), of Hexindai Inc. , an exempted company organized under the Companies Law of the Cayman Islands (the "**Company**"), and
- such purchase shall be at the price of US\$ \_\_\_\_\_ per share, for an aggregate amount of US\$ \_\_\_\_\_ (subject to applicable withholding taxes pursuant to Section 15 of the Plan).

Capitalized terms are defined in the Plan if not defined herein.

1. Delivery of Share Certificate. The Purchaser requests that a certificate representing the Shares be registered and delivered to: \_\_\_\_\_.

The Purchaser hereby acknowledges and confirms that the Shares purchased hereunder may be, at the sole discretion of the Company, issued to and registered under the name of an entity for and on behalf of the Purchaser and designated by the Company.

In lieu of delivery of certificates or entry in the register of the Company's members representing the Shares purchased hereunder, the Company may, at the sole discretion, deliver any other consideration under a formal broker-assisted (or other) cashless exercise program adopted by the Company in connection with the Plan.

2. Investment Representations. The Purchaser acknowledges that the sale of the Shares by the Purchaser is restricted by applicable securities laws and regulations (for example, Securities and Exchange Commission Rule 701). The Purchaser hereby affirms as made as of the date hereof the representations in Section 9 of the "Terms and Conditions of Option" (which are attached to and a part of the Option Agreement, the "**Terms**") and such representations are incorporated herein by this reference. The Purchaser represents that he/she has no need for liquidity in this investment, has the ability to bear the economic risk of this investment, and can afford a complete loss of the purchase price for the Shares.

The Purchaser also understands and acknowledges (a) that the Company has no obligation to register the Shares or file any registration statement under the applicable securities

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laws, and (b) that the Company may cause the legend set forth below or legends substantially equivalent thereto to be placed upon any certificate(s) representing ownership of the Shares:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED OR REGISTERED UNDER STATE SECURITIES OR BLUE SKY LAWS. THESE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO DISTRIBUTION, AND NEITHER THESE SECURITIES NOR ANY INTEREST OR PARTICIPATION THEREIN MAY BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED OR DISPOSED OF EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT OF 1933, AS AMENDED, APPLICABLE STATE SECURITIES OR BLUE SKY LAWS AND THE APPLICABLE RULES AND REGULATIONS THEREUNDER. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE

SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND A RIGHT OF FIRST REFUSAL HELD BY THE ISSUER OR ITS ASSIGNEE(S) AS SET FORTH IN THE RESTRICTED SHARE AWARD AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH TRANSFER RESTRICTIONS AND RIGHT OF FIRST REFUSAL ARE BINDING ON TRANSFEREES OF THESE SHARES.

3. Limitation on Disposition and Other Restrictions. The Shares are subject to and the Purchaser hereby agrees to the following terms and conditions of the sale of the Shares to the Purchaser:

(a) any transfer of the Shares must comply with the restrictions on transfer set forth in the Plan, the Terms and all Applicable Laws;

(b) the Shares are subject to, and following any otherwise permitted transfer of the Shares, the Shares shall remain subject to and the transferee shall be bound by, the transfer restrictions set forth in Section 8 of the Terms, the lock-up provisions set forth in Section 10 of the Terms, the Company's right of first refusal set forth in Section 11 of the Terms, the share legend requirements of Section 2 of this Exercise Agreement, the foregoing provisions of this Section 3, and the arbitration provisions of Section 21 of the Terms; and

(c) as a condition to any otherwise permitted transfer of the Shares, the Company may require the transferee to execute a written agreement, in a form acceptable to the Administrator, that the transferee acknowledges and agrees to the foregoing terms and restrictions imposed on the Shares.

4. Plan and Option Agreement. The Purchaser acknowledges that all of his/her rights are subject to, and the Purchaser agrees to be bound by, all of the terms and conditions of the Plan and the Option Agreement (including the Terms), both of which are incorporated herein by this reference. If a conflict or inconsistency between the terms and conditions of this Option Exercise and Ordinary Share Purchase Agreement (this "**Exercise Agreement**") and of the Plan or the Option Agreement shall arise, the terms and conditions of the Plan and/or the Option Agreement shall govern. The Purchaser acknowledges receipt of a copy of all documents referenced herein and acknowledges reading and understanding these documents and having an opportunity to ask any questions that he/she may have had about them. Any controversy or claim arising out of or relating to this Exercise Agreement shall be submitted to arbitration in accordance with Section 21 of the Terms, and Cayman Islands law shall apply as provided in Section 19 of the Terms.

