



易鑫集團

YIXIN GROUP

易鑫集團有限公司
Yixin Group Limited

(Incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as "Yixin Automotive Technology Group Limited")

Stock Code: 2858

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(in alphabetical order)



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



Joint Lead Managers



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



YIXIN GROUP LIMITED

易鑫集团有限公司

(incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as “Yixin Automotive Technology Group Limited”)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 878,680,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 87,868,000 Shares (subject to reallocation)
Number of International Placing Shares	: 790,812,000 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	: HK\$7.70 per offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars subject to refund)
Nominal value	: US\$0.0001 per Share
Stock code	: 2858

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers (in alphabetical order)



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed “Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection” in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around November 9, 2017 and, in any event, not later than November 15, 2017. The Offer Price will be not more than HK\$7.70 and is currently expected to be not less than HK\$6.60, unless otherwise announced. If, for any reason, the Offer Price is not agreed by November 15, 2017 between the Joint Global Coordinators (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price Range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.yixincars.com not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed “Risk Factors.” The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain events shall occur prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed “Underwriting.” It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (i) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S.

November 6, 2017

EXPECTED TIMETABLE⁽¹⁾

Hong Kong Public Offering commences and WHITE and YELLOW Application Forms available from	9:00 a.m. on Monday, November 6, 2017
Latest time for completing electronic applications under the White Form eIPO service through the designated website at www.eipo.com.hk ⁽²⁾	11:30 a.m. on Thursday, November 9, 2017
Application lists open ⁽³⁾	11:45 a.m. on Thursday, November 9, 2017
Latest time for (a) lodging WHITE and YELLOW Application Forms, (b) completing payment for White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (c) giving electronic application instructions to HKSCC	12:00 noon on Thursday, November 9, 2017
Application lists close ⁽³⁾	12:00 noon on Thursday, November 9, 2017
Expected Price Determination Date	Thursday, November 9, 2017
Announcement of the Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Wednesday, November 15, 2017
An announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) will be available through a variety of channels (including the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the Company's website at www.yixincars.com) (see "How to Apply for Hong Kong Offer Shares — Publication of Results") from	Wednesday, November 15, 2017
Results of allocations in the Hong Kong Public Offering will be available at www.iporeresults.com.hk with a "search by ID" function from	Wednesday, November 15, 2017
Share certificates in respect of wholly or partially successful applications to be despatched or deposited into CCASS on or before ⁽⁴⁾	Wednesday, November 15, 2017
White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessfully applications to be despatched on or before ⁽⁴⁾	Wednesday, November 15, 2017
Dealings in the Shares on the Stock Exchange expected to commence at 9.00 a.m. on	Thursday, November 16, 2017

Notes:

- (1) All dates and times refer to Hong Kong dates and times.
- (2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, November 9, 2017, the application lists will not open and close on that day. See "How to Apply for Hong Kong Offer Shares."
- (4) The Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Thursday, November 16, 2017, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

EXPECTED TIMETABLE⁽¹⁾

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares,” respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.

CONTENTS

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering.

	<u>Page</u>
Expected Timetable	i
Contents	iii
Summary	1
Definitions	17
Glossary of Technical Terms	29
Forward-looking Statements	33
Risk Factors	34
Waivers from Strict Compliance with the Listing Rules and Exemption from the Companies (Winding Up and Miscellaneous Provisions) Ordinance	81
Information about this Prospectus and the Global Offering	88
Directors and Parties Involved in the Global Offering	92
Corporate Information	97
Industry Overview	99
Regulations	110
History and Corporate Structure	125
Business	142
Contractual Arrangements	193

CONTENTS

	<u>Page</u>
Financial Information	215
Relationship with our Controlling Shareholders	266
Connected Transactions	275
Share Capital	303
Substantial Shareholders	306
Directors and Senior Management	307
Future Plans and Use of Proceeds	316
Underwriting	318
Structure of the Global Offering	329
How to Apply for Hong Kong Offer Shares	338
Appendix I—Accountant’s Report	I-1
Appendix II—Unaudited Pro Forma Financial Information	II-1
Appendix III—Summary of the Constitution of the Company and Cayman Companies Law	III-1
Appendix IV—Statutory and General Information	IV-1
Appendix V—Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors." You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the largest online automobile retail transaction platform in China as measured by the volume and the value of automobile retail transactions in 2016, according to the Frost & Sullivan Report. For the year ended December 31, 2016, we facilitated over 190,000 automobile retail transactions with the aggregate value of the underlying automobiles reaching over RMB18 billion. We operate our business in two segments by leveraging our online platform: (i) transaction platform business, where we primarily facilitate automobile purchase transactions by consumers, facilitate auto loans to consumers offered by our auto finance partners, provide value-added services such as sales of vehicle telematics systems to auto dealers, and provide advertising and subscription services for automakers, auto dealers, auto finance partners and insurance companies; and (ii) self-operated financing business, where we primarily provide consumers with auto finance solutions through financing leases and operating leases. Across these two segments, for the year ended December 31, 2016, we facilitated an aggregate of over 260,000 automobile retail transactions and auto-related transactions with an estimated aggregate value of these underlying automobiles reaching over RMB26 billion. For the six months ended June 30, 2017, we facilitated an aggregate of approximately 160,000 automobile retail transactions and auto-related transactions with an estimated aggregate value of these underlying automobiles reaching approximately RMB16 billion, representing an 87.6% increase in the transaction volume and a 93.6% increase in the value of the underlying automobiles over the same period in 2016, respectively.

Our Controlling Shareholder, Bitauto, is a company currently listed on the New York Stock Exchange (NYSE: BITA). Following the Listing, our Company will be spun off from Bitauto and our Group and Bitauto will continue to operate under separate brands and platforms, and have separate businesses and management.

Our Business Model

Leveraging our online automobile retail transaction platform, we have developed an ecosystem, the participants of which comprise consumers, automakers, auto dealers, auto finance partners, and aftermarket service providers. This ecosystem facilitates transactions throughout consumers' automobile transaction cycles and automobiles' life cycles.

Among our two business segments, transaction platform business is growing at a faster pace, while self-operated financing business currently accounts for most of our revenues. For the six months ended June 30, 2017, the revenue of our transaction platform business was RMB321.1 million, contributing 20.7% of our total revenues, representing a 449.9% increase over the same period in 2016; while the revenue of our self-operated financing business was RMB1.2 billion, contributing 79.3% of our total revenues, representing a 209.6% increase over the same period in 2016.

SUMMARY

Our self-operated financing business primarily includes financing lease services. We categorize a lease as a financing lease if the terms and conditions of the lease agreement transfer substantially all the risks and rewards of ownership with respect to the subject assets to the lessee. We provide financing lease services mainly to car buyers via automobile purchase financing lease and to car owners via automobile collateralized financing. Our financing lease services are primarily structured using the sale-and-leaseback (回租) method. As we require automobile collateral for our financing lease services, changes in the residual value of automobile collateral securing our finance receivables may affect the recoverability of such finance receivables. We assess automobile residual values and determine the pricing of our financing lease services based on our proprietary data analytics capabilities and by leveraging external resources. For discussions on our assessment of automobile residual values and the determination of pricing of our financing lease services, see “Business—Self-Operated Financing Business—Financing Lease Services.”

An integral part of our online platform is our omni-channel operational capabilities, which seamlessly integrate our online channels, our transaction service teams, and dealership stores within our auto dealer cooperative network, to offer consumers a convenient and informative automobile transaction experience.

- *Online channels.* We operate various mobile apps, mobile sites and websites that allow consumers to conveniently explore their automobile transaction options and allow our business partners to efficiently reach out to prospective consumers. In September 2017, our online channels had approximately 51 million MAUs, and some of these users inquired about automobile transactions or auto-related transactions and the estimated aggregate value of these automobiles pursuant to such inquiries reached approximately RMB90 billion.
- *Transaction service teams.* Our transaction service teams are instrumental in converting online transaction leads into potential transactions and serving consumers and our business partners. We operate a call center staffed with over 370 employees primarily focusing on transaction lead conversion and customer support, and outsource a majority of our loan servicing functions to third-party call centers. Our local service teams are comprised of over 3,300 employees, focusing on on-site services covering over 300 cities in China.
- *Auto dealer cooperative network.* We work with a network of auto dealers to deepen our market penetration and broaden consumer reach. As of June 30, 2017, the auto dealer cooperative network is comprised of over 15,000 dealership stores across over 300 cities in over 30 provinces or equivalent regions in China, including 62 independently operated Yixin-branded experience stores. The independently operated Yixin-branded experience stores have unified appearance and provide consumers with standardized quality services, thus enabling us to have deeper engagement with consumers to better facilitate transactions.

Our Business Segments

Since our inception, the composition of our business segments has been evolving, because we have been dedicated to better serving our consumers and business partners by enriching and expanding our services. We started with advertising and subscription services, which was our only business in 2014, by leveraging our online channels’ user traffic. Nevertheless, we realized that the opportunity of the automobile transaction market is much larger than that of the automobile advertising and

SUMMARY

subscription market. In the second quarter of 2015, we started our self-operated financing business to provide financing to consumers with our financing lease products. Through our fast growing self-operated financing business, we have quickly formed our transaction service team, further expanded the auto dealer cooperative network, and accumulated data analytics and risk management capabilities which, among others, are key elements for a successful online automobile transaction platform. The successful track record of our self-operated financing business has formed a solid base for our facilitation and value-added services business. As a result, starting from the second quarter of 2016, we further expanded our transaction platform business to offer facilitation and value-added services to further build an ecosystem to satisfy consumers' needs throughout various stages of automobile transaction cycles. We have been building our omni-channel operation capabilities to promote growth across all business segments. We focus on increasing online traffic through the development of our mobile apps, mobile sites and websites, brand promotion and online traffic acquisitions, as well as enlarging our geographical footprints to build a national cooperative network of dealership stores. We are also dedicated to attracting, retaining, and motivating qualified personnel to build an efficient and effective team. Currently, our two business segments are:

- *Transaction platform business.* The transaction platform business is comprised of: (i) facilitation and value-added services, which include (a) transaction facilitation services, whereby we primarily earn service fees from consumers or auto dealers that have completed transactions through our platform, (b) loan facilitation services, whereby we primarily earn service fees from consumer borrowers or banks that have extended auto loans to consumers, (c) value-added services, where we primarily generate revenues from auto dealers for sales of vehicle telematics systems, and (ii) advertising and subscription services, whereby we primarily earn advertising fees from automakers, auto dealers, auto finance partners, and insurance companies that have advertised on our platform, service fees from auto dealers for promotional services, and earn subscription fees from those that have subscribed to our membership services.
- *Self-operated financing business.* The self-operated financing business is comprised of (i) financing lease services, whereby we primarily generate interest revenues from consumers, and (ii) operating lease services, whereby we primarily generate rental revenues from consumers. In connection with our self-operated financing business, we also generated significant revenues in 2016 from selling to institutional purchasers, such as auto dealers and leasing companies, automobiles purchased from auto dealers designated by automakers, in order to strengthen our relationship with, and enjoy preferential purchase terms from, such automakers. Along with the increasing scale of our self-operated financing business, revenues from automobile sales decreased significantly in the first half of 2017.

SUMMARY

The following table sets out revenues of each type of services under our transaction platform business segment and self-operated financing business segment in absolute amount and as a percentage to the total revenue for the periods presented:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2014		2015		2016		2016		2017	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(Unaudited)									
	(in thousands, except percentages)									
Revenues										
Transaction Platform Business										
Facilitation and Value-Added										
Services	—	—	—	—	12,825	0.9%	—	—	132,916	8.6%
Advertising and Subscription										
Services	47,990	100.0%	205,814	75.9%	199,327	13.4%	58,397	12.8%	188,225	12.1%
Subtotal	47,990	100.0%	205,814	75.9%	212,152	14.3%	58,397	12.8%	321,141	20.7%
Self-Operated Financing Business										
Financing Lease Services	—	—	65,461	24.1%	767,250	51.6%	200,672	44.0%	1,083,813	69.9%
Operating Lease Services	—	—	—	—	12,223	0.8%	4,213	1.0%	31,811	2.0%
Others ⁽¹⁾	—	—	—	—	496,272	33.3%	192,529	42.2%	114,643	7.4%
Subtotal	—	—	65,461	24.1%	1,275,745	85.7%	397,414	87.2%	1,230,267	79.3%
Total	47,990	100.0%	271,275	100.0%	1,487,897	100.0%	455,811	100.0%	1,551,408	100.0%

Note:

(1) Included revenues from automobile sales and other revenues. For more details of segmentation, see “Appendix I—Accountant’s Report—Notes to the Historical Financial Information—Segment information.” For discussions of our revenues from automobile sales, see “Business—Self-Operated Financing Business—Revenues from Automobile Sales.”

In 2016, our largest business segment shifted from the advertising and subscription services to the self-operated financing business, primarily due to the fast growth of our financing lease services in 2016. While the self-operated financing business was still our largest business segment as of the Latest Practicable Date, our transaction platform business has grown significantly in the first half of 2017, primarily due to the rapid growth of our facilitation and value-added services. The revenue contribution of our self-operated financing business decreased from 87.2% in the first half of 2016 to 79.3% in the first half of 2017, and we expect it to decrease further. The revenue contribution of our transaction platform business increased from 12.8% in the first half of 2016 to 20.7% in the first half of 2017, and we expect it to increase further. In addition, of all our business contracts entered into across our two business segments during the first half of 2017, the revenue attributable to the business contracts under our transaction platform business recognized during the first half of 2017 accounted for 45.2% of the revenue from all such business contracts entered into during the first half of 2017.

Although our self-operated financing business is more capital intensive than our transaction platform business, we believe that we have established diversified funding sources that match the working capital need of our business development. For discussions of our various funding sources, see “Business—Source of Funds.” In addition, we manage our medium- and long-term liquidity risk primarily through the matched funding approach. We aim to identify the possible structural liquidity risk arising from maturity mismatch of assets and liabilities at an early stage. In addition, we also closely monitor any short-term to medium-to-long term payment obligations in order to prepare in advance for such obligations. For discussions of our liquidity risk management, see “Business—Risk Management and Internal Control—Liquidity Risk Management.”

SUMMARY

As of June 30, 2017, the net finance receivables for our automobile purchase financing for consumers, automobile collateralized financing for consumers and financing lease for auto dealers were RMB14.4 billion, RMB5.0 billion and RMB259.6 million, respectively, and we have designed and offered various financing lease products covering approximately 800 combinations of terms and conditions to cater for consumers' various needs. For details of the finance receivables, the range of interest rates, the average lease durations, and the 180+ days past due ratios of certain service categories under our financing lease services, see "Business—Self-Operated Financing Business—Financing Lease Services."

For most of our auto finance products, we generally require less documentation from applicants than that would otherwise be required by traditional banks for credit assessment and approval, which enables more expedited approval process. However, such lower documentation requirement may result in increasing risks through our self-operated financing business. For discussions of our risk exposure, see "Risk Factors—Risks Relating to Our Business and Industry—Our current risk management system may not be able to exhaustively assess or mitigate all risks to which we are exposed." To mitigate and control our risk exposure, we have implemented and will continue to enhance our comprehensive risk management measures. See "Business—Risk Management and Internal Control—Credit Risk Management."

Our Market

China's automobile market experienced rapid growth from 2012 to 2016 in terms of the volume of automobile retail transactions. Such volume grew from 17.8 million in 2012 to 31.6 million in 2016, representing a CAGR of 15.5%. Driven by the increasing consumption power resulting from China's urbanization process and growth of disposable income per capita, increasing volume of used automobile retail transactions, and further penetration of sales channels into lower-tier cities, the automobile market in China is expected to expand further. The volume of automobile retail transactions is expected to further grow to 45.0 million in 2021, representing a CAGR of 7.3% from 2016 to 2021.

There has been a "going online" trend within the value chain of China's automobile industry. Online platforms can broaden consumers' access to the automobile retail transaction market, boost transaction efficiency, facilitate more effective supply and demand matching, and innovate traditional transaction processes.

The volume of online automobile retail transactions in China grew from 0.2 million in 2012 to 1.0 million in 2016, representing a CAGR of 60.3%. Driven by the increasing penetration of Internet and mobile Internet, diverse services available online, increasing acceptance by consumers and merchants, and stable growth of the automobile market, the online automobile retail transaction market is expected to expand further. The volume of online automobile retail transactions is expected to further grow to 5.4 million in 2021, representing a CAGR of 39.2% from 2016 to 2021. In terms of transaction volume, we ranked first in the online automobile retail transaction market in 2016 with a market share of 18.7%.

The information above is based on the Frost & Sullivan Report commissioned by us. For discussions of China's automobile transaction and related services industry, see "Industry Overview."

SUMMARY

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

- Largest online automobile retail transaction platform in China
- Center of automobile retail transaction ecosystem
- Seamless integrated omni-channel operational capabilities
- Highly efficient IT infrastructure
- Strong data analytics capabilities
- Visionary and experienced management team

OUR STRATEGIES

We plan to pursue the following business strategies:

- Grow our consumer base
- Strengthen our ecosystem
- Further enhance our technology capabilities
- Pursue strategic alliance, investment and acquisition opportunities

RISK FACTORS

Our operations and the Global Offering involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us and/or the value of your investment. See the section headed “Risk Factors” beginning on page 34 for details of our risk factors, which we strongly urge you to read in full before making an investment in our Shares. Some of the major risks we face include:

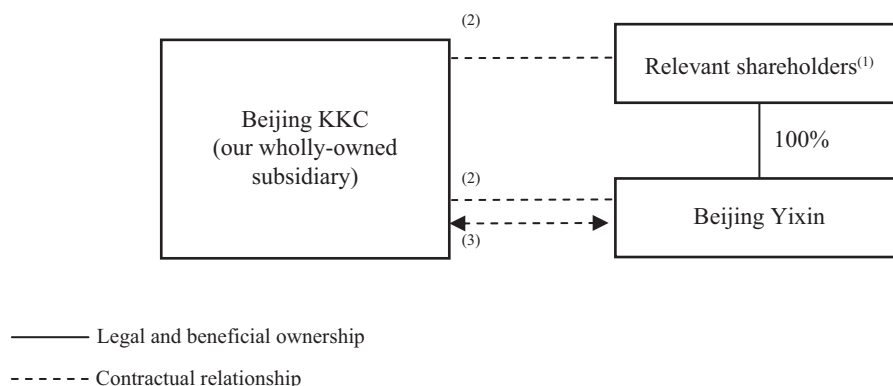
- Our limited operating history and our historical adjustment of businesses make it difficult for investors to evaluate our business and prospects;
- Our business focuses have been expanded and adjusted during the Track Record Period and may continue to change in the future, which makes it difficult to evaluate our business by comparing our results of operations from period to period;
- Our current risk management system may not be able to exhaustively assess or mitigate all risks to which we are exposed;
- Most of our financing lease contracts have been outstanding for a relatively short period and are not fully seasoned. The asset quality of our self-operated financing business may further deteriorate as the finance receivables season or as our product mix evolves;
- Our provisions for impairment losses on finance receivables may not be adequate to cover potential credit losses, and we may need to increase our provisions for impaired receivables to cover future potential credit losses;
- The development of our self-operated financing business is capital intensive. Restrictions in our capital raising arrangements and inability to obtain additional financing in the future may materially and adversely affect our business, results of operations and financial condition;

SUMMARY

- We are subject to potential losses associated with securitization transactions of our finance receivables;
- If we are unable to effectively manage our growth or implement our business strategies, our business, results of operations and financial condition may be materially and adversely affected;
- Our expansion plans and financial performance will be materially and adversely affected by our level of indebtedness or our inability to match the maturity profile of our assets and liabilities;
- If we are unable to provide consumers with a satisfactory experience or otherwise fail to maintain or enlarge our consumer base, the number of automobiles transacted via our platform may decline and our results of operations may be adversely affected;
- Our relationship with automakers, auto dealers and auto finance partners is crucial to our ability to grow our business, results of operations and financial condition;
- We do not have ownership control over the daily operations of the Yixin-branded experience stores or other auto dealers within our auto dealer cooperative network;
- If we fail to enhance and maintain our brand recognition, we may lose market share and our business, results of operations and financial condition may be materially adversely affected; and
- Our self-operated financing business and loan facilitation services may subject us to regulatory and reputational risks, each of which may have a material adverse effect on our business, results of operations and financial condition.

CONTRACTUAL ARRANGEMENTS

Our Company operates an online automobile transaction platform in China. The operation of mobile apps, websites, and the provision of online information service are subject to foreign investment and ownership restrictions under PRC law. We therefore do not own any equity interest in Beijing Yixin, our Consolidated Affiliated Entity. In order to enable us to control the equity interest in Beijing Yixin we have adopted the Contractual Arrangements to maintain and exercise control over the operations of Beijing Yixin. The Contractual Arrangements allow us to obtain the economic benefits of Beijing Yixin and consolidate its results of operations into those of ours. The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entity to our Group stipulated under the Contractual Arrangements:



SUMMARY

Notes:

- (1) The Relevant Shareholders of Beijing Yixin are Mr. Bo Han (韓波), Shenzhen Tencent and Beijing JD holding 55.7%, 26.6% and 17.7% of the equity interests in Beijing Yixin, respectively.
- (2) The Relevant Shareholders executed powers of attorney in favor of Beijing KKC, to exercise all shareholders' rights in Beijing Yixin. Please refer to "Contractual Arrangements—Summary of the material terms of the Contractual Arrangements—Powers of Attorney" for further details.
The Relevant Shareholders granted exclusive options in favor of Beijing KKC, to acquire all or part of the equity interest in and/or assets of Beijing Yixin. Please refer to "Contractual Arrangements—Summary of the material terms of the Contractual Arrangements—Exclusive Option Agreements" for further details.
The Relevant Shareholders granted a first priority security interest in favor of Beijing KKC over the entire equity interest in Beijing Yixin. Please refer to "Contractual Arrangements—Summary of the material terms of the Contractual Arrangements—Equity Interest Pledge Agreements" for further details.
- (3) Beijing Yixin will pay services fees to Beijing KKC in exchange for business support and technical and consulting services. Please refer to "Contractual Arrangements—Summary of the material terms of the Contractual Arrangements—Exclusive Business Cooperation Agreements" for further details.

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Capitalization Issue and the Global Offering, our Controlling Shareholders, Bitauto and Bitauto HK, will hold an aggregate of approximately 44.40% of our issued Shares (assuming the Over-allotment Option is not exercised, the options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Global Offering are not exercised, and no Shares are granted under the First Share Award Scheme). Pursuant to the Voting Proxy Agreement, they will be able to control an additional 10% of our issued Shares. They will therefore remain as our Controlling Shareholders.

There is no competition between the business of our Controlling Shareholders (other than their interests in our Group) and our business. Our Directors believe that we are capable of carrying out our business independently of our Controlling Shareholders and their close associates.

Bitauto is a company currently listed on the New York Stock Exchange (NYSE: BITA). Following the Listing, our Company will be spun off from Bitauto and our Group and Bitauto will continue to operate under separate brands and platforms, and have separate businesses and management.

DELINEATION OF BUSINESSES BETWEEN BITAUTO GROUP AND OUR GROUP

Delineation of business segmentation

Bitauto operates its businesses in three segments: advertising and subscription business, transaction services business, and digital marketing solutions business. Bitauto's advertising and subscription business partly includes our advertising and subscription services. Bitauto's transaction services business is comprised of our businesses. Bitauto's digital marketing solutions business doesn't include any of our businesses.

In contrast, we operate businesses in two segments: transaction platform business, which includes facilitation and value-added services as well as advertising and subscription services, and self-operated financing business. As we do not operate digital marketing solutions business, while Bitauto does not directly operate its transaction services business and only indirectly operates such business through us, the business segments contributing the majority of our revenues during the year ended December 31, 2016 and the six months ended June 30, 2017 do not overlap with the businesses of Bitauto outside of our Group.

SUMMARY

Delineation of business natures and focuses

Bitauto's mobile apps, mobile sites and websites primarily provide content-focused online services. These services focus on providing editorial and user-generated contents about automobiles online.

