

# Material Risk Factors

The Group's business is highly dependent on the macroeconomic and market conditions of China and other areas in which the Company operates its business. Therefore, fluctuation in the Chinese and international capital markets will have a material impact on the operating results of the Group.

Risks exposed to the Group mainly include: legal and compliance risk caused by possible failure of the business management and standards to align in a timely manner with changes in national laws and regulations and the rules promulgated by the regulatory authorities; strategic risk where the Group may not be able to adjust its strategic planning in response to the profound changes in domestic and overseas capital markets; internal operations and management risks arising from changes such as the transformation of the Group's business model and the emergence of new businesses and new technologies; market risk that may arise from the fluctuating market price of the financial positions held by the Group; credit risk arising from the default or deterioration of credit qualification of its borrowers, trading counterparties or the issuers of financial positions held; liquidity risk where the Group may encounter a shortage of funds in fulfillment of repayment obligations; operational risks that may arise from losses due to imperfect or problematic internal process, personnel, IT system, and external events; reputational risk caused by negative reviews of the Company by stakeholders due to the Company's operation, management and other behaviors or external events; and country risks directly or indirectly caused by changes in the political, economic, business environment, public safety and social of a certain country or region. In particular, credit risk, market risk and compliance risk are the major risks currently being faced by the Group.

To cope with the above risks, the Group has established a comprehensive risk management system by taking preventive measures through its organizational structure, institutional norms, management system, information technology, and other aspects, while at the same time, optimizes its business process and risk control measures, to ensure the Company's risks are measurable, controllable and tolerable.