5. Entire Agreement. This Exercise Agreement, the Option Agreement (including the Terms), and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan, the Option Agreement and this Exercise Agreement may be amended pursuant to Section 19 of the Plan. Such amendment must be in writing and signed by the Company. The Company may, however, unilaterally waive any provision hereof or of the Option Agreement in writing to the extent such waiver does not adversely affect the interests of the Purchaser hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

"PURCHASER"

ACCEPTED BY:

Signature

Hexindai Inc., an exempted company organized under the Companies Law of the Cayman Islands

By:

Its:

Print Name

Date

(To be completed by the company after the price (including applicable withholding taxes), value (if applicable) and receipt of funds is verified.)

### EXHIBIT B<sup>3</sup>

<sup>3</sup> NTD: Include list of competitors to whom Transfer is prohibited.

### **EXHIBIT C** **Power of Attorney**

Principal: Name:

ID Card No.:

Address:

Postal Code:

Telephone:

Attorney: Address:

Postal Code:

Telephone:

The Principal intends to exercise the options granted to him/her under the Stock Option Incentive Plan of [name of the Offshore Company] (an exempted company incorporated under the laws of the Cayman Islands; the “Offshore Company”) adopted on [date], as amended from time to time (the “Plan”). Subject to satisfaction of the applicable conditions set forth in the Plan and upon exercise of all or part of the options to which the Principal is entitled that have become due, the Principal will acquire \_\_\_\_\_common shares in the Offshore Company. The Principal hereby authorizes the Attorney to complete on behalf of the Principal the foreign exchange registration procedures in relation to the Principal’s exercise of the options as described above.

The powers granted to the Attorney hereunder shall be: to the extent related to the completion of the proposed foreign exchange registration, to submit applications, complete the procedures in relation to the making of declarations, admissions, modifications and waivers, receive relevant notices, certificates, materials, etc., and handle any other relevant matters.

Principal: \_\_\_\_\_ (signature)

Dated: \_\_\_\_\_

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April 7, 2017

**Confidential**

Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

Re: Hexindai Inc.

Dear Sir/Madam,

The undersigned, Hexindai Inc., a foreign private issuer organized under the laws of the Cayman Islands (the “**Company**”), is submitting this letter in connection with a draft registration statement on Form F-1 (the “**Draft Registration Statement**”) for confidential non-public review by the staff of the Securities and Exchange Commission (the “**Commission**”) pursuant to Section 6(e) of the Securities Act of 1933, as amended (the “**Securities Act**”). The Company qualifies as an “emerging growth company” as defined in section 2(a)(19) of the Securities Act. The Draft Registration Statement relates to the initial public offering of the Company’s American depositary shares.

The Company has included in the Draft Registration Statement its audited consolidated financial statements as of March 31, 2015 and 2016 and for each of the two years ended March 31, 2015 and 2016, and unaudited interim condensed consolidated financial statements as of September 30, 2015 and 2016 and for each of the six-month periods ended September 30, 2015 and 2016.

As an emerging growth company, the Company has included in the Draft Registration Statement selected financial information as of and for the years ended March 31, 2015 and 2016 and the six-month periods ended September 30, 2015 and 2016.

The Company respectfully requests that the Commission waive the requirement of Item 8.A.4 of Form 20-F, which states that in the case of a company’s initial public offering (“**IPO**”), the Registration Statement on Form F-1 must contain audited financial statements of a date not older than 12 months from the date of the offering unless a waiver is obtained. *See also* Division of Corporation Finance, *Financial Reporting Manual*, Section 6220.3.

The Company is submitting this waiver request pursuant to Instruction 2 to Item 8.A.4 of Form 20-F, which provides that the Commission will waive the 12-month age of financial statements requirement “in cases where the company is able to represent adequately to us that it is not required to comply with this requirement in any other jurisdiction outside the United States and that complying with this requirement is impracticable or involves undue hardship.”

In connection with this waiver request, the Company represents to the Commission that:

1. The Company is not currently a public reporting company in any jurisdiction.
2. The Company is not required by any jurisdiction outside the United States to prepare, and has not prepared, consolidated financial statements audited under any generally accepted auditing standards for any interim period.
3. Compliance with Item 8.A.4 of Form 20-F at present when we have just passed the end of the Company’s latest fiscal year by one week, is impracticable and involves undue hardship for the Company.
4. The Company does not anticipate that its audited financial statements for the year ended March 31, 2017 will be available until June 2017.
5. In no event will the Company seek effectiveness of its Registration Statement on Form F-1 if its audited financial statements are older than 15 months at the time of the offering.

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The Company will file this letter as an exhibit to the Registration Statement on Form F-1 pursuant to Instruction 2 to Item 8.A.4 of Form 20-F.

Very truly yours,  
Hexindai Inc.  
/s/ Zhang Qisen (Johnson)  
By: Zhang Qisen (Johnson)  
Title: Chief Financial Officer

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