In contrast, we primarily provide transaction-focused omni-channel services integrating online and offline resources. We focus on developing an online automobile retail transaction platform and an ecosystem to serve consumers, automakers, auto dealers, auto finance partners and aftermarket service providers and facilitate their automobile transactions and auto-related transactions.

Delineation of platforms

Bitauto primarily operates through its own mobile apps, mobile sites and websites, which include Bitauto app, Auto Quote app and *bitauto.com*.

We primarily operate through our own mobile apps, mobile sites and websites, which include Taoche app, Yixin Chedai app, *taoche.com* and *daikuan.com*, and our auto dealer cooperative network. Our online platforms are distinct and run independently from those of Bitauto.

Delineation of advertising and subscription services

Some advertising customers may choose to advertise both on Bitauto's and our platforms. However, the advertising services of Bitauto and our Group have different value propositions and target audiences. Bitauto's advertising customers are mainly automakers focused on new automobile advertising on Bitauto's own platform while our advertising customers primarily include automakers, auto dealers, auto finance partners, and insurance company for both new and used automobile advertising on own platform. Even though there may be potential overlapping advertising customers of Bitauto and our Group, we do not believe such overlap is material. For the six months ended June 30, 2017, the revenues from our Group's advertising and subscription services represented 12.1% of our total revenues.

We believe the customer base of Bitauto's subscription service generally does not overlap with that of ours. The customers of Bitauto's subscription service primarily consist of auto dealers that sell new automobiles. In contrast, the customers of our subscription service primarily consist of auto dealers that sell used automobiles.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountant's Report set out in Appendix I. The summary financial data set forth below should be read together with our Consolidated Financial Statements and the related notes, as well as the section headed "Financial Information" beginning on page 215.

SUMMARY

Selected Financial Information from Our Consolidated Income Statements

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenues	47,990	271,275	1,487,897	455,811	1,551,408
Cost of revenues	(6,976)	(39,998)	(752,888)	(232,681)	(657,546)
Gross profit	41,014	231,277	735,009	223,130	893,862
Operating (loss)/profit	(1,616)	63,347	95,641	51,020	298,008
(Loss)/Profit before income tax	(829)	2,968	(1,345,995)	29,913	(6,003,149)
Income tax expense	894	(31,174)	(58,343)	(30,560)	(101,910)
Profit/(Loss) for the year/period	65	(28,206)	(1,404,338)	(647)	(6,105,059)

The following tables reconcile our Adjusted Operating Profit and Adjusted Net Profit for the periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRS. Adjusted Operating Profit and Adjusted Net Profit are not required by, or presented in accordance with, IFRS. Please see “Financial Information—Non-IFRS Measures” for details.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Operating (loss)/profit	(1,616)	63,347	95,641	51,020	298,008
Add:					
Fair value (gain)/loss on financial assets	—	(2,126)	17,126	—	(6,829)
Amortization of intangible assets resulting from asset and business acquisitions	—	26,853	32,042	15,345	36,489
Share-based compensation expenses	3,715	6,287	5,813	1,816	16,945
Listing expenses	—	—	—	—	5,571
Adjusted Operating Profit (unaudited)	2,099	94,361	150,622	68,181	350,184

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(Loss) for the year/period:	65	(28,206)	(1,404,338)	(647)	(6,105,059)
Add:					
Fair value loss of convertible redeemable preferred shares	—	53,452	1,428,141	16,789	6,300,470
Fair value (gain)/loss on financial assets, net of tax	—	(2,126)	17,126	—	(5,122)
Amortization of intangible assets resulting from asset and business acquisitions, net of tax	—	26,853	31,704	15,345	35,446
Share-based compensation expenses	3,715	6,287	5,813	1,816	16,945
Issuance costs of convertible redeemable preferred shares, net of tax	—	9,343	21,219	—	14,318
Listing expenses, net of tax	—	—	—	—	4,178
Adjusted Net Profit (unaudited)	3,780	65,603	99,665	33,303	261,176

We had a net loss of RMB28.2 million, RMB1.4 billion and RMB6.1 billion for 2015, 2016 and the six months ended June 30, 2017, respectively. As of June 30, 2017, we had an accumulated

SUMMARY

loss of RMB7.6 billion. A key reason behind our net loss within the Track Record Period and our accumulated loss as of June 30, 2017 was the significant increase in the fair value of our convertible redeemable preferred shares. We recorded RMB53.5 million, RMB1.4 billion and RMB6.3 billion of fair value loss of convertible redeemable preferred shares for 2015, 2016 and the six months ended June 30, 2017, respectively. At the time of Listing, all the convertible redeemable preferred shares will be converted automatically to ordinary shares, and thus in the periods following the Listing we will not incur fair value loss of convertible redeemable preferred shares.

Selected Financial Information from Our Consolidated Balance Sheets

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	240,353	3,081,502	10,559,715	12,634,477
Current liabilities	96,252	1,117,624	10,034,675	14,177,931
Net current assets/(liabilities)	144,101	1,963,878	525,040	(1,543,454)
Total equity	149,550	130,359	(1,384,475)	(7,631,811)
Convertible redeemable preferred shares	—	2,588,232	8,071,817	17,516,756
Total finance receivables	—	2,861,480	14,363,866	19,678,414
Total borrowings	—	—	11,319,427	17,000,901

As of June 30, 2017, we had net liabilities of RMB7.6 billion, mainly because we had RMB17.5 billion of convertible redeemable preferred shares as liabilities in our consolidated balance sheet. The convertible redeemable preferred shares are designated as liabilities at fair value on the consolidated balance sheets; and the increases in fair value are recognized as fair value loss on the consolidated income statement. We incurred fair value loss of RMB53.5 million, RMB1.4 billion and RMB6.3 billion for 2015, 2016 and the six months ended June 30, 2017, respectively, as the fair value of our convertible redeemable preferred shares grew significantly due to our fast business growth during the Track Record Period. All our convertible redeemable preferred shares will be automatically converted into our ordinary shares on the Listing Date, and will be derecognized from liabilities and accounted for as an increase in equity at its fair value upon the Listing, partially in share capital and majority in share premium. As illustrated in the Pro Forma Financial Information set out in Appendix II to this prospectus, taking into account the assumptions set out therein, we will be in a positive pro forma net tangible assets position upon the Listing. We will not incur any fair value loss following the Listing, but we may still retain accumulated losses due to the fair value loss of our convertible redeemable preferred shares prior to the Listing. As advised by our legal advisers on Cayman Islands Law, Maples and Calder (Hong Kong) LLP, a position of accumulated losses does not necessarily restrict us from declaring and paying dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account notwithstanding our profitability. For discussions of risks in connection with our net liabilities during the Track Record Period, see “Risk Factors—Risks Relating to Our Business and Industry—We had a net liability position during the Track Record Period, which may adversely affect our ability to declare and pay dividends.”

In addition, we had net current liabilities of RMB1.5 billion as of June 30, 2017, mainly due to an increase of current liabilities from December 31, 2016 to June 30, 2017. Such increase was due to the increase of ABSs and other borrowings which will mature within one year. Current liabilities increased by RMB4.1 billion from December 31, 2016 to June 30, 2017, among which RMB2.2 billion was due to ABSs and RMB2.1 billion was due to an increase of other borrowings. As of September 30, 2017, we continued to have net current liabilities of RMB4.2 billion. For discussions of our working capital position, see “Financial Information—Discussion of Certain Key Balance Sheet Items.” We

SUMMARY

have taken various measures to improve our working capital position. For example, we raised RMB2.6 billion through securitization transactions in August 2017. We aim to further improve our working capital position by reducing the percentage of short-term borrowings in our total borrowings and generating more cash flows from our business as our business scale increases.

Our intangible assets are comprised of goodwill, trademarks and licenses, customer relationships, domain names, computer software and technology, and the business cooperation agreements. The following table sets forth our intangible assets as of the dates indicated. For discussions of our intangible assets, see “Financial Information—Discussion of Certain Key Balance Sheet Items—Intangible assets.” For discussions of risks in connection with our intangible assets, see “Risk Factors—Risks Relating to Our Business and Industry—We recently recorded a significant amount of intangible assets, and we may incur material impairment charges if the recoverability of these intangible assets become substantially reduced.”

	As of December 31,			As of
	2014	2015	2016	June 30, 2017
	RMB'000			
Cost	79	92,836	304,253	2,575,405
Accumulated amortization	(16)	(26,941)	(61,457)	(99,841)
Net book amount	<u>63</u>	<u>65,895</u>	<u>242,796</u>	<u>2,475,564</u>

Selected Financial Information from Our Consolidated Cash Flow Statements

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	(in thousands of RMB)				
	(unaudited)				
Net cash used in operating activities	(1,065)	(2,761,135)	(11,301,509)	(2,291,713)	(5,906,488)
Net cash generated from/(used in) investing activities	293	(22,906)	(3,244,258)	(343,321)	305,759
Net cash generated from financing activities ...	184,477	3,261,364	14,449,297	2,403,603	6,108,316
Net increase/(decrease) in cash and cash equivalents	183,705	477,323	(96,470)	(231,431)	507,587
Cash and cash equivalents at the beginning of the reporting period	8,711	191,509	710,393	710,393	660,852
Exchange (losses)/gains on cash and cash equivalents	(907)	41,561	46,929	1,758	(23)
Cash and cash equivalents at end of the reporting period	<u>191,509</u>	<u>710,393</u>	<u>660,852</u>	<u>480,720</u>	<u>1,168,416</u>

Our cash used in operating activities was RMB1.1 million, RMB2.8 billion, RMB11.3 billion, RMB5.9 billion in 2014, 2015, 2016 and the first half of 2017, respectively. Our cash used in operating activities in 2015, 2016 and the first half of 2017 were mainly because of the increase in finance receivables. Our cash and cash equivalents were RMB191.5 million, RMB710.4 million, RMB660.9 million and RMB1.2 billion as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.

Source of Funds

During the Track Record Period, we obtained funding from various sources to support our business growth, including (i) Preferred Share issuance, (ii) bank loans and borrowings from other independent financial institutions, (iii) ABSs, and (iv) loans from Bitauto Group. During the Track

SUMMARY

Record Period, we raised an aggregate of RMB7.1 billion in cash from multiple issuances of Preferred Shares. As of June 30, 2017, we had approximately RMB12.1 billion of available credit facilities from banks and other independent financial institutions, of which approximately RMB11.2 billion had been drawn down as of the same date. As of June 30, 2017, the carrying amount of the ABSs we had originated is RMB7.0 billion, and the amounts of finance receivables that we collateralized in securitization transactions corresponding to all ABSs were RMB8.4 billion. For details of the carrying amounts and the corresponding finance receivables collateralized in securitization transactions of the publicly offered ABSs, see “Business—Source of Funds—ABSs.” As of June 30, 2017, we had RMB583.8 million of outstanding loans directly or indirectly from Bitauto and we will repay all such borrowings prior to the Listing.

Asset Quality

As of June 30, 2017, our net finance receivables were RMB19.7 billion, and our 30+ days past due ratio, 90+ days past due ratio, and 180+ days past due ratio were 0.89%, 0.51% and 0.23%, respectively. Provision for credit losses were RMB30.7 million as of June 30, 2017, which accounted for 0.16% of the net finance receivables as of June 30, 2017.

As of June 30, 2017, our 30+ days past due coverage ratio, 90+ days past due coverage ratio, and 180+ days past due coverage ratio were 17.6%, 30.7% and 68.0%, respectively.

As of September 30, 2017, our 30+ days past due ratio, 90+ days past due ratio, and 180+ days past due ratio was 1.10%, 0.47% and 0.17%, respectively, and our 30+ days past due coverage ratio, 90+ days past due coverage ratio, and 180+ days past due coverage ratio was 14.8%, 34.6% and 94.1%, respectively.

The asset quality information in this prospectus is not indicative of our future asset quality information. For discussions of the potential risks in connection with our various businesses, see “Risk Factors—Risks Relating to Our Business and Industry.”

DIVIDENDS

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our Consolidated Affiliated Entity, which are incorporated in the PRC. Our Consolidated Affiliated Entity must comply with its constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC’s Foreign Investment Enterprises, our Company’s subsidiaries and our Consolidated Affiliated Entity must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include a general reserve and a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity’s registered capital.

Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

SUMMARY

Historically we have not declared or paid any dividend to our Shareholders, and there is no assurance that dividends of any amount will be declared or be distributed in any year. We do not currently have a formal dividend policy or a fixed dividend distribution ratio.

GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of 87,868,000 Offer Shares (subject to adjustment) in Hong Kong as described in the section headed “Structure of the Global Offering—The Hong Kong Public Offering;” and
- (ii) the International Placing of an aggregate of initially 790,812,000 Shares (subject to adjustment and the Over-allotment Option), (a) in the United States to QIBs in reliance on Rule 144A or another available exemption; and (b) outside the United States in reliance on Regulation S (including to professional and institutional investors in Hong Kong).

The Offer Shares will represent 14% of the issued share capital of our Company immediately following the completion of the conversion of the Preferred Shares, the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised, the options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Global Offering are not exercised, and no Shares are granted under the First Share Award Scheme). If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 15.8% of the issued share capital of our Company immediately following the completion of the conversion of the Preferred Shares, the Capitalization Issue and the Global Offering.

RECENT DEVELOPMENTS

Following the Track Record Period, our business continued to grow. For the nine months ended September 30, 2017, we facilitated an aggregate of approximately 300,000 automobile retail transactions and auto-related transactions with an estimated aggregate value of these underlying automobiles reaching approximately RMB29 billion. As of September 30, 2017, we had, on a cumulative basis since our inception, approximately 500,000 managed automobiles, which are comprised of the number of automobiles for which we have provided loan facilitation services, financing lease services for consumers, operating lease services, and we also had cooperative relationship with 100 independently operated Yixin-branded experience stores.

Between July 3, 2017 and October 1, 2017, we granted options in respect of a 56,477,387 Shares (or 395,341,709 Shares assuming the completion of the Capitalization Issue) to 149 employees of the Group pursuant to the Pre-IPO Share Option Scheme. On October 12, 2017, we issued 15,957,262 Shares to 20 grantees who exercised their options pursuant to the Pre-IPO Share Option Scheme. All Shares issued to the grantees were transferred on the same day to entities to be held on trust for the benefit of the employees. For further details, please refer to the sections headed “Statutory and General Information—Further Information about our Company and our subsidiaries—Changes in share capital of our Company” and “Statutory and General Information—Pre-IPO Share Option and Share Award Schemes—Pre-IPO Share Option Scheme—Outstanding options granted” in Appendix IV.

In September 2017, we applied to the Shanghai Stock Exchange for a proposed private placement of corporate bonds, which is currently under review by the Shanghai Stock Exchange.

SUMMARY

Our Directors confirm that there has been no material adverse change in our financial, operational or trading positions or prospects since June 30, 2017, being the date of our Consolidated Financial Statements as set out in the Accountant's Report included in Appendix I, and up to the date of this prospectus.

OFFERING STATISTICS

All statistics in the following table are based on the assumption that the conversion of the Preferred Shares, the Capitalization Issue and the Global Offering have been completed and 878,680,000 Shares are issued pursuant to the Global Offering.

	<u>Based on an Offer Price of HK\$6.60</u>	<u>Based on an Offer Price of HK\$7.70</u>
Market capitalization of our Shares ⁽¹⁾	HK\$41,424 million	HK\$48,328 million
Unaudited pro forma adjusted consolidated net tangible asset per Share ⁽²⁾	HK\$2.27 (RMB1.94)	HK\$2.42 (RMB2.06)

Notes:

- (1) The calculation of market capitalization is based on 6,276,322,474 Shares expected to be in issue immediately upon completion of the conversion of the Preferred Shares, the Capitalization Issue and the Global Offering, assuming that the Over-allotment Option is not exercised.
- (2) The unaudited pro forma adjusted consolidated net tangible asset per Share as of June 30, 2017 is calculated after making the adjustments referred to in Appendix II and on the basis that 6,276,322,474 Shares are expected to be in issue immediately upon completion of the conversion of the Preferred Shares, the Capitalization Issue and the Global Offering, assuming that the Over-allotment Option is not exercised.

For the calculation of the unaudited pro forma adjusted net tangible asset value per Share attributed to our Shareholders, see the section headed "Unaudited Pro Forma Financial Information" in Appendix II.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We apply for the Listing as part of our efforts to foster our growth to the next stage and strengthen our competitive position in China's online automobile retail transaction market. Specifically, we believe that the Listing will (i) promote our public profile and visibility in both domestic and international markets so that we may attract more consumers and business partners, (ii) further broaden our access to international capital markets so that we may raise capital more efficiently both upon and after the Listing to support our growth, and (iii) attract talents and incentivize our employees. In addition, we choose Listing in Hong Kong because Hong Kong is a strategic gateway to access both the high-growth PRC market where we currently operate all our businesses and the international capital markets that broadens our access to capital.

We have applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue (including the Shares on conversion of the Preferred Shares) and our Shares to be issued pursuant to the Global Offering, the Pre-IPO Share Option Scheme and the First Share Award Scheme. On the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue for the year ended December 31, 2016, being approximately RMB1,488 million, which is over HK\$500 million, and (ii) our expected market capitalization at the time of Listing, which, based on the low-end of the indicative Offer Price Range, exceeds HK\$4 billion.

LISTING EXPENSES

The Group expects to incur listing expenses of approximately RMB223.9 million (based on an Offer Price of HK\$7.15, being the mid-point of the indicative Offer Price range between HK\$6.60 and

SUMMARY

HK\$7.70, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which RMB32.1 million (including RMB5.6 million recognized for the six months ended June 30, 2017) is expected to be charged to our consolidated income statements for the year ending December 31, 2017 and RMB191.8 million is directly attributable to the issue of the Shares to the public and to be capitalized. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions but excluding discretionary bonus. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$6,019.7 million (after deducting underwriting commissions and other estimated expenses paid and payable by us in the Global Offering and assuming the full payment of the discretionary incentive fee), assuming an Offer Price of HK\$7.15 per Share, being the mid-point of the Offer Price Range of HK\$6.60 to HK\$7.70 per Share, and that the Over-allotment Option is not exercised. We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

- approximately HK\$1,805.9 million (equivalent to approximately RMB1,538.5 million, representing 30% of the net proceeds) to implement our sales and marketing initiatives to support the geographical expansion of our auto dealer cooperative network, including the expansion of our sales and marketing team;
- approximately HK\$1,203.9 million (equivalent to approximately RMB1,025.7 million, representing 20% of the net proceeds) to further enhance our research and technology capabilities, including the recruitment of engineers and data specialists and further investment in our IT systems and data analytics capabilities;
- approximately HK\$1,203.9 million (equivalent to approximately RMB1,025.7 million, representing 20% of the net proceeds) to strengthen our capital resources to support the ongoing growth of our self-operated financing business;
- approximately HK\$1,203.9 million (equivalent to approximately RMB1,025.7 million, representing 20% of the net proceeds) to selectively pursue acquisitions of or investments in assets and businesses which are complementary to our business and are in line with our growth strategies; and
- approximately HK\$602.0 million (equivalent to approximately RMB512.8 million, representing 10% of the net proceeds) for working capital and other general corporate purposes.

In the event that we receive net proceeds from the Global Offering higher or lower than the estimated amounts stated above, we will increase or decrease the intended use of the net proceeds for the above purposes on a pro rata basis.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed “Glossary of Technical Terms.”

“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, as the context so requires, any of them, which is used in relation to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the articles of association of our Company adopted on November 1, 2017 with effect from Listing, as amended from time to time, a summary of which is set out in the section headed “Summary of the Constitution of the Company and Cayman Companies Law” in Appendix III
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audited Financial Statements”	the audited consolidated financial statements of our Group for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 as included in the section headed “Accountant’s Report” in Appendix I
“Baidu”	Baidu, Inc. a company incorporated in the Cayman Islands and currently listed on Nasdaq Global Select Market (Nasdaq: BIDU), our Pre-IPO Investor
“Baidu HK”	Baidu (Hong Kong) Limited (百度(香港)有限公司), a company incorporated under the laws of Hong Kong on November 27, 2007 and a wholly-owned subsidiary of Baidu
“Beijing KKC”	Beijing KKC Technology Co., Ltd.* (北京看看車科技有限公司), a company established under the laws of the PRC on July 10, 2014 and our wholly-owned subsidiary
“Beijing Yixin”	Beijing Yixin Information Technology Co., Ltd.* (北京易鑫信息科技有限公司), a company established under the laws of the PRC on January 9, 2015 and our Consolidated Affiliated Entity
“Beijing Yixin Auto Leasing”	Beijing Yixin Auto Leasing Co., Ltd.* (北京易鑫汽車租賃有限公司), a company established under the laws of the PRC on December 15, 2016 and our indirectly wholly-owned subsidiary

DEFINITIONS

“Bitauto”	Bitauto Holdings Limited, a company incorporated under the laws of the Cayman Islands on October 21, 2005 and currently listed on the New York Stock Exchange (NYSE: BITA), and one of our Controlling Shareholders
“Bitauto Group”	Bitauto and/or its subsidiaries and its consolidated affiliated entities from time to time, excluding the Group unless the context so requires
“Bitauto HK”	Bitauto Hong Kong Limited (易車香港有限公司), a company incorporated under the laws of Hong Kong on April 27, 2010, and one of our Controlling Shareholders
“Board”	the board of Directors of our Company
“Business Cooperation Agreement”	the agreement dated May 11, 2017 entered into between our Company and Bitauto pursuant to which Bitauto and its relevant subsidiaries would continuously and exclusively direct all enquiries regarding (1) various automobile related financing, leasing and/or insurance services and products arising from Bitauto and (2) various used automobile-related business to our Group
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“C&I Advertising”	Beijing C&I Advertising Co., Ltd.* (北京新意互動廣告有限公司), a company established under the laws of the PRC on December 30, 2002, a subsidiary of Bitauto and our connected person
“Capitalization Issue”	the issue of 4,626,550,692 Shares on the Listing Date to be made upon the capitalization of part of the sum standing to the credit of the share premium account of our Company, details of which are set out in the section headed “History and Corporate Structure—The Capitalization Issue”
“Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented from time to time
“Cayman Registrar”	the Registrar of Companies of the Cayman Islands
“CBRC”	China Banking Regulatory Commission
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China and for the purposes of this prospectus only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company,” “our Company,” or “the Company”	Yixin Group Limited (易鑫集团有限公司), (formerly known as Yixin Capital Limited) an exempted company with limited liability incorporated under the laws of the Cayman Islands on November 19, 2014
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Affiliated Entity”	the entity we control through the Contractual Arrangements, namely Beijing Yixin
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others Beijing KKC, our Consolidated Affiliated Entity and its shareholders, details of which are described in the section headed “Contractual Arrangements”
“Contribution Agreement”	the agreement dated May 11, 2017, entered into between our Company and Bitauto, pursuant to which Bitauto agreed to contribute its used automobile and related business in addition to its traffic support to our Company pursuant to the Business Cooperation Agreement

DEFINITIONS

“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Bitauto and Bitauto HK, and each of them shall be referred to as a Controlling Shareholder
“CSRC”	China Securities Regulatory Commission
“Dalian Rongxin”	Dalian Rongxin Financial Guarantees Co., Ltd.* (大連融鑫擔保有限公司), a company established under the laws of the PRC, a licensed guarantee company, a subsidiary of Bitauto and our connected person
“Director(s)”	the director(s) of our Company
“Dongting Lake”	Dongting Lake Investment Limited, a company incorporated under the laws of the British Virgin Islands, a wholly-owned subsidiary of Tencent, our substantial shareholder and Pre-IPO Investor
“Existing Articles”	the third amended and restated memorandum and articles of association of the Company adopted by special resolution of the shareholders passed on May 11, 2017
“First Share Award Scheme”	the share award scheme conditionally approved and adopted by our Company on May 26, 2017, the principal terms of which are set out in the section headed “Statutory and General Information— Pre-IPO Share Option and Share Award Schemes—First Share Award Scheme” in Appendix IV
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Green Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group,” “our Group,” “the Group,” “we,” “us,” or “our”	the Company, its subsidiaries and the Consolidated Affiliated Entity (the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements) from time to time
“Historical Financial Information”	the historical financial information of our Group, which comprises the consolidated balance sheets as of December 31, 2014, 2015 and 2016 and June 30, 2017, the balance sheets of the Company as of December 31, 2014, 2015 and 2016 and June 30, 2017 and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of

DEFINITIONS

	changes in equity and the consolidated statements of cash flows the Company for each of the periods then ended and a summary of significant accounting policies and other explanatory information
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominee”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the 87,868,000 Shares initially being offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering”)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering”
“Hong Kong Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as listed in the section headed “Underwriting—Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated November 3, 2017 relating to the Hong Kong Public Offering entered into among the Joint Global Coordinators, the Joint Sponsors, the Hong Kong Underwriters and our Company, as further described in the section headed “Underwriting”
“ICP”	Internet content provider

DEFINITIONS

“ICP License”	Value-added Telecommunications Service Operating Permit for Internet information services
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
“International Placing”	the conditional placing of the International Placing Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in the section headed “Structure of the Global Offering”
“International Placing Shares”	the 790,812,000 Shares being initially offered for subscription at the Offer Price under the International Placing together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to reallocation as described under the section headed “Structure of the Global Offering”
“International Underwriters”	the underwriters of the International Placing
“International Underwriting Agreement”	the international underwriting agreement relating to the International Placing and expected to be entered into by our Company, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date, as further described in the section headed “Underwriting”
“JD.com”	JD.com, Inc., a company incorporated in the Cayman Islands and listed on Nasdaq Global Select Market (Nasdaq: JD), our substantial shareholder and Pre-IPO Investor
“Joint Bookrunners”	Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Placing), Credit Suisse (Hong Kong) Limited, UBS AG Hong Kong Branch, China Merchants Securities (HK) Co., Limited, CLSA Limited and The Hongkong and Shanghai Banking Corporation Limited

DEFINITIONS

“Joint Global Coordinators”	Citigroup Global Markets Asia Limited, Credit Suisse (Hong Kong) Limited, UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited
“Joint Lead Managers”	Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Placing), Credit Suisse (Hong Kong) Limited, UBS AG Hong Kong Branch, China Merchants Securities (HK) Co., Limited, CLSA Limited, The Hongkong and Shanghai Banking Corporation Limited, Futu Securities International (Hong Kong) Limited, Sun Securities Limited and Zhongtai International Securities Limited
“Joint Sponsors”	Citigroup Global Markets Asia Limited and Credit Suisse (Hong Kong) Limited (<i>in alphabetical order</i>)
“Latest Practicable Date”	October 30, 2017, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about November 16, 2017, on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Maximum Offer Price”	HK\$7.70 per Offer Share, being the maximum subscription price in the Offer Price Range
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company conditionally adopted on November 1, 2017 with effect from Listing, as amended from time to time, a summary of which is set out in the section headed “Summary of the Constitution of the Company and Cayman Companies Law” in Appendix III
“Minimum Offer Price”	HK\$6.60 per Offer Share, being the minimum subscription price in the Offer Price Range
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Offer Price”	the final price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than

DEFINITIONS

	HK\$7.70 and expected to be not less than HK\$6.60, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Placing Shares are to be offered pursuant to the International Placing, to be determined as described in the section headed “Structure of the Global Offering—Pricing and Allocation”
“Offer Price Range”	HK\$6.60 to HK\$7.70 per Offer Share
“Offer Share(s)”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by the Company under the International Underwriting Agreement to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which the Company may be required to issue up to an additional 131,802,000 Shares (representing not more than approximately 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price, to, amongst other things, cover over-allocations in the International Placing, if any, as further described in the section headed “Structure of the Global Offering”
“PBOC”	the People’s Bank of China
“PRC Legal Advisor”	Han Kun Law Offices, PRC Legal Advisor to the Company
“Pre-IPO Investment(s)”	the pre-IPO investment(s) in the Company undertaken by the Pre-IPO Investors pursuant to the Pre-IPO Share Subscription Agreements, details of which are set out in the section headed “History and Corporate Structure ”
“Pre-IPO Investor(s)”	the Series A Preferred Shares Shareholders, Series B Preferred Shares Shareholders and Series C Preferred Shares Shareholders (other than Bitauto and Bitauto HK)
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by our Company on May 26, 2017, the principal terms of which are set out in the section headed “Statutory and General Information—Pre-IPO Share Option and Share Award Schemes—Pre-IPO Share Option Scheme” in Appendix IV
“Preferred Shareholders”	holders of any Preferred Shares from time-to-time
“Preferred Shares”	the Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares

DEFINITIONS

“Price Determination Agreement”	the agreement to be entered into among our Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) at or about the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about November 9, 2017 (Hong Kong time) and in any event no later than November 15, 2017, on which the Offer Price is to be fixed by an agreement between the Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters)
“Principal Share Registrar and Transfer Office”	Maples Fund Services (Cayman) Limited
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Persons”	the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company’s respective directors, officers, employees, agents or representatives and any other parties involved in the Global Offering
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC
“SEC”	the Securities and Exchange Commission of the United States
“Second Share Award Scheme”	the share award scheme conditionally approved and adopted by our Company on September 1, 2017, the principal terms of which are set out in the section headed “Statutory and General Information—Pre-IPO Share Option and Share Award Schemes—Second Share Award Scheme” in Appendix IV
“Series A Preferred Shares”	the series A convertible redeemable preferred shares of the Company with par value US\$0.0001 per share, 346,024,690 shares of which are currently in issue and held by the Series A Preferred Shares Shareholders pursuant to the Series A Share Subscription Agreement
“Series A Preferred Shares Shareholders”	the holder of the Series A Preferred Shares
“Series A Share Subscription Agreement”	the series A share subscription agreement dated January 9, 2015, between, among others, the Company, Bitauto HK,

DEFINITIONS

	Dongting Lake Investment Limited, JD Financial Investment Limited and Hammer Capital Management Limited
“Series B Preferred Shares”	the series B convertible redeemable preferred shares of the Company with par value US\$0.0001 per share, 165,558,860 shares of which are currently in issue and held by the Series B Preferred Shares Shareholders pursuant to the Series B Share Subscription Agreement
“Series B Preferred Shares Shareholders”	the holder of the Series B Preferred Shares
“Series B Share Subscription Agreement”	the series B share subscription agreement dated August 1, 2016, between, among others, the Company, Bitauto, Bitauto HK, Morespark Limited, JD Financial Investment Limited, Baidu HK, HCM IV Limited and Genius Concept Limited
“Series C Preferred Shares”	the series C convertible redeemable preferred shares of the Company with par value US\$0.0001 per share, 108,551,910 shares of which are currently in issue and held by the Series C Preferred Shares Shareholders pursuant to the Series C Share Subscription Agreement
“Series C Preferred Shares Shareholders”	the holder of the Series C Preferred Shares
“Series C Share Subscription Agreements”	the series C share subscription agreements dated May 11, 2017 and amended on May 26, 2017 between the Company, Pacific Treasure Global Limited and China Orient Asset Management (International) Holding Limited and the series C share subscription agreement dated May 24, 2017, between, among others, the Company, IDG China Capital Fund III L.P. and IDG China Capital III Investors L.P.
“SFC”	the Securities and Futures Commission of Hong Kong
“Shanghai Lanshu”	Shanghai Lanshu Information Technology Co., Ltd.* (上海藍書信息科技有限公司), a company established under the laws of the PRC on January 29, 2015, and our indirect wholly-owned subsidiary
“Shanghai Techuang”	Shanghai Techuang Advertisements Co., Ltd.* (上海特創廣告有限公司), a company established under the laws of the PRC on January 29, 2015, our indirect wholly-owned subsidiary

DEFINITIONS

“Shanghai Yixin”	Shanghai Yixin Financing Lease Co., Ltd.* (上海易鑫融資租賃有限公司), a company established under the laws of the PRC on August 12, 2014 and our indirect wholly-owned subsidiary
“Shareholder(s)”	holder(s) of our Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement entered into between our Company and the Pre-IPO Investors on February 16, 2015, which was amended and restated on August 19, 2016 and May 26, 2017
“Share Subscription Agreements”	the Series A Share Subscription Agreement, the Series B Share Subscription Agreement and the Series C Share Subscription Agreement
“Share(s)”	ordinary share(s) in the share capital of the Company of par value US\$0.0001
“Stabilization Manager”	UBS AG Hong Kong Branch
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or around the Price Determination Date between Bitauto HK and the Stabilization Manager pursuant to which the Stabilization Manager may borrow up to 131,802,000 Shares from Bitauto HK to cover over-allocations in the International Placing
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tencent”	Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Stock Exchange (Hong Kong Stock Exchange Stock Code: 700), our substantial shareholder and Pre-IPO Investor
“Tianjin Hengtong”	Tianjin Hengtong Jiahe Financing Lease Co., Ltd.* (天津恒通嘉合融資租賃有限公司), a company established under the laws of the PRC on May 18, 2015, and our indirect wholly-owned subsidiary
“Track Record Period”	the three financial years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement

DEFINITIONS

“United States,” “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars,” “U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Voting Proxy Agreement”	the voting proxy agreement entered into between Bitauto, Tencent and JD.com on October 31, 2017 relating to certain voting rights in our Company
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the designated website of White Form eIPO Service Provider, www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Xinche Investment”	Xinche Investment (Shanghai) Co., Ltd.* (鑫車投資 (上海) 有限公司), a company established under the laws of the PRC on January 16, 2015 and our indirect wholly-owned subsidiary
“Yixin HK”	Yixin Holding Hong Kong Limited (易鑫集團香港有限公司), a company incorporated under the laws of Hong Kong on November 27, 2014 and our directly wholly-owned subsidiary
“%”	per cent

** for identification purposes only*

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as of the date of this prospectus.

The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this prospectus are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and figures rounded to the nearest thousand, million or billion may not be identical to figures that have been rounded differently to them.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains definitions of certain terms used in this prospectus in connection with our Company and our business. These terms and their definitions may not correspond to standard industry definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.

“180+ days past due coverage ratio”	provision for credit losses divided by 180+ days past due net finance receivables
“180+ days past due net finance receivables”	net finance receivables that have been past due for over 6 months
“180+ days past due ratio”	180+ days past due net finance receivables divided by net finance receivables
“30+ days past due coverage ratio”	provision for credit losses divided by 30+ days past due net finance receivables
“30+ days past due net finance receivables”	net finance receivables that have been past due for over 30 days, which include those past due for 1 to 3 months, 3 to 6 months, and over 6 months
“30+ days past due ratio”	30+ days past due net finance receivables divided by net finance receivables
“90+ days past due coverage ratio”	provision for credit losses divided by 90+ days past due net finance receivables
“90+ days past due net finance receivables”	net finance receivables that have been past due for over 90 days, which include those past due for 3 to 6 months and over 6 months
“90+ days past due ratio”	90+ days past due net finance receivables divided by net finance receivables
“ABSs”	asset-backed securities, which refer to financial securities or notes backed by assets such as receivables, that are issued through public or private offerings
“aftermarket service providers”	providers of services complementary or related to the automobiles, such as insurance, warranty extension, maintenance and repair, road rescue, auto product sales, auto modification, and other related services
“auto dealer cooperative network”	a network of auto dealers and their applicable dealership stores, each of which maintains at least one valid account on our platform with respect to either used automobile or auto finance services as of an applicable date; provided that such account with respect to our used automobile services

GLOSSARY OF TECHNICAL TERMS

	is considered valid only if the account holder has posted a listing within six months prior to the applicable date; provided, further, that accounts across the used automobile and auto finance services will not be subject to deduplication
“auto finance partners”	(i) financial institutions, including banks and auto financial companies, and (ii) financing lease companies, which in each case cooperate with us with respect to auto finance solutions
“automobile”	a wheeled motor vehicle that is used for transporting less than nine passengers and luggage, which may also be referred to as a passenger vehicle
“automobile transaction”	a transaction where the title of an automobile will be transferred or may be transferred upon exercise of an option to purchase through payment using cash or auto finance solutions including loans, financing leases or personal contract purchases
“automobile retail transaction”	an automobile transaction to consumers
“auto-related transaction”	a transaction with respect to an automobile (i) where the title of such automobile will not be transferred, such as traditional operating leases or collateralized financing for consumers, (ii) where we are aware of but not directly involved in the title transfer of such automobile, such as directing consumer inquiries to our business partners in relation to auto finance solutions provided by such business partners, or (iii) commercial vehicles (such as pickups and light trucks) regardless of whether the title of the commercial vehicles will be transferred, in each case without deduplication
“average cost of the interest-bearing liabilities”	the sum of funding costs and finance expenses excluding issuance costs of convertible redeemable preferred shares divided by quarterly average balance of interest-bearing liabilities
“average yield of the net finance receivables”	revenue from financing leases divided by quarterly average balance of net finance receivables
“business partners”	merchants that have cooperative business relationships with our Group in connection with our transaction platform business or self-operated financing business, or any portion thereof, including automakers, auto dealers, auto finance partners, and aftermarket service providers
“CAGR”	compound annual growth rate

GLOSSARY OF TECHNICAL TERMS

- “collateralized financing for consumers”** cash financing for automobile owners whose automobiles serve as collateral to secure the financing
- “IT”** information technology
- “lead”** an inquiry from a consumer who is interested in an automobile transaction or an auto-related transaction, which is about such transaction and is made through: (i) browsing information on a mobile app, mobile site or website and directly contacting the relevant service provider the information of which is listed on such mobile app, mobile site, or website; (ii) leaving his or her contact information on the mobile app, mobile site or website he or she has browsed; or (iii) walking into a dealership store and identifying where he or she finds information about any automobile or about the dealership store, without deduplication
- “MAU”** monthly active users, an aggregation of (i) the number of mobile devices that log into our mobile apps at least once during a specified month and (ii) the number of unique visitors identified by cookie that access our mobile sites or websites during a specific month, without deduplication across mobile apps, mobile sites and websites
- “net interest margin of financing leases”** the revenue from financing leases minus funding costs divided by quarterly average balance of the net finance receivables
- “net interest spread of financing leases”** the difference between the average yield of the net finance receivables and the average cost of the interest-bearing liabilities
- “online automobile retail transaction platform”** a platform that either (i) sources consumers online and facilitates their automobile transactions, or (ii) facilitates consumers of automobile transactions from various channels (including auto dealers) through providing online auto finance solutions
- “personal contract purchase”** a form of auto finance for individual consumers, under which a consumer pays monthly rents over a contract period that is usually 12 months or more, upon which the consumer has the option to choose from (i) making a final lump-sum payment at the end of the contract period to acquire title of the automobile, (ii) returning the automobile to the financing party without incurring additional liability, or (iii) any other pre-agreed options

GLOSSARY OF TECHNICAL TERMS

“provision to net finance receivables ratio”	provision for credit losses divided by net finance receivables
“Used Automobile Inventory”	used automobiles listed by a member of our auto dealer cooperative network, however such listing is not subject to deduplication, or active monitoring of real-time availability
“VAT”	value-added tax
“vehicle telematics system”	a vehicular system that utilizes integrated telecommunication and informatics technologies, such as vehicle positioning devices
“VIN”	vehicle identification number
“Yixin-branded experience store”	dealership stores that are owned and operated by Independent Third Parties and carrying the Yixin brand pursuant to cooperation agreements, where these experience stores are largely the same as those members of our auto dealer cooperative network, except for, among others, the requirements on store floor plan and decoration as well as on management and training of employees

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will,” “expect,” “anticipate,” “estimate,” “believe,” “going forward,” “ought to,” “may,” “seek,” “should,” “intend,” “plan,” “projection,” “could,” “vision,” “goals,” “aim,” “aspire,” “objective,” “target,” “schedules” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this prospectus), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our future business development, financial condition and results of operations;
- our business strategies and our ability to implement such strategies;
- our ability to develop and satisfy customer demands and preferences;
- our ability to maintain good relationships with our partners;
- competition for, among other things, customers, partners, capital, and skilled personnel;
- general economic, political and business conditions in the industry and markets in which we operate;
- changes to government policies and regulations in the industry and geographical markets in which we operate; and
- all other risks and uncertainties described in the section headed “Risk Factors.”

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

All forward-looking statements in this prospectus are expressly qualified by reference to this cautionary statement.

RISK FACTORS

An investment in our Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.

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

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and our industry; (ii) risks relating to our relationship with our shareholders and our corporate structure; (iii) risks relating to doing business in China and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our limited operating history and our historical adjustment of businesses make it difficult for investors to evaluate our business and prospects.

We have limited operating history, particularly as a stand-alone company. We were launched in December 2013 as the auto finance department of Bitauto and our holding company, Yixin Group Limited, was officially established in November 2014. Since then, we have been actively exploring opportunities to expand our business. In 2014 and 2015, our main driver for growth was the advertising and subscription services, contributing 100.0% and 75.9% to our total revenue in 2014 and 2015, respectively. We launched our self-operated financing business in 2015, and it soon became our major revenue generator, contributing 85.7% to our total revenue in 2016. We have also expanded our transaction platform business by adding facilitation and value-added services since the first half of 2016 and as a result, the revenue contribution of our transaction platform business increased to 20.7% of total revenue in the first half of 2017.

We have experienced significant growth during the Track Record Period. Our total revenue increased from RMB48.0 million for the year ended December 31, 2014 to RMB271.3 million and RMB1.5 billion for the years ended December 31, 2015 and December 31, 2016, respectively, representing a CAGR of 456.8%. Our total revenue grew by 240.4% from RMB455.8 million for the six months ended June 30, 2016 to RMB1.6 billion for the same period in 2017. Our gross profit increased from RMB41.0 million for the year ended December 31, 2014 to RMB231.3 million and RMB735.0 million for the years ended December 31, 2015 and December 31, 2016, respectively, representing a CAGR of 323.3%. Our gross profit grew by 300.6% from RMB223.1 million for the six months ended June 30, 2016 to RMB893.9 million for the same period in 2017. However, our limited operating history and the rapid evolution of our business model both make our historical growth rate not necessarily indicative of our future performance. We cannot assure you that we will be able to achieve similar results or grow at the same rate as we did in the past. As our business and the online automobile retail transaction market in China continue to develop, we may adjust our product and

RISK FACTORS

service offerings or modify our business models. Such adjustment may not achieve expected results and may have a material and adverse impact on our financial conditions and results of operations.

We may not have sufficient experience to address the risks to which companies operating in new or rapidly evolving markets, such as the online automobile retail transaction market, may be exposed. You should consider our prospects in light of the risks and uncertainties fast-growing companies with a limited operating history may encounter, including our potential failure to:

- implement our strategies and business models, and adopt and modify them as needed;
- provide diversified and distinguishable services to effectively address the needs of consumers as well as our business partners;
- grow our consumer base and enhance consumer experience on our platform;
- develop and maintain relationships with our business partners;
- increase awareness of our brands, protect our reputation and enhance consumer loyalty;
- develop or implement additional strategic initiatives to further increase monetization;
- manage our expanding operations and product and service offerings, including the integration of any future acquisitions;
- continue to attract, retain and motivate talented employees;
- maintain a reliable, secure, high-performance and scalable technology infrastructure;
- anticipate and adapt to changing conditions in the online automobile transaction market as well as the impact of mergers and acquisitions involving our competitors, technological developments and other significant competitive and market dynamics; and
- navigate an evolving and complex regulatory environment.

Our failure to adequately and promptly address any of these risks and uncertainties may materially and adversely affect our business and results of operations.

Our business focuses have been expanded and adjusted during the Track Record Period and may continue to change in the future, which makes it difficult to evaluate our business by comparing our results of operations from period to period.

We have expanded and adjusted our business focuses multiple times during the Track Record Period in order to compete in the evolving online automobile transaction market in China. In 2014, our transaction platform businesses were almost entirely comprised of advertising services. In June 2015, we began our self-operated financing businesses. In 2016, we further added facilitation services to our transaction platform business. In 2016, we also generated revenue from selling automobiles from our self-operated financing businesses. In the same year, we scaled down our inventory financing services for auto dealers. We expect revenue from the sale of automobiles will significantly decrease over time. In the second quarter of 2017, we further added value-added services to the transaction platform business. We may establish new business lines or discontinue existing ones as our business further develops. As a result, it is difficult to make period-over-period comparison of our results of operations, receivable qualities, liquidity position or financial conditions.

RISK FACTORS

Our current risk management system may not be able to exhaustively assess or mitigate all risks to which we are exposed.

Credit risk is inherent in our self-operated financing business and in our loan facilitation services, to the extent that we are required to provide guarantee to our auto finance partners. Credit risk is exacerbated in consumer financing due to the relatively limited credit history and other information available about many individual consumers. See “Business—Risk Management and Internal Control—Credit Risk Management—Asset Quality Information.” Furthermore, we have limited operational experience in the self-operated financing business and loan facilitation business. Our limited experience may render our risk management less effective in addressing some of the risks which in turn could exacerbate our credit risk. Additionally, our data-driven credit risk management system may not be able to exhaustively mitigate our exposure to credit risk. Currently, our data analytics capabilities are primarily applied in our anti-fraud system and credit scoring system to assist the credit assessment procedures. Our credit risk management methods depend on the evaluation of information regarding customers, automobiles and other relevant matters, which may be inaccurate, incomplete, obsolete or improperly evaluated. In addition, for most of our auto finance products, we generally require less documentation from applicants than that would otherwise be required by traditional banks for credit assessment and approval, which further limits the credit information of certain applicants available to us and may result in increasing risks. Certain steps of our risk management procedures are carried out manually, and are susceptible to human error and misjudgment. As such, our assessment of credit risks associated with a particular customer may not always be accurate. We cannot assure you that our assessment and monitoring of credit risk will always be sufficient and our efforts to mitigate credit risk through our credit assessment procedures and risk management system are or will always be sufficient to manage our past due ratio. Any insufficiency in our credit risk management system and any significant deterioration in the portfolio quality of our self-operated financing business and loan facilitation services and significant increase in associated credit risk may have a material adverse effect on our business, results of operations and financial condition.

Most of our financing lease contracts have been outstanding for a relatively short period and are not fully seasoned. The asset quality of our self-operated financing business may further deteriorate as the finance receivables season or as our product mix evolves.

We have limited operation history in our self-operated financing business and most of our financing lease contracts are outstanding for a relatively short period and are not fully seasoned. As of June 30, 2017, our 30+ days past due ratio, 90+ days past due ratio and 180+ days past due ratio are 0.89%, 0.51% and 0.23%, respectively. Our historical past due ratio and other asset quality information may not be indicative of our future past due ratio and other asset quality information. The quality of our finance receivables may deteriorate as the finance receivables fully season or as our business volume expands. Moreover, the level of risk we are exposed to is different among different financing lease products. For example, the risk we are exposed to in used automobile purchase financing for consumers is different from that for new automobiles. In addition, the risk we are exposed to in collateralized financing for consumers is different from that of automobile purchase financing for consumers. If the quality of our receivables changes significantly as our finance receivables season or as our business mix evolves, our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

Our provisions for impairment losses on finance receivables may not be adequate to cover potential credit losses, and we may need to increase our provisions for impaired receivables to cover future potential credit losses.

We make provisions for impairment losses on finance receivables in accordance with IFRS. Our provision for credit losses amounted to RMB30.7 million, representing 0.16% of our net finance receivables as of June 30, 2017. This reflected our approach to provisions in view of our business operations. The amount of such provisions for impairment losses is determined on the basis of our internal provisioning procedures and guidelines with consideration of factors, such as the historical loss probability and days past due. As our provisions under IFRS require significant judgment and estimation, our allowance for credit losses may not always be adequate to cover credit losses in our business operations. In particular, since we have limited experience in the self-operated financing business, we might in the future adjust our provisioning judgment or policies as we gain more experience in this business, which could in turn lead to additional provisions for our receivables. We expect our provision for credit losses in 2017 to increase. Our provision for credit losses may prove to be inadequate if adverse changes occur in the Chinese economy or if other events adversely affect specific customers or markets. Under such circumstances, we may need to make additional provisions for our receivables, which could significantly reduce our profit and may materially and adversely affect our business, financial condition and results of operations.

The development of our self-operated financing business is capital intensive. Restrictions in our capital raising arrangements and inability to obtain additional financing in the future may materially and adversely affect our business, results of operations and financial condition.

The development of our self-operated financing business is capital intensive. We have relied on securitization transactions to finance the expansion of our self-operated financing business. As of June 30, 2017, the carrying amount of our asset-backed securities debts was RMB7.0 billion, representing 39.6% of our total indebtedness (excluding the Preferred Shares). However, we cannot assure you that additional securitization transactions will be available on terms acceptable to us, or at all. Transaction terms may deteriorate, in the form of reduced liquidity, reduced demand for asset-backed securities and higher financing costs, significantly in the event of global or domestic economic turmoil. Our ability to enter into securitization transactions in a timely manner is affected by a number of factors beyond our control, any of which could cause substantial delays, including market conditions, the approval by transaction counterparties of the terms of the securitization, as well as our ability to accumulate sufficient number of financing lease contracts for securitization. We may require additional cash resources due to further developments or changing business conditions. We may seek to obtain a credit facility or sell additional equity or debt securities. The incurrence of indebtedness would result in increased debt service obligations and any operating and financial covenants that could restrict our operations. Please see “—Risks Relating to Our Business and Industry – Our expansion plans and financial performance will be materially and adversely affected by our level of indebtedness or our inability to match the maturity profile of our assets and liabilities.”

Furthermore, additional financing may not be available on commercially reasonable terms, or at all, especially if there is a recession or other events causing volatility in the capital markets worldwide. To the extent that we raise additional funds by issuing equity securities, our shareholders may experience substantial dilution.

RISK FACTORS

Our ability to retain our existing financial resources and obtain additional financing on acceptable terms is subject to a variety of uncertainties, including but not limited to:

- economic, political and other conditions in China;
- PRC governmental policies relating to bank loans and other credit facilities;
- PRC governmental regulations of foreign investment and the automobile industry in China;
- conditions of the Hong Kong and other capital markets in which we may seek to raise funds; and
- our future results of operations, financial condition and cash flows.

During the Track Record Period, our net cash used in operating activities increased significantly. For the year ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2017, net cash used in operating activities was RMB1.1 million, RMB2.8 billion, RMB11.3 billion and RMB5.9 billion, respectively. If additional financing is not available on acceptable terms or at all, we may not be able to fund our expansion, promote our brand, enhance our products and services, respond to competitive pressures or take advantage of investment or acquisition opportunities, all of which may adversely affect our results of operations and business prospects.

We are subject to potential losses associated with securitization transactions of our finance receivables.

We securitize finance receivables arising from our self-operated financing business through PRC trust plans in exchange for cash proceeds. Under these securitization transactions, we transfer the economic benefits in finance receivables to a trust firm acting as trustee and issuing entity, which then issues senior tranche debt securities to investors and subordinate tranche debt to us. If the collateralized assets do not generate sufficient funds to meet the payment obligations of the trust, we would not only need to absorb losses as the holder of the subordinate tranche, but also make up for the shortage from our own funds to repay the principal and interest of all senior tranche debt securities in full.

As of June 30, 2017, the carrying value of finance receivables that we collateralized in securitization transactions was RMB8.4 billion, while the total principal and interest payment obligation to holders of senior tranche of debt securities was RMB7.3 billion. The 30+ days past due ratio, 90+ days past due ratio and 180+ days past due ratio of our finance receivables were 0.89%, 0.51% and 0.23% respectively as of June 30, 2017. However, we cannot assure you that the delinquency rate of our finance receivables will not rise significantly, especially in the event of unanticipated economic turmoil. In case that lessees of the collateralized finance receivables stop making repayments, we are obligated to use our own funds to repay all the principal and interest to the holders of senior tranche of debt securities, which was RMB7.3 billion as of June 30, 2017.

If we are unable to effectively manage our growth or implement our business strategies, our business, results of operations and financial condition may be materially and adversely affected.

Our business and prospects depend in part on our ability to effectively manage our growth or implement our business strategies. As our operations grow in size, scope and complexity, we will need to allocate significant resources and managerial attention to enhancing our risk management and internal control, stabilizing our expenditures, strengthening relationships with our business partners,

RISK FACTORS

recruiting and retaining skilled and experienced employees, and upgrading our IT infrastructure. If we fail to allocate such resources effectively to support our growth or implement our business strategies, our business, results of operations and financial condition may be materially and adversely affected. In addition, currently the scale of our loan facilitation services is relatively small and its operation is at an early stage. For the six months ended June 30, 2017, we facilitated in aggregate approximately RMB76 million auto loans, with respect to some of which we provided loan guarantees. We may be liable in case of default by borrowers and incur losses as long as such guarantees are outstanding. Moreover, since March 2017, Dalian Rongxin, a connected person of the Group, has been providing guarantee services with respect to certain auto loans for which we provided facilitation services. However, we cannot assure you that Dalian Rongxin will continue to guarantee the loans provided under our loan facilitation services as it currently does. If Dalian Rongxin does not provide guarantees on the loans we facilitate, we may need to find an alternative guarantee provider. If we are unable to find an alternative guarantee provider, our ability to provide loan facilitation services may be negatively affected.

Our expansion plans and financial performance will be materially and adversely affected by our level of indebtedness or our inability to match the maturity profile of our assets and liabilities.

We have substantial debt obligations and expect to incur additional debt to finance our business growth. We have obtained funding from various sources to support our business growth, including (i) preferred shares issuance, (ii) loans from banks and other independent financial institutions, (iii) ABSs and (iv) loans from Bitauto Group. Our gearing ratio as of December 31, 2014, 2015, 2016 and June 30, 2017 was nil, 48%, 121% and 226%, respectively. We raised a total of approximately RMB7.1 billion in cash from issuance of Preferred Shares during the Track Record Period. As of June 30, 2017, we had RMB10.0 billion of outstanding borrowings from banks and other financial institutions, some of which were guaranteed by Bitauto Group, RMB7.0 billion of issued and outstanding ABSs and RMB583.8 million of outstanding loans from Bitauto Group. See “Financial Information—Indebtedness.” The interest rates of the senior tranches of the ABSs publicly offered in the first half of 2017 were generally higher than those of the senior tranches of the ABSs publicly offered in 2016. Our indebtedness could impact our financial condition and results of operations in a number of ways. Increasing debt or funding cost could make it more difficult for us to satisfy our debt obligations as they become due, impair our ability to obtain additional financing in the future for working capital needs, capital expenditures, acquisitions or general corporate purposes or require us to comply with financial and other covenants that impose significant restrictions on our existing and future business operations. For discussions of our funding capabilities, see “Business—Source of Funds.”

We strive to effectively match our asset growth with our fundraising on an ongoing basis through regular review and periodic adjustment of our funding sources and structure, as necessary, in view of the changes to our financial condition and our external business environment. We manage our liquidity risk by regularly monitoring the relative maturities between our assets and liabilities and by taking the necessary steps to maintain an appropriate and prudent balance of long-term and short-term funding sources. We had net current liabilities of RMB1,543.5 million as of June 30, 2017 as compared with net current assets of RMB525.0 million as of December 31, 2016, primarily reflecting the incurrence of more short-term borrowings to fund the expansion of our financing lease services. We cannot assure you that we will not experience any net liquidity shortfall in the future. For discussions of our liquidity risk management and liquidity gap during the Track Record Period, see “Business—Risk Management and Internal Control—Liquidity Risk Management.”

RISK FACTORS

We may fail to effectively match the relative maturities of our assets and liabilities or manage our interest rate exposures between our borrowings and our lease receivables. Net liquidity shortfalls may result, and we may not be able to meet our financial liabilities as they fall due. In addition, such liquidity shortfalls may impair our ability to obtain sufficient additional financing, if at all. Our ability to access liquidity may also be affected by our future financial performance as well as a number of factors outside of our control, such as government regulatory changes, general market conditions for capital raising activities, the availability of credit in general and the economic and political environment in and outside of China. If we cannot maintain our sources of funding timely and on reasonable term, we may be required to reduce or suspend our business activities. We may also have to downsize our operation scale due to lack of cash flows, and our financial condition, results of operations and liquidity position would be materially and adversely affected.

If we are unable to provide consumers with satisfactory experience or otherwise fail to maintain or enlarge our consumer base, the number of automobiles transacted via our platform may decline and our results of operations may be adversely affected.

We believe that our consumer base is the core building block of our business and our ability to provide consumers with satisfactory consumer experience is critical to our success. Continuing revenue growth depends in part on our ability to maintain and enlarge our consumer base. If we fail to deliver satisfactory and distinct consumer experience, we may lose our consumers to our competitors, and in turn our business partners may find us less attractive for business cooperation and decrease or discontinue their cooperation with us, which will result in an decrease in the number of automobiles transacted via our platform and our results of operations may be adversely affected.

Our ability to provide consumers with satisfactory experience is subject to a number of factors, including our ability to provide effective services that enhance consumer loyalty, our ability to continuously innovate and improve our services to meet consumer needs, and our access to and cooperation with our business partners to ensure consumer satisfaction at each stage of the automobile transaction cycle. Our competitors may introduce products and services that are more sophisticated and cost-effective than ours. To increase our brand recognition and stay competitive, we need to continue to develop new products and services to attract more consumers. The planned timing or introduction of new products and services is subject to risks and uncertainties. We cannot assure you that any of our new products and services will achieve widespread market acceptance and generate incremental revenues. Moreover, actual timing may differ materially from original plans. Unexpected technical, distribution or other problems could delay or prevent the introduction of one or more of our new products and services. If our new products and services are not well received, we may incur financial loss and reputational damage, and our results of operations could be materially and adversely affected.

Our relationship with automakers, auto dealers and auto finance partners is crucial to our ability to grow our business, results of operations and financial condition.

We primarily cooperate with auto dealers within our auto dealer cooperative network to carry out our transaction platform businesses and our self-operated financing businesses. We also procure new automobiles from auto dealers designated by automakers to meet the demand of certain of our self-operated financing businesses. In addition, our ability to acquire consumers depends in part on the geographic coverage of our auto dealer cooperative network and transaction leads sourced by the auto dealers within our auto dealer cooperative network. Accordingly, our relationship with automakers and auto dealers is crucial to our business. Our cooperative arrangements with automakers and auto dealers

RISK FACTORS

are typically on a non-exclusive basis, and they may have cooperative arrangements with our competitors or offer competing services on their own platforms. Given our relationship with automakers, auto dealers and auto finance partners, our business and results of operations may be adversely affected if they do not honor the terms of our cooperative agreements with them.

Moreover, we are aware that certain major automakers and auto dealers are planning to build their own online platforms to sell used cars under their brands, which may compete with our business and affect our existing or potential business relationships with these automakers and auto dealers. Automakers and auto dealers may change their cooperation policies with us or terminate their partnerships with us. In some cases, changes to our relationship with one business partner may negatively impact our relationships with others. For example, automakers may have a significant influence over whether certain auto dealers choose to cooperate with us. We intend to strengthen relationships with existing auto finance partners and develop new relationships for our loan facilitation business. If we are not able to attract or retain automakers, auto dealer or auto finance partners as new business partners on acceptable terms, our business growth will be hindered and our results of operations and financial condition will suffer.

We do not have ownership control over the daily operations of the Yixin-branded experience stores or other auto dealers within our auto dealer cooperative network.

We cooperate with Yixin-branded experience stores and other auto dealers within our auto dealer cooperative network to operate our transaction platform business and self-operated financing business, such as consumer referral, onsite inspection, and test-drive arrangement. The terms of our cooperation agreement with these experience stores are largely the same as those we have with other auto dealers within our auto dealer cooperative network, except for, among others, guarantee deposits with respect to display of our automobiles, and our requirements on store floor plan and decoration, as well as on management and training of employees. As consumers access these services through our platform, and particularly as Yixin-branded experience stores bear our “Yixin” logo, consumers may have the impression that the Yixin-branded experience stores and other auto dealers within our auto dealer cooperative network are owned or controlled by us. However, we have only contractual arrangements with and no direct ownership interests in Yixin-branded experience stores and other auto dealers within our auto dealer cooperative network, and we do not supervise their services provided to consumers. Accordingly, we may not be able to successfully monitor, maintain and improve the services provided by them and their employees. As we expand our network of Yixin-branded experience stores into more cities, especially low-tier cities, it may be more difficult for us to monitor and ensure service quality of these stores.

To the extent any Yixin-branded experience stores or other auto dealers within our auto dealer cooperative network fail to provide reliable, effective and satisfactory services to consumers, our reputation and ability to attract consumers may be severely harmed. If a significant number of Yixin-branded experience stores and other auto dealers within our auto dealer cooperative network terminate their cooperation with us, we may not be able to find sufficient number of alternative auto dealers who are willing to provide similar services on commercially reasonable terms in a timely manner, or at all. Furthermore, we may fail to enter into arrangements on economically viable terms, or at all, for additional Yixin-branded experience stores or with other auto dealers necessary to support the growth of our business. Any interruption to or discontinuation of our cooperative relationship with a significant number of Yixin-branded experience stores or other auto dealers within our auto dealer

RISK FACTORS

cooperative network may severely and negatively impact our ability to serve consumers and may have a material and adverse effect on our business and results of operations.

Additionally, we intend to expand our network of Yixin-branded experience stores and other auto dealers to other regions in China to extend our customer geographical reach. However, we cannot assure you that we will be successful in our planned expansion plans. If due to our rapid expansion, we are unable to manage any cannibalization risk among any Yixin-branded experience stores or other auto dealers in our auto dealer cooperative network, we may fail to expand our market share as intended and our business, financial condition and results of operations may be materially and adversely affected.

If we fail to enhance and maintain our brand recognition, we may lose market share and our business, results of operations and financial condition may be materially adversely affected.

We believe that enhancing and maintaining awareness of our Yixin brand among consumers and other constituents in our ecosystem is critical to achieving widespread acceptance of our business model, gaining trust for our services and attracting new business partners and consumers to our platform. Successful promotion of our brand will depend largely on the quality of the services we offer and the effectiveness of our marketing efforts and the consumer experience we provide through our platform. Our marketing efforts will likely require us to incur significant expenses and devote large amount of resources. Brand promotion activities may not yield revenue increases, and, even if they do, any revenue increases may not offset the expenses we incur to promote our brand. If we are unable to maintain and further enhance our brand recognition and promote awareness of our platform, we may not be able to grow or maintain our customer base.

Our self-operated financing business and loan facilitation services may subject us to regulatory and reputational risks, each of which may have a material adverse effect on our business, results of operations and financial condition.

We provide self-operated financing business and loan facilitation services to finance automobile purchases. For discussions of our various businesses, see “Business.” PRC laws and regulations concerning financial services, including Internet financial services, are evolving and the PRC government authorities may promulgate new laws and regulations in the future. If the operation of our financing-related services were deemed to violate any PRC laws or regulations, our business, results of operations, and financial condition would be materially and adversely affected. We cannot assure you that our practices would not be deemed to violate any PRC laws or regulations. Moreover, developments in the financial 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 financing or related facilitation services like those we offer, which could materially and adversely affect our business, results of operations, and financial condition. Furthermore, we cannot rule out the possibility that the PRC government will institute a new licensing regime covering services we provide 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.

Negative publicity about us or our auto finance partners, such as inappropriate loan servicing and any failure to adequately protect consumers’ information, could harm our reputation. We outsource

RISK FACTORS

certain loan servicing functions to third parties, and have little control over the methods they use to carry out loan servicing. If they use inappropriate methods, including physical force, when collecting debt on our behalf, our reputation may be significantly damaged. Furthermore, any negative development in the financial services industry, such as bankruptcies or failures of companies providing similar services, or negative perception of the industry as a whole, could compromise our image, undermine the trust and credibility we have established and impose a negative impact on our business and results of operations.

We recently recorded a significant amount of intangible assets, and we may incur material impairment charges if the recoverability of these intangible assets become substantially reduced.

In connection with our various business cooperation agreements over the recent years, there has been a significant increase of intangible assets recorded in our financial statements. In addition to such business cooperation agreements, our intangible assets also include goodwill, trademarks and licenses, customer relationships, domain names, and computer software and technology. As of June 30, 2017, our intangible assets were RMB2.5 billion, compared to RMB242.8 million and RMB65.9 million, respectively, as of December 31, 2016 and 2015.

In accordance with IAS 36 “Impairment of Assets,” our intangible assets are amortized over the respective estimated useful lives and an impairment assessment is only required if there are any events or changes in circumstances which would indicate that the carrying amount of the intangible assets may not be recoverable. As of the Latest Practicable Date, the benefits derivable from our business cooperation agreements formed a majority portion of our intangible assets. For discussions of our intangible assets, see “Financial Information—Discussion of Certain Key Balance Sheet Items—Intangible assets.” Under our various business cooperation agreements, we benefit from the 2015 Traffic Supports Services, the 2017 Traffic Support Services, the Non-compete Undertakings and the Automobile Model Database. These services and other intangible assets are amortized over the estimated useful lives on a straight line basis, except that our 2017 Traffic Support Services are amortized on an actual usage basis because (i) the consumption of future economic benefits is through the referral of transaction leads, (ii) there was a commitment on the number of transaction leads to be provided, and (iii) we have established appropriate system functionality to reliably measure such usage for each reporting period. Our intangible assets that are not yet in use and with indefinite useful lives are tested at each year end for impairment. As of June 30, 2017, our management did not identify any impairment indicators, and accordingly, no impairment assessment was considered necessary. As the factors underlying the assumptions for the fair value assessment of intangible assets may change, we may incur impairment charges on our intangible assets in the future. If different judgments or estimates had been used, however, material differences could have resulted in the amount and timing of the impairment charges. We may potentially incur significant impairment charges if the recoverability of the benefits derivable from our business cooperation agreements become substantially reduced in the future. If the resources and support provided under the business cooperation agreements decrease significantly in the future, we may incur impairment loss in relation to our intangible assets. For discussions of our impairment tests for goodwill, see “Financial Information—Critical Accounting Policies, Judgments and Estimates—Impairment tests for goodwill.” Any such significant impairment charges would adversely affect our results of operations and financial condition.

RISK FACTORS

The fair value measurement of certain of our assets and liabilities is subject to significant uncertainties and risks and the fair value of such assets and liabilities may materially and adversely affect our results of operations.

During the Track Record Period, we issued significant number of Preferred Shares, which are designated as financial liabilities at fair value through profit or loss. We also made investments in certain private companies through ordinary shares with preferential rights or redeemable convertible preferred shares, which are designated as financial assets at fair value through profit or loss. The fair value measurement of these assets and liabilities are subject to significant uncertainties and risks.

We make estimates and assumptions when using various valuation methodologies for these assets and liabilities. There are no readily ascertainable market prices for some of our illiquid investments. The fair value of financial assets that are not traded in an active market (for example, investments in private companies) is determined by using valuation techniques. We use our judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments. In addition, our Preferred Shares are not traded in an active market and their fair value is determined by using valuation techniques. We have used the discounted cash flow method to determine the underlying equity value of our Company and adopted equity allocation model to determine the fair value of the Preferred Shares. For discussions of assumptions and other information regarding our valuation methodologies, see “Appendix I—Accountant’s Report—Notes to the Historical Financial Information—Critical accounting estimates and assumptions.” The valuation methodologies may involve a significant degree of management judgment and are inherently uncertain, and may result in material adjustment to the carrying amounts of certain assets and liabilities, which in turn may materially and adversely affect our results of operations.

Our Preferred Shares are managed on a fair value basis rather than by maturity dates because we recognize the Preferred Shares at fair value through profit or loss. The fair value of our Preferred Shares is affected by changes in our Company’s equity value. As of December 31, 2014, 2015 and 2016 and June 30, 2017, the Preferred Shares had fair value of nil, RMB2.6 billion, RMB8.1 billion and RMB17.5 billion, respectively. The fair value loss of convertible redeemable preferred shares represents changes in fair value of our Preferred Shares. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our fair value loss of convertible redeemable preferred shares was nil, RMB53.5 million, RMB1.4 billion, RMB16.8 million and RMB6.3 billion, respectively. Such loss had increased significantly since the second half of 2016 because our business continued to grow at a fast pace and we were approaching our initial public offering. The fluctuation in the fair value of our Preferred Shares may materially and adversely affect our results of operations.

In addition, the inherent uncertainties and risks associated with investment in private companies may affect the fair value of our financial assets. Unsatisfactory results of operations of these private companies for a prolonged period, failure to achieve our intended objectives or benefits in making these investments, or other negative market or industry conditions may result in significant decrease in the value of our financial assets, which in turn may materially and adversely affect our results of operations.

RISK FACTORS

We had a net liability position during the Track Record Period, which may adversely affect our ability to declare and pay dividends.

As of June 30, 2017, we had net liabilities of RMB7.6 billion, mainly because we incurred fair value losses of RMB53.5 million, RMB1.4 billion and RMB6.3 billion from our convertible redeemable preference shares for 2015, 2016 and the six months ended June 30, 2017, respectively. The convertible redeemable preferred shares are designated as liabilities on the consolidated balance sheets; and the increases in fair value are recognized as fair value loss on the consolidated income statement. We will not incur any fair value loss following the Listing as all our convertible redeemable preferred shares will be converted into our ordinary shares upon the Listing, but we may still retain accumulated losses due to the fair value loss of our convertible redeemable preferred shares prior to the Listing. Under the Cayman Companies Law, we may only declare dividends out of accumulated profits or our share premium account. Therefore, such accumulated losses may adversely affect our overall ability to declare and pay dividend after the Listing by reducing our sources for potential dividend declaration and payment.

Significant decrease in residual value of our automobile collateral may lower the recoverability of our finance receivables, which may materially and adversely affect our results of operations.

Financing lease services currently contribute to a majority of our total revenues. Our revenues from the financing lease services contributed 24.1%, 51.6% and 69.9% of our total revenues for the years ended December 31, 2015 and 2016 and for the six months ended June 30, 2017, respectively. As of June 30, 2017, we had a total of RMB19.7 billion outstanding net finance receivables under the financing leases that we provided. Change in the residual value of automobile collateral securing our finance receivables may affect the recoverability of such finance receivables. For example, the overall trend of gradual decrease in new and used automobile prices may force the residual value of automobiles to decrease. The historical local government restrictions on inter-city or inter-province transfer of used automobiles imposed by various local government authorities in China may also result in lower residual value of automobiles that likely will be transferred to such cities with local transfer restrictions. Although the central PRC government has recently issued several official opinions or circulars to prohibit such local restrictions and market segregation, aiming to stimulate inter-city or inter-province used automobile trading by deregulation, certain transfer restrictions are still officially allowed, such as high emission standards. Our proprietary data analytics capabilities and access to leading valuation and pricing resources may not be able to capture all factors that may affect the residual value of our automobile collateral. Significant decrease in residual value of our automobile collateral may lower the recoverability of our finance receivables, which may materially and adversely affect our results of operations.

Acquisitions, strategic alliances and investments could be difficult to integrate, disrupt our business and lower our results of operations and the value of your investment.

As part of our business strategy, we will evaluate and make investments in or acquisitions of complementary businesses, joint ventures, services and technologies, or enter into alliances with strategic partners in the future. Acquisitions, alliances and investments involve numerous risks, including the potential failure to achieve the expected benefits of the combination or acquisition; difficulties in, and the cost of, integrating operations, technologies, services and personnel; potential

RISK FACTORS

write-offs of acquired assets or investments; and downward effect on our results of operations. For example, we have acquired certain businesses and assets from Bitauto and we may not be able to successfully integrate the used-automobile business contributed to us by Bitauto.

In addition, if we finance acquisitions by issuing equity or convertible debt securities, shareholdings of our existing shareholders may be diluted, which could affect the market price of our shares. Further, if we fail to properly evaluate and execute acquisitions or investments, our business and prospects may be seriously harmed and the value of your investment may decline.

Furthermore, we may fail to identify or secure suitable acquisition and business partnership opportunities or our competitors may capitalize on such opportunities before we do, which could impair our ability to compete with our competitors and adversely affect our growth prospects and results of operations.

We face intense competition in the markets we operate in, which could lead to reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditures.

We generally face intense competition in the online automobile retail transaction market from both traditional channels and other online platforms. Our self-operated financing business also faces competition from auto financial companies and other financing lease companies. Our competitors may have significantly more financial, technical, marketing and other resources than we do and may be able to devote greater resources to the development, promotion, sale and support of their platforms and services. They may also have more extensive consumer bases, greater brand recognition and broader relationship with the constituents of the ecosystem including automakers, auto dealers and auto finance partners than we have. As such, they may be better able to develop new services, to respond more quickly to new technologies and to undertake more extensive marketing campaigns, which may render our platform less attractive to consumers and our business partners. In addition, our business partners may terminate their cooperation with us and engage in similar business as we do. Failure to compete with current and potential competitors and achieve more widespread market acceptance of our platforms and services could harm our business and results of operations.

China's online automobile retail transaction market is still at an early stage of development and subject to many uncertainties.

Our business and operations rely on China's online automobile retail transaction market. We have greatly benefited from the rapid growth of this market during the past few years. However, this market is still at an early stage of development and remains subject to many uncertainties. We cannot assure you that it will continue to develop rapidly in the future. Further, the growth of China's online automobile retail transaction market could be affected by many factors, including:

- general economic conditions in China and around the world;
- the growth of disposable household income and the availability and cost of credit available to finance automobile purchases;
- the growth of China's automobile industry;
- taxes and other incentives or disincentives related to automobile purchases and ownership;
- environmental concerns and measures taken to address these concerns;

RISK FACTORS

- the cost of energy, including gasoline prices, and the cost of automobile license plates in various cities with license plate lottery or auction systems;
- the improvement of the highway system and availability of parking facilities; and
- other government policies relating to the automobile industry in China, including the phasing out of government subsidies to promote automobile sales, policies limiting automobile purchases in some cities.

Any adverse change to these factors could reduce demand for automobiles, which, in return, would likely reduce demand for our services. Demand for our services is particularly sensitive to changes in general economic conditions, as car buyers may delay their purchases during periods of economic downturn. In addition, purchases of new automobiles are often discretionary for consumers and have been, and may continue to be, affected by negative trends in the economy. Historically, volume of automobile retail transactions, particularly for new automobiles, has been cyclical, fluctuating with general economic cycles. If China's online automobile retail transaction market fails to expand or China's economy stagnates or contracts, our business, financial condition and results of operations would be materially and adversely affected.

Government policies on automobile purchases and ownership may materially affect our results of operations.

Government policies on automobile purchases and ownership may have a material effect on our business due to their influence on consumer behaviors. Since 2009, the PRC government has changed the purchase tax on automobiles with 1.6 liter or smaller engines several times. In addition, in August 2014, several PRC governmental authorities jointly announced that from September 2014 to December 2017, purchases of new energy automobiles designated on certain catalogs will be exempted from the purchase taxes. In April 2015, several PRC governmental authorities also jointly announced that from 2016 to 2020, purchasers of new energy automobiles designated on certain catalogs will enjoy subsidies. In December 2016, relevant PRC governmental authorities further adjusted the subsidy policy for new energy automobiles. We cannot predict whether government subsidies will remain in the future or whether similar incentives will be introduced, and if they are, their impact on automobile retail transactions in China. It is possible that automobile retail transactions may decline significantly upon expiration of the existing government subsidies if consumers have become used to such incentives and delay purchase decisions in the absence of new incentives. If automobile retail transactions indeed decline, our revenues may fluctuate and our results of operations may be materially and adversely affected.

Some local governmental authorities also issued regulations and relevant implementation rules in order to control urban traffic and the number of automobiles within particular urban areas. For example, local Beijing governmental authorities adopted regulations and relevant implementing rules in December 2010 to limit the total number of license plates issued to new automobile purchases in Beijing each year. Local Guangzhou governmental authorities also announced similar regulations, which came into effect in July 2013. There are similar policies that restrict the issuance of new automobile license plates in Shanghai, Tianjin, Hangzhou, Guiyang and Shenzhen. In September 2013, the State Council released a plan for the prevention and remediation of air pollution, which requires large cities, such as Beijing, Shanghai and Guangzhou, to further restrict the number of motor vehicles. In October 2013, the Beijing government issued an additional regulation to limit the total number of vehicles in Beijing to no more than six million by the end of 2017. Such regulatory developments, as

RISK FACTORS

well as other uncertainties, may adversely affect the growth prospects of China's automobile industry, which in turn may have a material adverse impact on our business.

Our business is subject to seasonal fluctuations and unexpected interruptions.

We have experienced, and expect to continue to experience, seasonal fluctuations in our revenues and results of operations. Our revenue trends are a reflection of consumers' automobile purchase patterns. Consumers tend to purchase a higher volume of automobiles in the second half of each year, in part due to the introduction of new models from automakers. Further, the holiday period following the Chinese New Year is usually in the first quarter, which may contribute to lower activity levels in that quarter of each year. As a result of these factors, our revenues may vary from quarter to quarter and our quarterly results may not be comparable to the corresponding periods of prior years. Our actual results may differ significantly from our targets or estimated quarterly results. Therefore, you may not be able to predict our annual results of operations based on a quarter-to-quarter comparison of our results of operations. The quarterly fluctuations in our revenues and results of operations could result in volatility and cause the price of our shares to fall. As our revenues grow, these seasonal fluctuations may become more pronounced.

We face risks relating to liabilities resulting from the use of our leased automobiles by our customers.

Our operating lease services can expose us to claims for personal injury, death and property damage resulting from the use of our leased automobiles by our customers. For example, if a customer uses an automobile that has worn tires or some mechanical or other problem, including a manufacturing defect, which contributed to a traffic accident that results in death or property damage, we may be subject to claims for the alleged liabilities for the accident and the damage resulting from it. Furthermore, according to PRC Tort Law, when a person drives a leased automobile and is held liable for a traffic accident, liability will first be covered by the compulsory traffic accident insurance and any uncovered portion will be borne by the driver. The owner of the automobile is not liable unless the owner has fault in such accident. See "Regulations—Tort liability law." However, since judicial proceedings determining the cause of a traffic accident can be lengthy and costly, and the results of such proceedings may be uncertain, we may not be successful in defending ourselves each time such an incident occurs. If a significant number of such claims cannot be resolved, our reputation could suffer.

In addition, we may not be able to repossess the automobiles we financed as part of our financing lease services in case of delinquency or default by the consumers. Our measures to track the automobiles include installing vehicle telematics systems and requiring the consumer to mortgage the automobiles to us. Due to the mobility nature of automobiles, we cannot assure you that we will be able to successfully repossess all the automobiles where the consumers are delinquent in their payment obligations or that the values of the repossessed automobiles are sufficient to cover the consumers' payment obligations. If we cannot repossess some of these automobiles or the values of the repossessed automobiles are not sufficient to cover the consumers' payment obligations, our business, results of operations and financial condition may be materially and adversely affected.

There can be no assurance that the insurance maintained by our financing lease or operating lease customers will adequately cover us and our assets against all risks, that lessees will at all times comply with their obligations to maintain insurance, that any particular claim will be paid, that

RISK FACTORS

financing lease or operating lease customers will be able to obtain adequate insurance coverage at commercially reasonable rates in the future or that our contingent or other insurance policies will adequately cover any areas not adequately covered by our customer's insurance policies.

Our business is highly dependent on the proper functioning and improvement of our information technology systems and infrastructure. If we fail to keep up with technological developments and evolving consumer demands and expectations, our business and results of operations may be materially and adversely affected.

The continuing popularity of our platforms and services and our ability to further monetize user traffic depend in significant part on our ability to adapt to rapidly changing technologies as well as our ability to continually innovate in response to evolving consumer demands and expectations and intense market competition. Any failure on our part to act effectively in any of these areas may materially and adversely affect our business and results of operations.

Enhancing legacy technologies and incorporating new technologies into our platforms involve numerous technical challenges, and require substantial capital and personnel resources and significant time. We may not be able to handle these challenges effectively due to numerous factors, some of which are beyond our control. For instance, our ability to predict consumer demands and expectations is linked to amount and accuracy of information we can collect on consumer behavior. If we fail to increase data repository to store the large amount of data we collect, our analytics capability will be limited. Our credit risk management system is also based on data-driven analytics. If we fail to retain or expand our consumer base or maintain consumer engagement levels on our platforms, the amount of data available to us for analysis would be affected.

Our failure to anticipate or successfully implement new technologies could negatively impact our competitiveness, and reduce our revenue and market share. Although we have been and will continue to devote significant resources to the enhancement and development of technologies and services, we may not be able to effectively develop or integrate new technologies on a timely basis or at all, which may decrease consumer satisfaction. In addition, new technologies may not succeed or integrate well with our existing systems and infrastructure, and even if integrated, may not function as expected or may not be able to attract and retain a substantial number of consumers.

Any significant disruption in service on our mobile app, mobile site or website or computer systems, including events beyond our control, could materially and adversely affect our business, financial condition and results of operation.

Our business is dependent on the ability of our information technology systems to timely process a large amount of information and transactions. The satisfactory performance, reliability and availability of our technology and our underlying network infrastructure are critical to our operations, service quality, reputation and ability to retain and attract consumer. We cannot guarantee that access to our mobile apps, mobile sites and websites will be uninterrupted, error-free or secure. Our operations depend on the ability of the host of our system hardware to protect its and our systems in its facilities against damage or interruption from natural disasters, power or telecommunications failures, air quality, temperature, humidity and other environmental concerns, computer viruses or criminal acts. If our arrangement with the current host is terminated, or there is a lapse of service or damage to the host's facilities, we could experience interruptions in our service as well as delays and additional expense in arranging new facilities. In the event of a partial or complete failure of any of our computer

RISK FACTORS

systems, our business activities would be materially disrupted. In addition, a prolonged failure of our information technology system could damage our reputation and materially and adversely affect our future prospects and profitability.

Failure to ensure and protect the confidentiality of the personal data of consumers could subject us to penalties, negatively impact our reputation and deter consumers from using our platforms.

In providing our services, a challenge we face is the secure collection, storage and transmission of confidential information. We hold certain private information about consumers, such as their names, addresses and contact information, as well as financial and credit information. We also need to collect private information from and provide private information to our partners, third-party service providers and other parties for the purpose of conducting the automobile transactions. We are required to collect and use the private information in accordance with PRC laws and not to disclose or use such information without consent from our consumers. See “Regulations—Regulations on Information Security and Privacy Protection.” Consumers also demand complete security for such confidential information, which is essential to maintaining their confidence and trust in us. We rely on a network of process and software controls to protect the confidentiality of data provided to us or stored on our systems. We also rely on contracts with our partners and third-party service providers to ensure their protection of the private information we provide to them and to ensure they have the right to provide us the private information. If we, our business partners or third-party service providers do not maintain adequate controls or fail to implement new or improved controls, such data could be misappropriated or confidentiality could otherwise be breached. If we, our business partners or third-party service providers inappropriately disclose any personal information, we could be subject to claims for identity theft or similar fraud claims or claims for other misuses of personal information, such as unauthorized marketing or unauthorized access to personal information. Confidential information in our systems may also be compromised as a result of intentional or unintentional security breach. While we strive to protect our customers’ privacy, any failure or perceived failure to do so may result in proceedings or actions against us by consumers, government entities or others, and could damage our reputation and subject us to fines and damages. In addition, such events would lead to negative publicity and cause consumers to lose their trust and confidence in us, which may result in material and adverse effects on our reputation, business, financial condition and results of operations.

Any breaches to our security measures, including unauthorized access, computer viruses and “hacking” may adversely affect our database and reduce use of our services and damage our reputation and brand names.

Breaches to our security measures, including computer viruses and hacking, may result in significant damage to our hardware and software systems and database, disruptions to our business activities, inadvertent disclosure of confidential or sensitive information, interruptions in access to our platforms, and other material adverse effects on our operations. Although we have adopted security measures to protect our systems and database, they could be breached as a result of third-party action, employee error, malfeasance or otherwise, during transfer of data or at any time, and result in persons obtaining unauthorized access to our systems and data. If our security measures are breached and unauthorized access to our systems and database is obtained, our services may be perceived as insecure and consumers may curtail or stop using our services altogether and we may incur significant legal and financial exposure and liabilities. We may incur significant costs to protect our systems and equipment against the threat of, and to repair any damage caused by, computer viruses and “hacking.” Moreover,

RISK FACTORS

if a computer virus or “hacking” affects our systems and is highly publicized, our reputation and brand names could be materially damaged and use of our services may decrease.

If we fail to protect our intellectual property rights and proprietary information, we may lose our competitive edge and our brand, reputation and operations may be materially and adversely affected.

We believe our brand, trademarks, software copyrights, trade secrets and other intellectual property rights and proprietary information are critical to our success. Any unauthorized use of intellectual property rights and proprietary information could harm our business, reputation and competitive advantages.

We rely on the applicable laws to protect our intellectual property rights. However, such protection may not always be effective. Infringement of intellectual property rights continues to pose a serious risk in doing business in China. Monitoring and preventing unauthorized use is difficult. The measures we take to protect our intellectual property rights may not be adequate. Further, the application of laws governing intellectual property rights in China is uncertain and evolving, and could involve substantial risks to us. The practice of intellectual property rights enforcement action by Chinese regulatory authorities is in its early stage of development. In the event that we have to resort to litigation and other legal proceedings to enforce our intellectual property rights, such action, litigation or other legal proceedings could result in substantial costs and diversion of our management’s attention and resources and could disrupt our business. There is no assurance that we will be able to enforce our intellectual property rights effectively or otherwise prevent others from the unauthorized use of our intellectual property. Failure to adequately protect our intellectual property could materially and adversely affect our brand name and reputation, and our business, financial condition and results of operations.

Proprietary trade secrets and/or confidential know-how and unpatented know-how are also important to our business. We may rely on trade secrets and/or confidential know-how to protect our technology, especially where patent protection is believed by us to be of limited value. However, trade secrets and/or confidential know-how can be difficult to maintain as confidential. Our policy is to require our employees, consultants, contractors, partners, third-party providers and advisors to enter into confidentiality agreements with us, but these parties may unintentionally or willfully disclose our confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Enforcing a claim against a third party for infringement on our intellectual property rights is expensive, time consuming and unpredictable. The enforceability of confidentiality agreements may vary from jurisdiction to jurisdiction. Failure to obtain or maintain trade secrets and/or confidential know-how protection could adversely affect our competitive position. Moreover, our competitors may independently develop substantially equivalent proprietary information and may even apply for patent protection in respect of the same. If successful in obtaining such patent protection, our competitors could limit our use of our trade secrets and/or confidential know-how.

We may be subject to intellectual property infringement claims or other allegations by third parties, which may materially and adversely affect our business, results of operations and prospects.

We depend to a large extent on our ability to develop and maintain the intellectual property rights relating to our technology and online platforms. We have devoted considerable resources to the development and improvement of our mobile app, mobile site and website and information technology

RISK FACTORS

systems. We cannot be certain that third parties will not claim that our business infringes upon or otherwise violates patents, copyrights or other intellectual property rights that they hold. Companies operating online platforms and provide technology-based services are frequently involved in litigation related to allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of other parties' rights. The validity, enforceability and scope of protection of intellectual property rights, particularly in China, are still evolving. We may face allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including our competitors, or allegations that we are involved in unfair trade practices. As we face increasing competition and as litigation becomes a more common method for resolving commercial disputes in China, we face a higher risk of being the subject of intellectual property infringement claims.

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

Our operations depend on the performance of the Internet and mobile Internet infrastructure and telecommunications networks in China, which may not be able to support the demands associated with our continued growth.

Almost all access to the Internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with the Internet infrastructure or the telecommunications networks in China. We cannot assure you that these infrastructures will be able to support the demands associated with the continued growth in usage.

There is an increasing trend of accessing the Internet through smart phones, tablets and other mobile devices. As new devices, new mobile platforms and updates to platforms are continually being released, we may encounter problems in developing our mobile app for use on these devices and we may need to devote significant resources to creating, supporting and maintaining our mobile app on such devices.

We are required to obtain certain licenses and permits for our business operations, and we may not be able to obtain or maintain such licenses or permits.

The PRC government regulates the Internet, finance and automobile industries extensively, including the licensing and permit requirements pertaining to companies in these industries. Relevant laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, under certain circumstances it may be difficult to determine what actions or omissions may be deemed to be violations of applicable laws and regulations.

We provide value-added telecommunications services through our Consolidated Affiliated Entity, which holds an ICP License. Two of our PRC subsidiaries are approved to provide financing lease services. Failure to maintain or renew these licenses and approvals may significantly disrupt our business, subject us to sanctions, or have other material adverse effects on us.

RISK FACTORS

We provide automobile operating lease services, which do not currently form a material portion of our business. The operating lease industry is at its early stage of development in China, and no clear regulatory framework governing the automobile operating lease services has been adopted. The automobile operating lease industry is primarily regulated by government authorities at local levels, where regulatory requirements on operating entities vary from one province or city to another. Some local government authorities have certain licensing or filing requirements that are not applicable in other regions whereas some cities or regions explicitly state that no license or filing is requested. For more details, see “Regulations—Regulations on Car Rental Business.” In certain cities, our operating entities have yet to obtain the relevant licenses. This is mainly because certain city governments do not, in practice, issue a license or process registration applications for the operation of the automobile leasing business, despite local regulations requiring such licenses or registrations. Certain city governments may also interpret and implement the relevant requirements differently which has made it impractical for us to apply for the requisite licenses in such cities for the time being. Due to the complexity and uncertainty of local practices, we cannot assure you that we will be able to obtain the required licenses or complete filings in a timely manner or at all in all cities where we provide or intend to provide operating lease services and those city governments which currently do not require the licenses may change their requirements or policies in the future. If we cannot obtain the licenses or complete the filings in any city where such licenses or filings are required, we may be subject to fines and other penalties, including suspension or termination of our operating lease business in that city.

We cooperate with Yixin-branded experience stores owned by third parties, which are authorized to use our logo and provide in-store services to consumers. To ensure the qualities of the products and services, we have established service standards and provide training to the employees of these Yixin-branded experience stores. They pay us deposits to guarantee their compliance with the cooperation agreements they signed with us and we will fully return such deposits to them upon expiration of the cooperation agreements if no breach has occurred. Under PRC law, commercial concession, which refers to business activities where an owner of registered trademarks, logos or other business resources, or the licensors, authorize other persons, or the licensees, to use such business resources, and the licensees follow the uniform business model to conduct business operations and pay concession fees in accordance with the concession agreement, is required to be filed with MOFCOM, or its local counterpart. A licensor must have at least two self-operated shops which have been in operation for more than one year. As we do not charge any fees from Yixin-branded experience stores other than the deposits mentioned above, we do not believe our cooperation with them should be considered as commercial concession. However, if such cooperation is determined by MOFCOM or its local counterpart as commercial concession, we may be subject to penalties, including fines, confiscation of illegal gains and suspension of the cooperation.

Under certain arrangements in our loan facilitation services, we cooperate with financing guarantee companies, which provide guarantees to our customers who apply for auto loans with certain PRC commercial banks. Under PRC law, provision of financing guarantee, which refers to guarantee to secure financing obligations owed to financial institutions, is subject to approvals by the regulatory authorities. As we do not provide guarantee for the borrowers directly, upon the advice of our PRC counsel, we do not believe the guarantee provided by us to the financing guarantee companies without consideration under the arrangements with a limited number of banks is subject to approvals. However, our PRC Legal Advisor also advises that there are uncertainties regarding the government’s interpretation of the PRC Laws, if we are deemed to provide financing guarantee services without approval by the relevant governmental authority, we may be subject to penalties, including fines, confiscation of illegal gains and suspension of illegal business.

RISK FACTORS

Considerable uncertainties exist regarding the interpretation and implementation of existing and future laws and regulations governing our business activities. If we fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings, we may be subject to various penalties, such as confiscation of the illegal gains, imposition of fines and discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

Our businesses are exposed to supplier and customers concentration risks, and if not managed properly, may negatively impact on our business and financial conditions.

Few major suppliers contributed to a significant percentage of our total purchase amounts during the Track Record Period. Our top five largest suppliers for the years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2017 accounted for approximately 54.8%, 77.9%, 50.4% and 50.5% of our total purchase amount during those periods, respectively. We believe that our business and operations would be negatively affected if any of our key suppliers were to experience significant disruption affecting the price, quality, availability or timely delivery of their products and services. The partial or complete loss of one of these suppliers, or a significant adverse change in our relationship with any of these suppliers, could result in lost revenue, added costs and distribution delays that could harm our business and customer relationships. In addition, we may be exposed to risks associated with the termination by key suppliers of our cooperation agreements or any adverse change in the terms of such agreements, which could have a negative impact on our profitability. See the section headed “Business—Suppliers.”

In addition, a significant portion of our revenues has been derived from a limited number of customers. Our top five customers accounted for approximately 36.8%, 44.2%, 34.2% and 14.9% of our revenue for each of the years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2017, respectively. We also expect that our customers may vary from period-to-period. If we fail to successfully sell our products to more targeted customers in any particular period or our key customers reduce their purchase amounts, our revenues and profits will be adversely affected. See the section headed “Business—Customers.”

We may be subject to liability for placing advertisements with content that is deemed inappropriate or misleading.

PRC laws and regulations prohibit advertising companies from producing, distributing or publishing any advertisement with content that violates PRC laws and regulations, impairs the national dignity of China, involves designs of the PRC national flag, national emblem or national anthem or the music of the national anthem, is considered reactionary, obscene, superstitious or absurd, is fraudulent, or disparages similar products. As we provide advertising services to automakers, auto dealers, auto finance partners, and aftermarket service providers, including insurance companies, we are required to verify, record and update the identity information of those who choose to place their advertisements on our websites on a regularly basis. We must also review supporting documents provided by advertisers and verify the content of the advertisements and are prohibited from publishing any advertisement inconsistent with or with the lack of the supporting documents. While we do have a review procedure prior to publishing, we cannot guarantee that we can entirely eliminate advertisements with content that would be deemed inappropriate or misleading. If we are deemed to be in violation of PRC law or regulations, we may be subject to penalties, including suspension of publishing, confiscation of the revenues related to these advertisements, levying of fines and suspension or termination of our advertising business, any of which may materially and adversely affect our business.

RISK FACTORS

Regulation and censorship of information disseminated over the Internet in China may adversely affect our business, and we may be liable for information displayed on, retrieved from or linked to our websites.

China has enacted laws and regulations governing Internet access and the distribution of information through the Internet. The PRC government prohibits information that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, contains terrorism or extremism content, or is reactionary, obscene, superstitious, fraudulent or defamatory, from being distributed through the Internet. PRC laws also prohibit the use of the Internet in ways which, among other things, result in a leakage of state secrets or the distribution of socially destabilizing content. Failure to comply with these laws and regulations may result in the revocation of licenses to provide Internet content and other licenses, the closure of the concerned websites and reputational harm. A website operator may also be held liable for censored information displayed on or linked to its website. We may be subject to potential liability for certain unlawful actions of users of our platforms or for content we distribute that is deemed inappropriate. We may be required to delete content that violates PRC laws and report content that we suspect may violate PRC laws, which may reduce our consumer base. It may be difficult to determine the type of content that may result in liability for us, and if we are found to be liable, we may be prevented from operating our business or offering other services in China.

We may be subject to product liability claims if people or properties are harmed by the automobiles transacted on our platform.

Automobiles transacted on our platforms may be defectively designed or manufactured. As a result, we are exposed to product liability claims relating to personal injury or property damage and may require product recalls or other actions. Third parties subject to such injury or damage may bring claims or legal proceedings against us because we facilitate the transaction of the product. Although we would have legal recourse against the automakers or auto dealers under PRC law, attempting to enforce our rights against the automakers or auto dealers may be expensive, time-consuming and ultimately futile. In addition, we do not currently maintain any third-party liability insurance or product liability insurance in relation to automobiles transacted on our platforms. As a result, any material product liability claim or litigation could have a material and adverse effect on our business, financial condition and results of operations. Even unsuccessful claims could result in the expenditure of funds and managerial efforts in defending them and could have a negative impact on our reputation.

We rely heavily on our senior management team and key personnel and the loss of any of their services could severely disrupt our business.

Our future success is highly dependent on the ongoing efforts of our senior management and key personnel. We rely on our management team for their extensive knowledge of and experience in China's automobile and Internet industries as well as their deep understanding of the Chinese automobile market, business environment and regulatory regime. We do not carry, and do not intend to procure, key personnel insurance on any of our senior management team. The loss of the services of one or more of our senior executives or key personnel may have a material adverse effect on our business, financial condition and results of operations. Competition for senior management and key personnel is intense, and the pool of suitable candidates is very limited, and we may not be able to retain the services of our senior executives or key personnel, or attract and retain senior executives or key personnel in the future. If we fail to retain our senior management, our business and results of operations could be materially and adversely affected. In addition, if any members of our senior

RISK FACTORS

management or any of our key personnel join a competitor or form a competing company, we may not be able to replace them easily and we may lose customers, business partners and key staff members. Each of our senior executives and key personnel has entered into an employment agreement with us, which contains confidentiality and non-competition provisions. In the event of a dispute between any of our senior executives or key personnel and us, we cannot assure you as to the extent, if any, that these provisions may be enforceable in the PRC due to uncertainties involving the PRC legal system.

We do not have any business liability, disruption or litigation insurance.

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products and are, to our knowledge, not well-developed in the field of business liability insurance. While business disruption insurance is available to a limited extent in China, we have determined that the risks of disruption, cost of such insurance and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. As a result, except for automobile insurance, we do not have any business liability, disruption or litigation insurance coverage for our operations in China.

RISKS RELATING TO OUR RELATIONSHIP WITH OUR SHAREHOLDERS AND OUR CORPORATE STRUCTURE

We may have conflicts of interest with Bitauto and, because of Bitauto's controlling ownership interest in our company, may not be able to resolve such conflicts on favorable terms for us.

We have entered into a series of agreements with Bitauto with respect to our operations and Bitauto's continued cooperation with and support to us. The terms of such agreements may be less favorable to us than would be the case if they were negotiated with unaffiliated third parties. Moreover, so long as Bitauto is our Controlling Shareholder, we may not be able to bring a legal claim against Bitauto in the event of contractual breach, notwithstanding our contractual rights under the agreements described above and other agreements we may enter into with Bitauto from time to time.

Although we will be a stand-alone public company after the Global Offering, we operate, for as long as Bitauto is our Controlling Shareholder, as an affiliate of Bitauto. Bitauto may from time to time make strategic decisions with respect to us or that affect our business in ways that favor Bitauto and therefore Bitauto's own shareholders, which may not coincide with the interests of our other shareholders. We may not be able to resolve any potential conflicts, and even if we do so, the resolution may be less favorable to us than if we were dealing with an unaffiliated party. Even if Bitauto and we seek to transact business on terms intended to approximate those that could have been achieved among unaffiliated parties, our attempt could be unsuccessful and may adversely affect our business prospects and results of operations.

Any negative development with respect to our Controlling Shareholders or our relationship with them may materially and adversely affect our business and brand.

We obtain part of financial services and used automobile traffic from Bitauto and some other shareholders and such traffic support from Bitauto is provided for free for three years, which period will be automatically extended for two years, pursuant to the Business Cooperation Agreement. We will still be controlled by and an affiliate of Bitauto after the Global Offering and will continue our cooperation with Bitauto and other principal shareholders for traffic support. If any of our principal shareholders, in particular Bitauto, loses its market position or suffers any negative publicity, it could

RISK FACTORS

have an adverse impact on our business, our marketing efforts, our relationships with strategic partners and customers, our reputation and brand. If Bitauto or those shareholders reduce, suspend or terminate traffic support to us, we will need to obtain such support from other sources, or improve the capabilities on our own.

We cannot assure you that any of our Controlling Shareholders will act in the best interest of our company should any conflict arise. If they fail to act in the best interests of us, for example, if they fail to continue their cooperation with us through their platform and traffic direction, or conduct business in an unacceptable manner or take other actions that are detrimental to our interests, we may have to renegotiate with them for the cooperation or attempt to approach other business partners as replacements, which may be expensive, time-consuming and disruptive to our operations. If we are unable to resolve any such conflicts, or if we suffer significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and financial condition.

If the PRC government finds that the agreements that establish the structure for operating certain of our businesses in China do not comply with applicable PRC governmental restrictions on foreign investment in these businesses, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

PRC law currently limits foreign ownership of companies that provide Internet information services in China up to 50%. Foreign invested enterprises are currently restricted from providing Internet information services. Our wholly foreign-owned PRC subsidiaries are currently not eligible to apply for the required licenses for providing Internet information services in China. As such, we conduct our online business operations in China through contractual arrangements with our Consolidated Affiliated Entity, Beijing Yixin.

Our Consolidated Affiliated Entity is currently owned by shareholders who are PRC citizens or PRC entities and our Consolidated Affiliated Entity holds the requisite licenses or permits to provide the relevant services in China. Our Consolidated Affiliated Entity entered into a series of contractual arrangements with our wholly foreign-owned subsidiary, Beijing KKC. We have been and are expected to continue to depend on our Consolidated Affiliated Entity to operate our online business operations. We do not have any equity ownership interest in our Consolidated Affiliated Entity but control their operations and receive the economic benefits through the contractual arrangements.

There are uncertainties regarding the interpretation and application of current and future PRC laws, rules and regulations, including but not limited to the laws, rules and regulations governing the validity and enforcement of our contractual arrangements with our variable interest entity. We have been advised by our PRC Legal Advisor that the contractual agreements for operating certain of our business in China (including our corporate structure and contractual arrangements with the Consolidated Affiliated Entity) does not violate, breach, contravene or otherwise conflict with any applicable PRC laws, rules or regulations. However, our PRC Legal Advisor also advised that there are substantial uncertainties regarding the interpretation and application of the PRC laws, rules and regulations, including, but not limited to, those governing our business, or the enforcement and performance of our contractual arrangements with our Consolidated Affiliated Entity. These laws, rules and regulations may be subject to change, and their official interpretation and enforcement may involve substantial uncertainty. The PRC government has broad discretion in determining whether a

RISK FACTORS

particular contractual arrangement violates PRC laws, rules and regulations and the penalties for such violations. Thus we cannot assure you that the PRC regulatory authorities will not determine that our corporate structure and contractual arrangements violate existing PRC laws, rules or regulations, or will not adopt any new regulation to restrict or prohibit contractual arrangements in the business operations we conduct in the future.

If we, our Consolidated Affiliated Entity or any of its current or future subsidiaries are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including:

- revoking the business and operating licenses of such entities;
- discontinuing or restricting such entities' operations;
- imposing fines, confiscating the income of our Consolidated Affiliated Entity or our income, or imposing other requirements with which we or our PRC subsidiaries and our Consolidated Affiliated Entity may not be able to comply;
- imposing conditions or requirements with which we or our PRC subsidiaries and our Consolidated Affiliated Entity may not be able to comply;
- requiring us or our PRC subsidiaries and our Consolidated Affiliated Entity to restructure our ownership structure or operations;
- restricting or prohibiting our use of the proceeds of our public offering to finance our business and operations in China; or
- taking other regulatory or enforcement actions that could be harmful to our business.

The imposition of any of these penalties would result in a material and adverse effect on our ability to conduct our business, and adversely affect our financial condition and results of operations.

We rely on contractual arrangements with our variable interest entity and its shareholders for certain of our business operations in China, which may not be as effective in providing operational control or enabling us to derive economic benefits as through ownership of controlling equity interest.

We rely on and expect to continue to rely on contractual arrangements with our variable interest entity and its shareholders to operate our online business in China, which are operated directly by our Consolidated Affiliated Entity. Our Consolidated Affiliated Entity contributed nil, RMB96.0 million, RMB84.9 million and RMB68.8 million, representing nil, 35.4%, 5.7% and 4.4%, of our total revenues in 2014, 2015 and 2016 and the first half of 2017, respectively. Our wholly foreign-owned subsidiary charge service fees from our Consolidated Affiliated Entity.

Although we have been advised by our PRC counsel that, the contractual arrangements with our variable interest entity are valid under current PRC laws, these contractual arrangements may not be as effective in providing us with control over the variable interest entity as ownership of controlling equity interests would be in providing us with control over, or enabling us to derive economic benefits from the operations of, our Consolidated Affiliated Entity. If we had direct ownership of our Consolidated Affiliated Entity, we would be able to exercise our rights as a shareholder to (i) effect changes in the board of directors of such entity, which in turn could effect changes, subject to any

RISK FACTORS

applicable fiduciary obligations, at the management level, and (ii) derive economic benefits from the operations of such entity by causing it to declare and pay dividends. However, under the current contractual arrangements, as a legal matter, if the variable interest entity or any of its shareholders fails to perform its, his or her respective obligations under these contractual arrangements, we may have to incur substantial costs and resources to enforce such arrangements, and rely on legal remedies available under PRC laws, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure you will be effective. For example, if shareholders of the variable interest entity were to refuse to transfer their equity interests in the variable interest entity to us or our designated persons when we exercise the purchase option pursuant to the contractual arrangements, we may have to take a legal action to compel them to fulfill their contractual obligations.

If (i) the applicable PRC authorities invalidate these contractual arrangements for violation of PRC laws, rules and regulations, (ii) the variable interest entity or any of its shareholders terminate the contractual arrangements or (iii) the variable interest entity or any of its shareholders fail to perform their obligations under these contractual arrangements, our online business operations in China would be materially and adversely affected, and the value of your shares would substantially decrease. Further, if we fail to renew these contractual arrangements upon their expiration, we would not be able to continue our the relevant business operations unless the then-current PRC law allows us to directly operate these businesses in China.

In addition, if the variable interest entity or all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of the relevant business activities, which could materially and adversely affect our business, financial position and results of operations. If the variable interest entity undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate the relevant business, which could materially and adversely affect our business, our ability to generate revenues and the market price of your shares.

The contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. The legal environment in the PRC is not as developed as in some other jurisdictions. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. In the event we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our operating entities and we may be precluded from operating the relevant business, which may have a material adverse effect on our financial condition and results of operations.

Based on the advice of our PRC Legal Advisor, the corporate structure of our Consolidated Affiliated Entity and our subsidiaries in the PRC are in compliance with all existing PRC laws and regulations. However, as advised by our PRC Legal Advisor, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations, and the PRC government may in the future take a view that is contrary to the above opinion of our PRC counsel. PRC laws and regulations governing the validity of the contractual arrangements which established our corporate structure for operating certain of our business in China are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations.

RISK FACTORS

We conduct our online business operation in the PRC through our Consolidated Affiliated Entity by way of the contractual arrangements, but certain of the terms of the contractual arrangements may not be enforceable under PRC laws and our ability to enforce the equity interest pledge agreement between us and the variable interest entity's shareholders may be subject to limitations based on PRC laws and regulations.

All the agreements which constitute the Contractual Arrangements are governed by PRC laws and all disputes will be submitted to the China International Economic and Trade Arbitration Commission for arbitration, whose ruling will be final and binding. Accordingly, these agreements would be interpreted in accordance with PRC laws and disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions and uncertainties in the PRC legal system could limit our ability to enforce the Contractual Arrangements. In the event that we are unable to enforce the Contractual Arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over the Consolidated Affiliated Entity, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected.

The contractual arrangements among Beijing KKC, our Consolidated Affiliated Entity and its shareholders contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of our variable interest entity, injunctive relief and/or winding up of our variable interest entity. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. PRC laws do allow the arbitral body to grant an award of transfer of assets of or equity interests in our Consolidated Affiliated Entity in favor of an aggrieved party. See the section headed “Contractual Arrangements—Summary of the Material Terms of the Contractual Arrangements—Dispute Resolution” for details of the enforceability of the contractual arrangements. Therefore, in the event of breach of any agreements constituting the contractual arrangements by our Consolidated Affiliated Entity and/or its shareholders, and if we are unable to enforce the contractual arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entity which could negatively affect our ability to conduct our business.

Pursuant to the equity interest pledge agreement, the shareholders of our Consolidated Affiliated Entity agreed to pledge all of their equity interests in the variable interest entity to Beijing KKC to secure performance by our Consolidated Affiliated Entity and its shareholders of their obligations under the relevant contractual arrangements. As of the Latest Practicable Date, the share pledge as contemplated under the equity interest pledge agreement by and between Beijing KKC, the variable interest entity and each of its shareholders were registered with the relevant local branch of the State Administration for Industry and Commerce (“SAIC”).

The equity interest pledge agreement provides that the pledged equity interest shall constitute security for all of the obligations of the Consolidated Affiliated Entity and its shareholders under the contractual arrangement. However, it is possible that a PRC court may take the position that the amount indicated on the equity pledge registration forms filed with the local branch of SAIC represents the full debt amount that the pledge secures. If this is the case, the obligations that are supposed to be

RISK FACTORS

secured in the pledge agreement in excess of the amount listed on the equity pledge registration forms could be determined by the PRC court as unsecured debt.

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

Conflicts of interest may arise between the dual roles of the individual who is an officer of our company and a shareholder and director of our Consolidated Affiliated Entity, as well as the entities who are both affiliates of shareholders of our company and shareholders of our Consolidated Affiliated Entity. These shareholders of our Consolidated Affiliated Entity may breach or cause our Consolidated Affiliated Entity to breach or refuse to renew the existing contractual arrangements, which will have a material adverse effect on our ability to effectively control the variable interest entity and receive economic benefits from it. We do not have existing arrangements to address potential conflicts of interest these shareholders may encounter. We could, at all times, exercise our option under the exclusive option agreements with our Consolidated Affiliated Entity's shareholders to cause them to transfer all of their equity ownership in our Consolidated Affiliated Entity to a PRC entity or individual designated by us, and this new shareholder of our Consolidated Affiliated Entity could then appoint new directors of our Consolidated Affiliated Entity to replace the current directors. In addition, if such conflicts of interest arise, Beijing KKC, our wholly foreign-owned PRC subsidiary, could also, in the capacity of the attorney-in-fact of our Consolidated Affiliated Entity's shareholders as provided under the irrevocable power of attorney, directly appoint new directors of our Consolidated Affiliated Entity to replace the current directors. We rely on our Consolidated Affiliated Entity's shareholders to comply with the laws of China, which protect contracts and provide that directors of our Consolidated Affiliated Entity owe a duty of loyalty to our Consolidated Affiliated Entity and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains. Although our independent directors or disinterested officers may take measures to prevent the parties with dual roles from making decisions that may favor themselves as shareholders of our Consolidated Affiliated Entity, we cannot assure you that these measures would be effective in all instances and when conflicts arise, these shareholders will act in the best interests of our company or that conflicts will be resolved in our favor. The legal frameworks of China and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime. If we cannot resolve any conflicts of interest or disputes between us and those shareholders, we would have to rely on legal proceedings, which may materially disrupt our business. There is also substantial uncertainty as to the outcome of any such legal proceedings.

Contractual arrangements with our Consolidated Affiliated Entity and our principal shareholders may be subject to scrutiny by the PRC tax authorities and may result in a finding that we and our Consolidated Affiliated Entity owe additional taxes or are ineligible for tax exemption, or both, which could substantially increase our taxes owed and thereby reduce our net income.

As a result of our corporate structure and the contractual arrangements between us and our PRC variable interest entity, we are primarily subject to 6% or 17% value-added tax, as well as enterprise income tax at the rate of 25% on revenues derived from our contractual arrangements with our PRC variable interest entity. Under applicable PRC laws, rules and regulations, arrangements and transactions among related parties may be subject to audits or challenges by the PRC tax authorities. We are not able to determine whether any of our transactions with our variable interest entity and its shareholders will be regarded by the PRC tax authorities as arm's-length transactions. The relevant tax authorities may perform investigations to determine whether our contractual relationships with our

RISK FACTORS

variable interest entity and its shareholders or our contracts with our principal shareholders were entered into on an arm's-length basis. If any of the transactions we have entered into among Beijing KKC and the variable interest entity and its shareholders or with our principal shareholders are determined by the PRC tax authorities not to be on an arm's-length basis, or are found to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, the PRC tax authorities may conduct transfer pricing adjustments and adjust the profits and losses of our subsidiaries or Consolidated Affiliated Entity and assess more taxes on them. In addition, the PRC tax authorities may impose late payment interest and other penalties on us for underpayment taxes. Our results of operations may be adversely and materially affected if the tax liabilities of our Consolidated Affiliated Entity increase or if it is found to be subject to late payment interests or other penalties.

We may have exposure to greater than anticipated tax liabilities.

We are subject to enterprise income tax, value-added tax, and other taxes in each province and city in China where we have operations. Our tax structure is subject to review by various local tax authorities. The determination of our provision for income tax and other tax liabilities requires significant judgment. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our estimates are reasonable, the ultimate decisions by the relevant tax authorities may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made.

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

We are a holding company, and we may rely on dividends and other distributions on equity paid by our subsidiaries in China, for our cash requirements, including the funds necessary to service any debt we may incur. If our subsidiaries incur debt in the future, the instruments governing the debt may restrict their abilities to pay dividends or make other distributions to us. In addition, the PRC tax authorities may adjust our taxable income under the contractual arrangements Beijing KKC currently has in place with the variable interest entity in a manner that would materially and adversely affect the ability of our subsidiaries to pay dividends and other distributions to us. Further, relevant PRC laws, rules and regulations permit payments of dividends by our subsidiaries only out of their retained earnings, if any, determined in accordance with accounting standards and regulations of China. Under PRC laws, rules and regulations, our subsidiaries are also required to set aside a portion of their net income each year to fund specific reserve funds. In addition, the statutory general reserve fund requires annual appropriations of 10% of after-tax income to be set aside prior to payment of dividends until the cumulative fund reaches 50% of our subsidiaries' registered capital. Therefore, our subsidiaries' ability is limited in terms of transferring a portion of their net assets to us whether in the form of dividends, loans or advances. Any limitation on the ability of our subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business.

RISK FACTORS

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

The Ministry of Commerce, or MOFCOM, 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. 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. While the MOFCOM solicited public comments on this draft in 2015, 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 the investment in China is made by a foreign investor or a PRC domestic investor. The draft Foreign Investment Law specifically provides that an entity established in China but “controlled” by foreign investors will be treated as a foreign investor, whereas an entity set up in a foreign jurisdiction would nonetheless be, upon market entry clearance by the MOFCOM or its local branches, treated as a PRC domestic investor provided that the entity is “controlled” by PRC entities and/or citizens. In this connection, “control” is broadly defined in the draft law to cover, among others, 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. If the foreign investment falls within a “negative list,” to be separately issued by the State Council in the future, market entry clearance by the MOFCOM or its local branches would be required. Otherwise, all foreign investors may make investments on the same terms as Chinese investors without being subject to additional approval from the government authorities as mandated by the existing foreign investment legal regime.

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 Relating to Our Relationship with Our Shareholders and Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating certain of our businesses in China do not comply with applicable PRC governmental restrictions on foreign investment in these businesses, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.” Under the draft Foreign Investment Law, if a variable interest entity is ultimately controlled by a foreign investor via contractual arrangement, it would be deemed as a foreign investment. Accordingly, for any company with a VIE structure established prior to promulgation of the Foreign Investment Law in an industry category that is on the “negative list,” the VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC individual, or PRC government and its branches or agencies). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as foreign invested enterprises and any operation in the industry category on the “negative list” without market entry clearance may be considered as illegal.

RISK FACTORS

It is uncertain whether we would be considered as ultimately controlled by Chinese parties or not. The draft Foreign Investment Law has not taken a position on what actions will be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by Chinese parties. Moreover, it is uncertain whether the services our Consolidated Affiliated Entity provides will be subject to the foreign investment restrictions or prohibitions set forth in the “negative list” to be issued. If the enacted version of the Foreign Investment Law and the final “negative list” mandate further actions, such as MOFCOM market entry clearance or certain restructuring of our corporate structure and operations, to be completed by companies with existing VIE structure like us, we face substantial uncertainties as to whether these actions can be timely completed, or at all, and our Contractual Arrangements, in the worst case scenario, may be regarded as invalid and illegal. As a result, we will not be able to operate via our online automobile transaction platform through the Contractual Arrangements and will lose our rights to receive the economic benefits from our Consolidated Affiliated Entity, such that the results of operations of our Consolidated Affiliated Entity would no longer be consolidated into our Group’s results of operations and we will have to derecognize their assets and liabilities according to the relevant accounting standards. In such case, the Stock Exchange may also consider our Company to be no longer suitable for listing on the Stock Exchange and cancel the listing of our Shares.

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 proposed to impose stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable foreign invested entities. Aside from investment implementation report and investment amendment report that are required at 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 the 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.

RISKS RELATING TO DOING BUSINESS IN CHINA

Adverse changes in political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our services and materially and adversely affect our competitive position.

Since our business operations are conducted in China, our business, financial position, results of operations and prospects are affected significantly by economic, political and legal developments in China. Because our business is closely related to the automobile industry and the Internet industry, both of which are highly sensitive to business and personal discretionary spending levels, our business tends to decline during general economic downturns.

The Chinese economy differs from the economies of most developed countries in many respects, including the degree of government involvement, the level of development, the growth rate, the control of foreign exchange, access to financing and the allocation of resources. While the Chinese economy has grown significantly in the past three decades, the growth has been uneven, both geographically and among various sectors of the economy, and the rate of growth has been slowing. Further, the Chinese economy has been transitioning from a planned economy to a more market-oriented economy and a substantial portion of the productive assets in China is still owned by the PRC government. The PRC government exercises significant control over China’s economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting

RISK FACTORS

monetary policy and providing preferential treatment to particular industries or companies. For example, companies qualified as “software enterprises” will be exempted from enterprise income tax for two years and subject to a preferential income tax rate of 12.5% for the following three years, starting from the first profit-making year. We acquired Shanghai Lanshu in April 2017, which will be eligible for enterprise income tax exemption for each of the years ending December 31, 2017 and 2018, and a preferential tax rate of 12.5% for each of the years ending December 31, 2019, 2020 and 2021, respectively, so long as it continues to be qualified as a “software enterprise.” For discussions of preferential tax treatment available to us, see “Financial Information—Taxation—China.” However, government subsidies and preferential tax treatments are subject to government discretion and may be suspended or terminated unexpectedly, which may adversely affect our results of operations. In addition, other economic measures, as well as future actions and policies of the PRC government, could also materially affect our liquidity and access to capital and our ability to operate our business.

The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall Chinese economy, but may also have a negative effect on our operations. For example, our results of operations and financial position may be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. Also see “—Risks Relating to Our Business and Industry—Government policies on automobile purchases and ownership may materially affect our results of operations.”

The legal system of the PRC is not fully developed, and there are inherent uncertainties that may affect the protection afforded to our business and our shareholders.

We conduct our business primarily through our subsidiaries and Consolidated Affiliated Entity in China. Our operations in China are governed by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike in the common law system, prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, which may have a retroactive effect.

Any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention. It may be more difficult to evaluate the outcome of Chinese administrative and court proceedings and the level of legal protection we enjoy in China than in more developed legal systems because PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms. Such uncertainties may impede our ability to enforce the contracts we have entered into with our business partners, customers and suppliers. Furthermore, intellectual property rights and confidentiality protections in China may not be as effective as in more developed jurisdictions. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us.

RISK FACTORS

PRC regulations relating to offshore investment activities by PRC residents may increase our administrative burden and restrict our overseas and cross-border investment activity. If our shareholders fail to make any required applications and filings under such regulations, we may be unable to distribute profits and may become subject to liability under PRC laws.

The State Administration for Foreign Exchange, or SAFE, has promulgated several regulations that require PRC residents, including PRC individuals and PRC corporate entities, to register with and obtain approval from local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity for the purpose of overseas investment and financing, or offshore special purpose vehicle, with such PRC residents' legally owned assets or equity interests in domestic companies or offshore assets or interests. These regulations apply to our direct or indirect shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

Under the currently applicable foreign exchange regulations, PRC resident shareholders must amend and update their foreign exchange registrations with the qualified banks when their offshore special purpose vehicles undergo material events or changes with respect to the basic information, such as changes to the name, the operation term or the identity of PRC resident shareholders, or increases or decreases in the investment amount, share transfers or exchanges, or mergers or divisions. In July 2014, SAFE promulgated Circular 37, pursuant to which, a PRC resident shareholder is only required to register the offshore special purpose vehicle that such shareholder directly owns the equity interests in, or the First Level SPVs. However, it is uncertain whether the PRC resident shareholders are required to amend the registrations if their offshore special purpose vehicles controlled by the First Level SPV undergo material events or changes. It is also uncertain whether Circular 37 would be retrospectively applicable to the transactions where the PRC resident shareholders should amend the relevant registrations in accordance with other foreign exchange regulations. In addition, since 2015, the PRC resident shareholders have also been required to conduct annual filings with the qualified banks in respect of their foreign exchange registrations. If any PRC resident shareholder fails to make the required registration, update the previously filed registration, or conduct annual filings, the PRC subsidiary of that offshore special purpose vehicle may be prohibited from distributing its profits and the proceeds from any reduction in capital, share transfer or liquidation to its offshore parent company, and the offshore parent company may also be prohibited from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We have requested PRC resident shareholders who we know hold direct or indirect interest in our company to make the necessary applications, filings and amendments as required under Circular 37 and other related rules. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our company, and we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements under Circular 37 or other related rules. The failure or inability of our PRC resident shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, restrict our cross-border investment activities, limit the ability of our wholly foreign-owned subsidiaries in China to distribute dividends and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into these subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing

RISK FACTORS

applicable foreign exchange restrictions. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

Furthermore, as the interpretation and implementation of these foreign exchange regulations has been constantly evolving and may be uncertain under certain circumstances, it is unclear how these regulations, and any future regulation concerning offshore transactions, will be interpreted, amended and implemented by the relevant government authorities. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations.

Governmental control of currency conversion may affect the value of your investment.

Under the PRC law, Renminbi is freely convertible to foreign currencies with respect to “current account” transactions, but not with respect to “capital account” transactions. We receive all our revenues in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. Approval or registration from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Dividend payments are current account transactions, which can be made in foreign currencies by complying with certain procedural requirements but do not require prior approval from SAFE. The PRC government may also exercise its discretion to restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

Fluctuations in exchange rates of the Renminbi could materially affect our reported results of operations.

The conversion of Renminbi into foreign currencies, including Hong Kong dollar and U.S. dollars, is based on rates set by the People’s Bank of China. The PRC government allowed the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. On November 30, 2015, the Executive Board of the International Monetary Fund (“IMF”) completed the regular five-year review of the basket of currencies that make up the Special Drawing Right (“SDR”) and decided that with effect from October 1, 2016, Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen, and the British pound. With the development of the foreign exchange market and progress toward interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or the U.S. dollar in the future.

RISK FACTORS

As we may rely on dividends and other fees paid to us by our subsidiaries and variable interest entity in China, any significant revaluation of the Renminbi may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our shares in the Hong Kong dollar or the U.S. dollars. For example, if we decide to convert our Renminbi into the Hong Kong dollar or the U.S. dollars for the purpose of making payments for dividends on our shares or for other business purposes, appreciation of the Hong Kong dollar or the U.S. dollar against the Renminbi would have a negative effect on the Hong Kong dollar or the U.S. dollar amount available to us.

The net proceeds from the Global Offering are expected to be deposited overseas in currencies other than Renminbi until we obtain necessary approvals and filings from relevant PRC regulatory authorities to convert these proceeds into onshore Renminbi. If the net proceeds cannot be converted into onshore Renminbi in a timely manner, our ability to deploy these proceeds efficiently may be affected, as we will not be able to invest these proceeds on RMB-denominated assets onshore or deploy them in uses onshore where Renminbi is required, which may adversely affect our business, results of operation and financial condition.

PRC rules on mergers and acquisitions may make it more difficult for us to pursue growth through acquisitions.

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce and the CSRC, promulgated the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. Among other things, the M&A Rules and recently issued 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. Moreover, the Anti-Monopoly Law requires that the Ministry of Commerce shall be notified in advance of any concentration of undertakings if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, issued by the State Council on August 3, 2008, are triggered. According to the Implementing Rules Concerning Security Review on the Mergers and Acquisitions by Foreign Investors of Domestic Enterprises issued by the Ministry of Commerce in August 2011, mergers and acquisitions by foreign investors involved in an industry related to national security are subject to strict review by the Ministry of Commerce. These rules also prohibit any transactions attempting to bypass such security review, including by controlling entities through contractual arrangements. We believe that our business is not in an industry related to national security. However, we cannot preclude the possibility that the Ministry of Commerce or other government agencies may publish interpretations contrary to our understanding or broaden the scope of such security review in the future. We may elect to grow our business in the future in part by directly acquiring complementary businesses in China. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce, may delay or inhibit our ability to complete such transactions.

PRC regulations on loans and direct investments by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC entities.

As an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries and variable interest entity, or we may make additional capital contributions to our PRC

RISK FACTORS

subsidiaries. Such loans to our subsidiaries or variable interest entity in China and capital contributions are subject to PRC regulations and approvals. For example, loans by us to our subsidiaries cannot exceed statutory limits and must be registered with SAFE or its local branch. Besides SAFE registration, loans to the variable interest entity may also need government approval. Capital contributions to our PRC subsidiaries must be approved by or filed with the PRC Ministry of Commerce or its local counterpart. In addition, the PRC government also restricts the convertibility of foreign currencies into Renminbi and use of the proceeds. On March 30, 2015, SAFE promulgated Circular 19, which took effect and replaced certain previous SAFE regulations from June 1, 2015. SAFE further promulgated Circular 16, effective on June 9, 2016, which, among other things, amend certain provisions of Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of the applicable circulars and rules may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulations. If our variable interest entity requires financial support from us or our wholly owned subsidiaries in the future and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund our variable interest entity's operations will be subject to statutory limits and restrictions, including those described above.

The applicable foreign exchange circulars and rules may significantly limit our ability to convert, transfer and use the net proceeds from the Global Offering or any offering of additional equity securities in China, which may adversely affect our business, financial condition and results of operations. 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 by us to our PRC subsidiaries or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

Increases in labor costs and enforcement of stricter labor laws and regulations in the PRC may adversely affect our business and our profitability.

China's overall economy and the average wage in China have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to those who pay for our services, our profitability and results of operations may be materially and adversely affected.

In addition, we have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law, or the Labor Contract Law and its implementation rules, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our

RISK FACTORS

ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

In October 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law, effective July 1, 2011. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

As the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practices do not and will not violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations will be adversely affected.

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

Companies operating in the PRC are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund and contribute to the plans in amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business.

During the Track Record Period, Beijing KKC, one of our subsidiaries, did not make full contributions to the social insurance plans and the housing fund for its employees as required by the relevant PRC laws and regulations. As of the Latest Practicable Date, Beijing KKC had not received any notice from the local authorities or any claim or request from these employees in this regard. For more information, see the section headed "Business—Employees." Beijing KKC was acquired by Bitauto in November 2016. Bitauto subsequently transferred Beijing KKC to us in May 2017 and as part of such transfer, it was agreed that we will not be liable for social insurance and housing fund related liabilities accrued prior to the transfer under the relevant agreements. Since social insurance premiums and housing fund amounts paid by a company for its existing employees may only change once a year in most cities, we will adjust social insurance premiums and housing fund amounts payable by Beijing KKC for its employees and make full contributions once we can adjust them in practice.

We cannot assure you that the relevant local government authorities will not require Beijing KKC to pay the outstanding amount within a prescribed time and impose late fees or fines on Beijing KKC, which may adversely affect our business, financial condition and results of operations.

Dividends we receive from our subsidiaries located in the PRC may be subject to PRC withholding tax, which could materially and adversely affect the amount of dividends, if any, we may pay our shareholders.

The PRC Enterprise Income Tax Law, or the EIT Law, classifies enterprises as resident enterprises and non-resident enterprises. The EIT Law provides that an income tax rate of 20% may be applicable to dividends payable to non-resident investors, which (i) do not have an establishment or

RISK FACTORS

place of business in the PRC or (ii) have an establishment or place of business in the PRC but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The State Council of the PRC reduced such rate to 10% through the implementation regulations of the EIT Law. Further, pursuant to the Double Tax Avoidance Arrangement between Hong Kong and Mainland China and the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties issued in February 2009 by the State Administration of Taxation (“SAT”), if a Hong Kong resident enterprise owns more than 25% of the equity interest in a company in China at all times during the 12-month period immediately prior to obtaining a dividend from such company, the 10% withholding tax on dividends is reduced to 5% provided certain other conditions and requirements under the Double Tax Avoidance Arrangement between Hong Kong and Mainland China and other applicable PRC laws are satisfied at the discretion of relevant PRC tax authority. We are a Cayman Islands holding company and we have a Cayman subsidiary and two Hong Kong subsidiaries which in turn hold controlling equity interest of two PRC subsidiaries. If we and our Cayman and Hong Kong subsidiaries are considered as non-resident enterprises and each of our Hong Kong subsidiaries is considered as a Hong Kong resident enterprise under the Double Tax Avoidance Arrangement and is determined by the competent PRC tax authority to have satisfied relevant conditions and requirements, then the dividends paid to our Hong Kong subsidiaries by its PRC subsidiaries may be subject to the reduced income tax rate of 5% under the Double Tax Avoidance Arrangement. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Notice on the Comprehension and Recognition of Beneficial Owner in Tax Treaties issued in October 2009 by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, transferring or accumulating profits, shall not be recognized as beneficial owner and thus are not entitled to the abovementioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement. If we are required under the EIT Law to pay income tax for any dividends we receive from our subsidiaries in China, or if any of our Hong Kong subsidiaries is determined by PRC government authority as receiving benefits from reduced income tax rate due to a structure or arrangement that is primarily tax-driven, it would materially and adversely affect the amount of dividends, if any, we may pay to our shareholders.

Under the EIT Law, we may be classified as a “resident enterprise” of China; such classification could result in unfavorable tax consequences to us and our non-PRC shareholders and materially and adversely affect our results of operations and financial condition.

Under the EIT Law, an enterprise established outside of China with “de facto management body” within China is considered a “resident enterprise,” meaning that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define “de facto management body” as “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. In April 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 addition, a bulletin issued by the SAT issued in July 2011, effective September 1, 2011, provided more guidance on the implementation of Circular 82. This bulletin clarifies matters including resident status determination, post-determination administration and competent tax authorities. Although the SAT Circular 82 and the bulletin only apply to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the

RISK FACTORS

determining criteria set forth in the SAT Circular 82 may reflect the SAT's general position on how the "de facto management body" text should be applied in determining the tax resident status of all offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals.

Although we do not believe that our legal entities organized outside of the PRC constitute PRC resident enterprises, it is possible that the PRC tax authorities could reach a different conclusion. If the PRC tax authorities determine that our Cayman Islands company is a "resident enterprise" for PRC enterprise income tax purposes, a number of PRC tax consequences could follow. First, we may be subject to the enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations; in our case, this would mean that our income sourced from outside the PRC would be subject to PRC enterprise income tax at a rate of 25%. Second, the EIT Law provides that dividends paid between "qualified resident enterprises" are exempt from enterprise income tax. It is unclear whether the dividends we receive from PRC subsidiaries will constitute dividends between "qualified resident enterprises" and would therefore qualify for tax exemption, because the definition of qualified resident enterprises is unclear and the relevant PRC government authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes. Third, dividends payable by us to our non-PRC resident enterprise investors and gains on the sale of shares by such non-PRC resident enterprise investors may be subject to PRC enterprise income tax at a rate of 10% and such dividends and gains earned by non-PRC resident individual investors may be subject to PRC individual income tax at a rate of 20%. It is unclear whether, if we were considered a PRC resident enterprise, our non-resident investors would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or regions.

In addition to the uncertainty as to the application of the "resident enterprise" classification, there can be no assurance that the PRC Government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements, higher tax rates or retroactively apply the EIT Law, or any subsequent changes in PRC tax laws, rules or regulations. If such changes occur and/or if such changes are applied retroactively, such changes could materially and adversely affect our results of operations and financial condition.

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

The PRC tax authorities have enhanced their scrutiny over the non-resident enterprise's direct or indirect transfer of equity interests in a PRC resident enterprise by promulgating and implementing the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business ("**SAT Circular 59**") and the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises ("**SAT Circular 698**"). Under SAT Circular 698, except the purchase and sale of equity interests through a public securities market, 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 (an "indirect transfer"), the non-resident enterprise, being the transferor, may be subject to PRC enterprise income tax, if the indirect transfer is considered as an abusive use of the holding company structure without reasonable commercial purposes. As a result, gains derived from such indirect transfer may be subject to PRC tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the

RISK FACTORS

fair market value, the relevant tax authority is entitled to make a reasonable adjustment to the taxable income of the transaction.

On February 3, 2015, the SAT issued Public Notice 7 which extends its tax jurisdiction to capture not only indirect transfer as set forth under SAT Circular 698 but also transactions involving the transfer of real property in China and assets of an establishment or a place in the PRC by a foreign company through the offshore transfer of a foreign intermediate holding company. Public Notice 7 also interprets the term “transfer of the equity interest in a foreign intermediate holding company” broadly. In addition, Public Notice 7 further clarifies certain criteria on how to assess reasonable commercial purposes and introduces safe harbor scenarios applicable to internal group restructurings. However, it also imposes burdens on both the foreign transferor and the transferee of the indirect transfer as they are required to make a self-assessment on whether the transaction should be subject to PRC tax and whether to file or withhold the PRC tax accordingly. On October 17, 2017, the SAT promulgated the Announcement on Matters Concerning Withholding and Payment of Income Tax of Non-resident Enterprises from Source (“**SAT Circular 37**”), which will come into force and replace SAT Circular 698 and certain other regulations on December 1, 2017. SAT Circular 37 will, among other things, simplify procedures of withholding and payment of income tax levied on non-resident enterprises.

Public Notice 7 and its interpretation by relevant PRC authorities clarify that an exemption provided by SAT Circular 698 for transfers of shares in a publicly-traded entity that is listed overseas is available if the purchase of the shares and the sale of the shares both take place in open-market transactions. However, if a shareholder of an entity that is listed overseas purchases shares in the open market and sells them in a private transaction, or vice versa, PRC tax authorities might deem such a transfer to be subject to SAT Circular 698 and Public Notice 7, which could subject such shareholder to additional reporting obligations or tax burdens. Accordingly, if a holder of our shares purchases our shares in the open market and sells them in a private transaction, or vice-versa, and fails to comply with SAT Circular 698 or Public Notice 7, the PRC tax authorities may take actions, including requesting us to provide assistance for their investigation or impose a penalty on us, which could have a negative impact on our business operations. In addition, since we may pursue acquisitions as one of our growth strategies, and may conduct acquisitions involving complex corporate structures, PRC tax authorities might impose taxes on capital gains or request that we submit additional documentation for their review in connection with any potential acquisitions, which may cause us to incur additional acquisition costs or delay our acquisition timetable.

The PRC tax authorities have discretion under SAT Circular 59, SAT Circular 698 and Public Notice 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment. We may pursue acquisitions in the future that 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 these transactions under SAT Circular 59, SAT Circular 698 or Public Notice 7, our income tax expenses associated with such potential acquisitions will be increased, which may have an adverse effect on our financial condition and results of operations.

Certain of our leased property interests may be defective and we may be forced to relocate operations affected by such defects, which could cause significant disruption to our business and have a negative impact on our operation and financial results.

As of the Latest Practicable Date, we operated our businesses primarily through 116 leased properties in Shanghai, Beijing, Zhengzhou, Shenzhen and various other cities in China. With respect

RISK FACTORS

to a majority of these leased properties, the lessors failed to provide property title certificates proving the title ownership of these lessors. According to PRC laws, rules and regulations, in situations where a landlord lacks evidence of the title or the right to lease, the relevant lease agreement may not be valid or enforceable under PRC laws, rules and regulations, and may also be subject to challenge by third parties. However, we cannot assure you that such defects will be cured in a timely manner or at all. Our business may be interrupted and additional relocation costs may be incurred if we are required to relocate operations affected by such defects. Moreover, if our lease agreements are challenged by third parties, it could result in diversion of management attention and cause us to incur costs associated with defending such actions, even if such challenges are ultimately determined in our favor. In addition, a majority of lease agreements have not been registered with competent governmental authority. According to PRC laws, rules and regulations, the failure to register the lease agreement will not affect its effectiveness between the tenant and the landlord, however, the landlord and the tenant may be subject to administrative fines of up to RMB10,000 each for such failure to register the lease. As of the Latest Practicable Date, we are not aware of any action, claim or investigation being conducted or threatened by the competent government authorities with respect to the defects in our leased properties. However, if we are fined or penalized by government authorities due to our lessors' failure to register our lease agreements, our business and financial condition may be negatively impacted.

We may be required to register our offices outside of our corporate residence address as branch offices under PRC law and any failure to do so may subject our offices to shut-down or penalties.

A company that uses an office in a location outside its corporate residence address to conduct business operation must register such office as a branch company with the competent local authority. In addition, as we expand our operations, we may need to register additional branch companies from time to time. As of the date hereof, we have not registered some of the locations outside of the corporate residence addresses as branch companies. However, whether an operating place will be deemed as having business nature or otherwise qualified for branch company registration is subject to the sole discretion of the government authorities. We cannot assure you that the governmental authorities will take the same view with us on whether an operating place is required or qualified to be registered as a branch company. We plan to apply for the registration of the relevant offices and we cannot assure you whether the registration can be completed in a timely manner. Although we have not been subject to any query or investigation by any PRC government authority regarding the absence of such registration, if the PRC regulatory authorities determine that we are in violation of the relevant laws and regulations, we may be subject to penalties, including fines, confiscation of income and suspension of operation. If we become subject to these penalties, our business, results of operations, financial condition and prospects could be materially and adversely affected.

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly listed Companies (the “**Stock Option Rules**,” 《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》). 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 the SAFE or its local branches and complete certain other

RISK FACTORS

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 its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. 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 the overseas-entrusted institution or other material changes. We and our PRC employees who have been granted share options will be subject to these regulations upon the completion of the Global Offering. Failure of our PRC share option holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute dividends to us or otherwise materially and adversely affect our business, financial condition and results of operations.

It may be difficult to effect service of process upon us, our Directors or our executive officers that reside in the PRC or to enforce against them or us in the PRC any judgments obtained from non-PRC courts.

Substantially all of our business, assets, operations and subsidiaries are located in the PRC. In addition, all our senior management members reside in the PRC, and substantially all of our assets, and substantially all of the assets of those persons, are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

Moreover, the legal framework to which our Company is subject is materially different from the Companies Ordinance or corporate law in the United States and other jurisdictions with respect to certain areas, including the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which we are subject are also relatively undeveloped and untested. However, according to the Company Law of the PRC (《中華人民共和國公司法》) (the “**PRC Company Law**”), shareholders may commence a derivative action against the directors, supervisors, officers or any third party on behalf of a company under certain circumstances.

In July 2006, the Supreme People's Court of the PRC and the Government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》). Under such an arrangement, where any designated people's court in the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court in the PRC or Hong Kong court for recognition and enforcement of the

RISK FACTORS

judgment. Although this arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no previous public market for our Shares, and the liquidity and market price of our Shares may be volatile.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares resulted from negotiations between us and the Joint Representatives on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for the listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our Shares will develop or, if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering. Furthermore, the price and trading volume of our Shares may be volatile. The following factors may affect the volume and price at which our Shares will trade:

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

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

Future sales or perceived sales of substantial amounts of our Shares in the public market could have a material adverse effect on the prevailing market price of our Shares and our ability to raise additional capital in the future.

The market price of our Shares could decline as a result of substantial future sales of our Shares or other securities relating to Shares in the public market. Such a decline could also occur with the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could materially adversely affect the prevailing market price of our Shares and our ability to raise future capital at a favorable time and price. Our shareholders would experience a dilution in their holdings upon the issuance or sale of additional securities for any purpose.

RISK FACTORS

Because the initial public offering price of our Shares is substantially higher than the consolidated net tangible book value per share, purchasers of our Shares in the Global Offering may experience immediate dilution upon such purchases.

As the Offer Price of our Shares is higher than the consolidated net tangible assets per share immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible assets. Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our Shares may experience further dilution of their interest if the Underwriters exercise the Over-allotment Option or if we issue additional shares in the future to raise additional capital.

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

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

We have adopted and may grant, share incentives awards, which may result in increased share based compensation expenses.

We adopted the share incentive plan for the purpose of granting share based compensation awards to employees, directors and consultants to incentivize their performance and align their interests with ours. We have adopted the Pre-IPO Share Option Scheme for the purpose of granting share-based compensation awards to employees, directors and consultants to incentivize their performance and align their interests with ours. For further information regarding the options granted under the Pre-IPO Share Option Scheme, please see the section headed “Statutory and General Information—Pre-IPO Share Option and Share Award Schemes—Pre-IPO Share Option Scheme—Outstanding options granted”. In addition, we conditionally adopted the First Share Award Scheme on May 26, 2017, and the Second Share Award Scheme on September 1, 2017, pursuant to which we may grant additional awards of Shares. We will incur additional share based compensation expenses in the future as we continue to grant share incentives using the Shares reserved for this purpose. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

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

We currently intend to retain most, if not all, of our available funds and any future earnings after the Global 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 Shares as a source for any future dividend income.

RISK FACTORS

Our Board has complete discretion as to whether to distribute dividends. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on 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. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the Global Offering or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

The approval of the China Securities Regulatory Commission may be required in connection with the Global Offering under PRC law.

The M&A Rules purport to require offshore special purpose vehicles that are controlled by PRC companies or individuals and that have been formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies or assets to obtain CSRC approval prior to publicly listing their securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and the Global Offering may ultimately require approval from the CSRC. If CSRC approval is required, it is uncertain whether it would be possible for us to obtain the approval and any failure to obtain or delay in obtaining CSRC approval for the Global Offering would subject us to sanctions imposed by the CSRC and other PRC regulatory agencies.

Our PRC counsel has advised us that, based on its understanding of the current PRC laws and regulations, we will not be required to submit an application to the CSRC for the approval of the listing and trading of our Shares on the Hong Kong Stock Exchange because (i) our wholly foreign-owned PRC subsidiaries were not established through a merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company, and (ii) no provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to the M&A Rules.

However, we cannot assure you that relevant PRC government agencies, including the CSRC, would reach the same conclusion as our PRC counsel, and hence we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from this offering into China or take other actions that could have a material adverse effect on our business, financial condition, results of operations and prospects, as well as the trading price of the Shares. The CSRC or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, to halt the Global Offering. In addition, if the CSRC or other regulatory agencies later promulgate new rules or explanations requiring that we obtain their approvals for the Global 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 Shares.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law.

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our Memorandum of Association and Articles of Association, the

RISK FACTORS

Cayman Companies Law 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 other jurisdictions. The Cayman Islands also has a less developed body of securities laws and corporate law compared to some other jurisdictions.

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

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

Certain facts and statistics derived from government and third-party sources contained in this prospectus may not be reliable.

We have derived certain facts and other statistics in this prospectus, particularly those relating to the PRC, the PRC economy and the PRC securities industry, from information provided by the PRC and other government agencies, industry associations, independent research institutes and other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the underwriters or any of our or their respective affiliates or advisors, and, therefore, we cannot assure you as to the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled inside or outside the PRC. The facts and other statistics include the facts and statistics included in the sections entitled “Risk Factors,” “Industry Overview” and “Business.” Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable with statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

There may be, subsequent to the date of this document but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which may contain, among

RISK FACTORS

other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, the Global Offering and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the Global Offering.

Some facts, forecasts and statistics contained in this prospectus with respect to the PRC and its economies and automobile industries are derived from various official or third-party sources and may not be accurate, reliable, complete or up-to-date, and statistics in the prospectus provided by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. are subject to assumptions and methodologies set forth in the “Industry Overview” section of this prospectus.

Some of the facts, forecasts and statistics in this prospectus relating to the PRC and its economies and automobile industries are derived from various official or third-party sources. While we have exercised reasonable care in compiling and reproducing these facts, forecasts and statistics, they have not been independently verified by us. Therefore, we make no statement on the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside these jurisdictions and may not be complete or up to date. Moreover, the statistics in this prospectus may be inaccurate or less developed than statistics produced by other economies and should not be unduly relied upon.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

We do not have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. The Group's management, business operations and assets are primarily based outside Hong Kong. The principal management headquarters and senior management of the Group are primarily based in mainland China. The Directors consider that the appointment of executive directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, the Group and therefore would not be in the best interests of the Company and the Shareholders as a whole. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives, namely Mr. Andy Xuan Zhang, the Chairman, executive Director and Chief Executive Officer, and Ms. Ling Lung Siy (施玲瓏), our Company Secretary, to be the principal communication channel at all times between the Stock Exchange and our Company. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange;
- (b) we will implement a policy to provide the contact details of each Director (such as mobile phone numbers, office phone numbers, residential phone numbers, e-mail addresses and fax numbers) to each of the authorized representatives and to the Stock Exchange. This will ensure that each of the authorized representatives and the Stock Exchange will have the means to contact all the Directors (including the independent non-executive Directors) promptly as and when required, including means to communicate with the Directors when they are traveling;
- (c) we will ensure that all Directors who are not ordinarily resident in Hong Kong have valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Stock Exchange within a reasonable period of time when required;
- (d) we have retained the services of a compliance advisor, being Somerley Capital Limited (the "**Compliance Advisor**"), in accordance with Rule 3A.19 of the Listing Rules. The Compliance Advisor will serve as an alternative channel of communication with the Stock Exchange in addition to the authorized representatives of our Company. The Compliance Advisor will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Advisor has prompt access to our Company's authorized representatives and Directors who will provide to the Compliance

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Advisor such information and assistance as the Compliance Advisor may need or may reasonably request in connection with the performance of the Compliance Advisor's duties. The Compliance Advisor will also provide advice in compliance with Rule 3A.23 of the Listing Rules; and

- (e) meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or the Compliance Advisor, or directly with the Directors within a reasonable time frame. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the Compliance Advisor in accordance with the Listing Rules.

CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the Global Offering. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (where applicable) (i) the announcement and independent shareholders' approval requirements, (ii) the annual cap requirement, and (iii) the requirement of limiting the term of the continuing connected transactions set out in Chapter 14A of the Listing Rules for such continuing connected transactions. For further details, see the section headed "Connected Transactions."

PUBLIC FLOAT REQUIREMENT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the issuer's total issued share capital must at all times be held by public.

We have applied to the Hong Kong Stock Exchange to request the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules, and the Stock Exchange has confirmed that it will exercise its discretion to accept a lower public float of 22.99% of our issued share capital, or such higher percentage as is held by the public upon completion of any exercise of the Over-allotment Option.

The above exercise of discretion is given on condition that:

- (i) our Company will make appropriate disclosure of the lower prescribed percentage of public float in this prospectus;
- (ii) our Company will confirm sufficiency of public float in its successive annual reports after the Listing;
- (iii) our Company will implement appropriate measures to ensure continual maintenance of a minimum public float after the Listing of the higher of 22.99% or such higher percentage of the public float after the exercise of the Over-allotment Option; and
- (iv) in the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, our Directors will take appropriate steps which may include a further issue of Shares to independent third parties, to ensure the minimum percentage of public float prescribed by the Stock Exchange is complied with.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTION FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS
PROVISIONS) ORDINANCE**

WAIVER AND EXEMPTION IN RELATION TO THE PRE-IPO SHARE OPTION SCHEME

Under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this prospectus is required to include, among other things, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given (the “**Share Option Disclosure Requirements**”).

As of the Latest Practicable Date, our Company had granted options under the Pre-IPO Share Option Scheme to 129 grantees, including Directors and senior management of our Company and other employees of our Group to subscribe for an aggregate of 283,640,875 Shares, representing 4.52% of our Company’s issued share capital immediately after completion of the Capitalization Issue and Global Offering (assuming (i) the Over-allotment Option is not exercised; (ii) the options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Capitalization Issue and the Global Offering are not exercised; and (iii) no Shares are granted under the First Share Award Scheme) on the terms set out in the section headed “Statutory and General Information—Pre-IPO Share Option and Share Award Schemes—Pre-IPO Share Option Scheme” in Appendix IV.

Our Company has applied to the Stock Exchange and the SFC, respectively for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules; and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the grounds that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

- (a) given that 129 grantees are involved, strict compliance with such disclosure requirements in setting out full details of all the grantees under the Pre-IPO Share Option Scheme in the Prospectus on an individual basis would be costly and unduly burdensome for our Company in light of a significant increase in cost and timing for information compilation, prospectus preparation and printing;
- (b) as of the Latest Practicable Date, the grantees consist of (i) two connected grantees, one of whom is a Director and one director of a subsidiary of our Company, (ii) one management grantee who is a senior manager of the Company, and (iii) 126 grantees who are employees of our Group, and as such, strict compliance with Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance to disclose names, addresses, and entitlements on an individual basis in this prospectus will require a substantial number of pages of additional disclosure that does not provide any material information to the investing public;

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTION FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS
PROVISIONS) ORDINANCE**

- (c) given the nature of the business of our Company, it is extremely important for the Company to recruit and retain talents and the success of our Company's long-term development plan will very much depend on the loyalty and contribution of the grantees;
- (d) the Pre-IPO Share Option Scheme forms a critical component in the compensations of the employees of the Group, and the information relating to the share options granted to the grantees is highly sensitive and confidential to our Group;
- (e) the full disclosure of the details of the grantees (which include their addresses) as well as the share options granted to each of them, would provide the Group's competitors with our Group's employees' compensation details and facilitate their soliciting activities which could adversely impact our Group's ability to recruit and retain valuable personnel;
- (f) the full disclosure on the share options granted to each of the grantees would also allow the employees of our Group to gain access to the others' compensation, which could negatively affect the employees' morale, give rise to negative internal competitions, and lead to an increase in the costs for recruitment and retention;
- (g) the grant and exercise in full of the options under the Pre-IPO Share Option Scheme will not cause any material adverse impact in the financial position of our Company;
- (h) non-compliance with the above disclosure requirements would not prevent the Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of the Company; and
- (i) material information relating to the options under the Pre-IPO Share Option Scheme will be disclosed in this prospectus, including the total number of Shares subject to the Pre-IPO Share Option Scheme, the exercise price per Share, the potential dilution effect on the shareholding and impact on earnings per Share upon full exercise of the options granted under the Pre-IPO Share Option Scheme. The Directors consider that the information that is reasonably necessary for the potential investors to make an informed assessment of the Company in their investment decision making process has been included in this prospectus.

The Stock Exchange has granted us a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Part A of Appendix 1 to the Listing Rules is to be granted on the conditions that:

- (a) the following information will be clearly disclosed in the prospectus:
 - (i) on an individual basis, full details of the options granted under the Pre-IPO Share Option Scheme to each of the Directors, the senior management and the other connected persons of our Company will be disclosed in the section headed "Statutory and General Information—Pre-IPO Share Option and Share Award Schemes—Pre-IPO Share Option Scheme" as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
 - (ii) in respect of the options granted under the Pre-IPO Share Option Scheme, other than for the options granted to each of the Directors, the senior management and the other

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTION FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS
PROVISIONS) ORDINANCE**

connected persons of our Company, disclosure will be made, on an aggregate basis, of (1) their aggregate number of grantees and number of Shares underlying the options under the Pre-IPO Share Option Scheme, (2) the consideration paid for the grant of the options under the Pre-IPO Share Option Scheme and (3) the exercise period and the exercise price of the options granted under the Pre-IPO Share Option Scheme;

- (iii) the aggregate number of Shares underlying the options granted under the Pre-IPO Share Option Scheme and the percentage to the Company's total issued share capital represented by such number of Shares as of the Latest Practicable Date;
 - (iv) the dilutive effect and impact on earnings per Share upon full exercise of the options granted under the Pre-IPO Share Option Scheme;
 - (v) a summary of the major terms of the Pre-IPO Share Option Scheme; and
 - (vi) the particulars of the waiver;
- (b) a list of all the grantees (including those persons whose details have already been disclosed in the prospectus) who have been granted options under the Pre-IPO Share Option Scheme containing all the particulars as required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will be made available for public inspection in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V; and
- (c) the grant of certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the Securities and Futures Commission exempting the Company from the Share Option Disclosure Requirements.

The SFC has agreed to grant to our Company the certificate of exemption under Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on condition that:

- (a) on an individual basis, full details of all options granted by our Company under the Pre-IPO Share Option Scheme to each of the Directors, members of the senior management of our Group and connected persons of our Company are disclosed in the Prospectus, such details shall include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the options granted by our Company under the Pre-IPO Share Option Scheme, other than for the options granted to each of the Directors, the senior management and the other connected persons of our Company, on an aggregated basis, (1) their aggregate number of grantees and the number of Shares underlying the options under the Pre-IPO Share Option Scheme, (2) the consideration (if any) paid for the grant of the options under the Pre-IPO Share Option Scheme and (3) the exercise period and the exercise price for the options granted under the Pre-IPO Share Option Scheme;
- (c) a full list of all the grantees (including those persons whose details have already been disclosed in this prospectus) who have been granted the options under the Pre-IPO Share

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTION FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS
PROVISIONS) ORDINANCE**

Option Scheme, containing all the particulars as required in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for public inspection in the section headed “Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection” in Appendix V; and

- (d) the particulars of the exemption.

Further details of the Pre-IPO Share Option Scheme are set forth in the section headed “Statutory and General Information—Pre-IPO Share Option and Share Award Schemes—Pre-IPO Share Option Scheme.”

CLAWBACK MECHANISM UNDER PARAGRAPH 4.2 OF PRACTICE NOTE 18 OF THE LISTING RULES

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, provided the initial allocation of Offer Shares under the Hong Kong Public Offering shall be not less than 10% of the Global Offering, in the event of oversubscription, the Joint Global Coordinators shall apply a clawback mechanism following the closing of the application lists on the following basis:

- (a) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 10 times or more but less than 40 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offering will be 131,802,000 Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering;
- (b) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 40 times or more but less than 79 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 175,736,000 Offer Shares, representing 20% of the Offer Shares initially available under the Global Offering; and
- (c) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 79 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 307,538,000 Offer Shares, representing 35% of the Offer Shares initially available under the Global Offering.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTION FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS
PROVISIONS) ORDINANCE**

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate.

For further details, see the section headed “Structure of the Global Offering—The Hong Kong Public Offering—Reallocation.”

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date. The International Placing is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

The Offer Price is expected to be determined between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around November 9, 2017 and, in any event, not later than November 15, 2017. If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators and our Company on or before November 15, 2017, the Global Offering will not become unconditional and will lapse immediately.

See the section headed "Underwriting" for further information about the Underwriters and the underwriting arrangements.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set forth in “How to Apply for Hong Kong Offer Shares” and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure of the Global Offering.”

SELLING RESTRICTIONS ON OFFERS AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus and on the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue (including the Shares on conversion of the Preferred Shares) and the Shares to be issued pursuant to the Capitalization Issue, the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option), the exercise of the options which have been granted under the Pre-IPO Share Option Scheme and the Shares which may be granted under the First Share Award Scheme.

We satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue for the year ended December 31, 2016, being approximately RMB1,488 million, which is over HK\$500 million; and (ii) our expected market capitalization at the time of Listing, which, based on the low end of the indicative Offer Price Range, exceeds HK\$4 billion.

Dealings in the Shares on the Stock Exchange are expected to commence on November 16, 2017. No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought, except as otherwise disclosed in this prospectus. All Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTRAR AND STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by our Principal Share Registrar and Transfer Office, and our Hong Kong register will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Placing will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. The current and valorem rate of Hong Kong stamp duty of 0.1% on the higher of the consideration for or the market value of the Shares and it is charged to the purchaser on every purchase and to the seller on every sale of the Shares. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. For further details of Hong Kong stamp duty, please seek professional tax advice.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

We have instructed our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, and it has agreed, not to register the subscription, purchase or transfer of any Shares in the name of any particular holder unless and until the holder delivers a signed form to our Hong Kong Share Registrar in respect of those Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Cayman Companies Law and our Articles;
- agrees with us and each of our Shareholders that the Shares are freely transferable by the holders thereof; and
- authorizes us to enter into a contract on his or her behalf with each of our Directors, managers and officers whereby such Directors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, holding and dealing in the Shares or exercising any rights attached to them. It is emphasized that none of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, supervisors, employees, agents or advisors or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares or exercising any rights attached to them.

EXCHANGE RATE CONVERSION

Solely for convenience purposes, this prospectus includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the Renminbi amounts could actually be converted into another currency at the rates indicated, or at all. Unless otherwise indicated, (i) the translation between Renminbi and Hong Kong dollars was made at the rate of RMB0.8519 to HK\$1.00, the exchange rate prevailing on October 27, 2017 published by the PBOC for foreign exchange transactions; (ii) the translation between Renminbi and US dollars was made at the rate of RMB6.6473 to US\$1.00, the exchange rate prevailing on October 27, 2017 published by the PBOC for foreign exchange transactions; and (iii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.8044 to US\$1.00, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on October 27, 2017.

TRANSLATION

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in this English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

For further information on our Directors, please refer to the section headed “Directors and Senior Management.”

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Andy Xuan Zhang	Flat A, 3/F Valiant Court 33 Cross Street Wan Chai Hong Kong	American
Mr. Dong Jiang (姜東)	Room 402 Building 3 Heng Sheng Yuan No 299 Yao Hong Road Minhang District Shanghai PRC	Chinese
Non-executive Directors		
Mr. James Gordon Mitchell	Flat A1, 29/F Block A, Nicholson Tower 8 Wong Nai Chung Gap Road Hong Kong	British
Mr. Jimmy Chi Ming Lai (賴智明)	Flat B, Ground Floor Mount Davis Garden 5 Mount Davis Road Pok Fu Lam Hong Kong	Chinese (Hong Kong)
Mr. Chenkai Ling (凌晨凱)	Zaojian Number 22 Lane 43, Tiantong Road 814 Zhabei District Shanghai PRC	Chinese
Mr. Xuyang Zhang (張旭陽)	Number 8, Door 44, Block 8 Fucheng Road North Haidian District Beijing PRC	Chinese
Independent non-executive Directors		
Mr. Tin Fan Yuen (袁天凡)	6/F Opus Hong Kong 53 Stubbs Road Hong Kong	British
Mr. Chester Tun Ho Kwok (郭淳浩)	26C Birchwood Place 96 Macdonnell Road Mid Levels Hong Kong	Chinese (Hong Kong)
Ms. Lily Li Dong (董莉)	Room 602, No. 309 Lane 1983, Huamu Road Pudong New District Shanghai PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

(in alphabetical order)

Citigroup Global Markets Asia Limited
50th Floor, Champion Tower
Three Garden Road, Central
Hong Kong

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Center
1 Austin Road West, Kowloon
Hong Kong

Joint Global Coordinators

Citigroup Global Markets Asia Limited
50th Floor, Champion Tower
Three Garden Road, Central
Hong Kong

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Center
1 Austin Road West, Kowloon
Hong Kong

UBS AG Hong Kong Branch
52nd Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Joint Bookrunners

Citigroup Global Markets Asia Limited
(in relation to the Hong Kong Public Offering)
50th Floor, Champion Tower
Three Garden Road, Central
Hong Kong

Citigroup Global Markets Limited
(in relation to the International Placing)
33 Canada Square, Canary Wharf
London E14 5LB
United Kingdom

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Center
1 Austin Road West, Kowloon
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

UBS AG Hong Kong Branch
52nd Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Joint Lead Managers

Citigroup Global Markets Asia Limited
(in relation to the Hong Kong Public Offering)
50th Floor, Champion Tower
Three Garden Road, Central
Hong Kong

Citigroup Global Markets Limited
(in relation to the International Placing)
33 Canada Square, Canary Wharf
London E14 5LB
United Kingdom

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Center
1 Austin Road West, Kowloon
Hong Kong

UBS AG Hong Kong Branch
52nd Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Futu Securities International (Hong Kong) Limited
11/F, Bangkok Bank Building
14-20 Bonham Strand West, Sheung Wan
Hong Kong

Sun Securities Limited
Room 805-806, 8/F., Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Zhongtai International Securities Limited
7/F, Li Po Chun Chambers
189 Des Voeux Road, Central
Hong Kong

**Auditor and Reporting
Accountant**

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building, Central
Hong Kong

Legal Advisors to the Company

As to Hong Kong and U.S. laws:
Skadden, Arps, Slate, Meagher & Flom and Affiliates
42/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:
Han Kun Law Offices
Suite 906, Office Tower C1
Oriental Plaza
No. 1 East Chang An Avenue
Beijing
PRC

As to Cayman Islands law:
Maples and Calder (Hong Kong) LLP
53rd Floor, The Center
99 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisors to the Joint
Sponsors and the Underwriters**

As to Hong Kong and U.S. laws:
Freshfields Bruckhaus Deringer
11th Floor, Two Exchange Square
Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Beijing 100025
PRC

Industry Consultant

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
1018, Tower B
500 Yunjin Road
Shanghai 200232
PRC

Receiving Bank

Bank of China (Hong Kong) Limited
1 Garden Road, Central
Hong Kong

CORPORATE INFORMATION

Registered Office	P.O. Box 309, Uglund House Grand Cayman, KY1-1104, Cayman Islands
Head Office and Principal Place of Business in China	Building 3, 12/F Lujiazui Century Financial Plaza 799 Yanggao South Road Pudong District Shanghai 200127 PRC
Principal Place of Business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company's Website	<u>www.yixincars.com</u> <i>(A copy of this prospectus is available on the Company's website. Except for the information contained in this prospectus, none of the other information contained on the Company's website forms part of this prospectus)</i>
Company Secretary	Ms. Ling Lung Siy (施玲瓏) (ACIS, ACS) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorized Representatives	Mr. Andy Xuan Zhang Flat A, 3/F Valiant Court 33 Cross Street Wan Chai Hong Kong Ms. Ling Lung Siy (施玲瓏) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Audit Committee	Mr. Chester Tun Ho Kwok (郭淳浩) (Chairman) Mr. Tin Fan Yuen (袁天凡) Ms. Lily Li Dong (董莉)
Remuneration Committee	Mr. Tin Fan Yuen (袁天凡) (Chairman) Mr. Andy Xuan Zhang Ms. Lily Li Dong (董莉)
Nomination Committee	Mr. Andy Xuan Zhang (Chairman) Mr. Chester Tun Ho Kwok (郭淳浩) Ms. Lily Li Dong (董莉)

CORPORATE INFORMATION

Compliance Advisor	Somerley Capital Limited 20th Floor, China Building 29 Queen's Road Central Central, Hong Kong
Principal Share Registrar in the Cayman Islands	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Banker	Bank of China 200 Mid. Yincheng Rd. Pudong New District Shanghai 200121 PRC

INDUSTRY OVERVIEW

Certain information and statistics set out in this section and elsewhere in this prospectus are derived from various government and other publicly available sources, and from the market research report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (“Frost & Sullivan”), an independent industry consultant that was commissioned by us (the “Frost & Sullivan Report”). The information extracted from the Frost & Sullivan Report should not be considered as a basis for investments in the Offer Shares or as opinion of Frost & Sullivan with respect to the value of any securities or the advisability of investing in our Company. We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. Our Directors have further confirmed, after making reasonable enquiries and exercising reasonable care, that there is no adverse change in the market information since the date of publication of the Frost & Sullivan Report or any of the other reports that may qualify, contradict or have an impact on the information in this section. No independent verification has been carried out on such information and statistics by us or any other parties involved in the Global Offering or their respective directors, officers, employees, advisors, or agents, and no representation is given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics. For discussions of risks relating to our industries, please refer to “Risk Factors — Risks Relating to Our Business and Industry.”

SOURCES OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm that is principally engaged in the provision of market research consultancy services, to conduct a detailed analysis of China’s automobile transaction and related financing and services industry (collectively, the “**Target Research Markets**”).

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information, and industry insights on the industry trends of the Target Research Markets. Primary research involved interviewing industry insiders such as leading market players, suppliers, customers and recognized third-party industry associations. Secondary research involved reviewing corporate annual reports, databases of relevant official authorities, independent research reports and publications, as well as the exclusive database established by Frost & Sullivan over the past decades.

The Frost & Sullivan Report was compiled based on the following assumptions: (i) the Chinese economy is expected to maintain steady growth in the forecast period; (ii) the Chinese social, economic, and political environment is expected to remain stable and the policies on automobile, auto finance, and auto aftermarket services industries in China are consistent in the forecast period; (iii) identified growth drivers in the Target Research Markets are expected to remain relevant and applicable in the forecast period; and (iv) there will be no material changes taking place in the Target Research Markets.

Frost & Sullivan is an independent global consulting firm, which was founded in New York, U.S.A. in 1961. It conducts industry research and provides market and enterprise strategies, consultancy and training services for various industries. We have agreed to pay a fee of RMB850,000

INDUSTRY OVERVIEW

to Frost & Sullivan in connection with the preparation of the Frost & Sullivan Report. We have extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections headed “Summary,” “Risk Factors,” “Business,” “Financial Information” and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industries in which we operate.

OVERVIEW OF CHINA’S AUTOMOBILE INDUSTRY

Overview of China’s Automobile Market

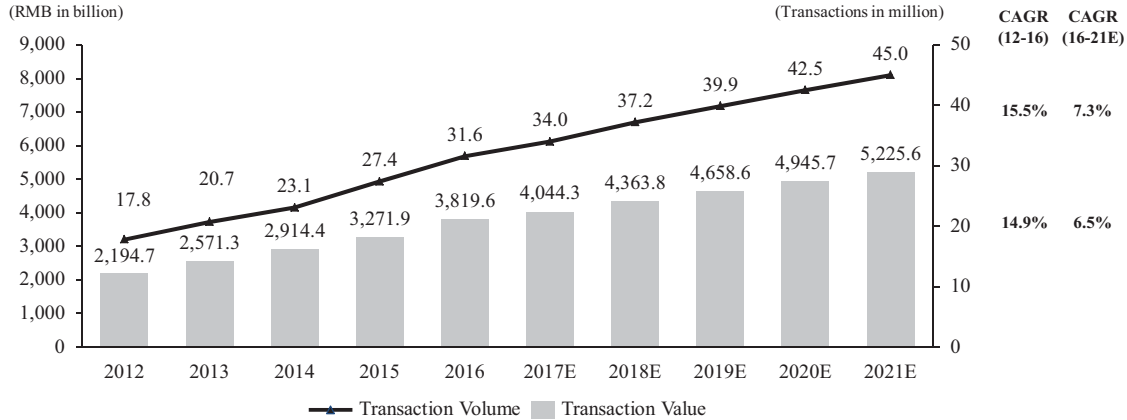
China is the world’s largest new automobile market as measured by the volume of new automobile retail transactions in 2016, and is the world’s second largest automobile market as measured by the volume of overall automobile retail transactions in 2016, following the United States, in each case according to the Frost & Sullivan Report. In 2016, the volume of new and total automobile retail transactions in China reached 23.9 million and 31.6 million, respectively.

There remains significant room for growth in China’s automobile market. Despite the large volume and value of automobile retail transactions, the automobile density is still relatively low in China, as compared to some of the more developed markets, such as the United States. According to the Frost & Sullivan Report, the automobile density in China, or the number of automobile ownership units per 1,000 persons, was 112.0 as of December 31, 2016, which is significantly lower than that of the United States (767.0).

The volume of automobile retail transactions in China grew from 17.8 million in 2012 to 31.6 million in 2016, representing a CAGR of 15.5%. The value of China’s automobile retail transactions grew from RMB2.2 trillion in 2012 to RMB3.8 trillion in 2016, representing a CAGR of 14.9%. Driven by the increasing consumption power resulting from China’s urbanization process and growth of disposable income per capita, increasing volume of used automobile retail transactions, and further penetration of sales channels into lower-tier cities, the automobile market in China is expected to expand further. The volume of automobile retail transactions is expected to further grow from 31.6 million in 2016 to 45.0 million in 2021, representing a CAGR of 7.3%. The value of China’s automobile retail transactions is expected to increase from RMB3.8 trillion in 2016 to RMB5.2 trillion in 2021, representing a CAGR of 6.5%.

INDUSTRY OVERVIEW

Market Size of Automobile Retail Transactions in China



Note: The volume of China's automobile retail transactions refers to the number of automobile retail transactions with cash or with auto finance solutions. Auto finance solutions include auto loans, financing leases, and personal contract purchases.

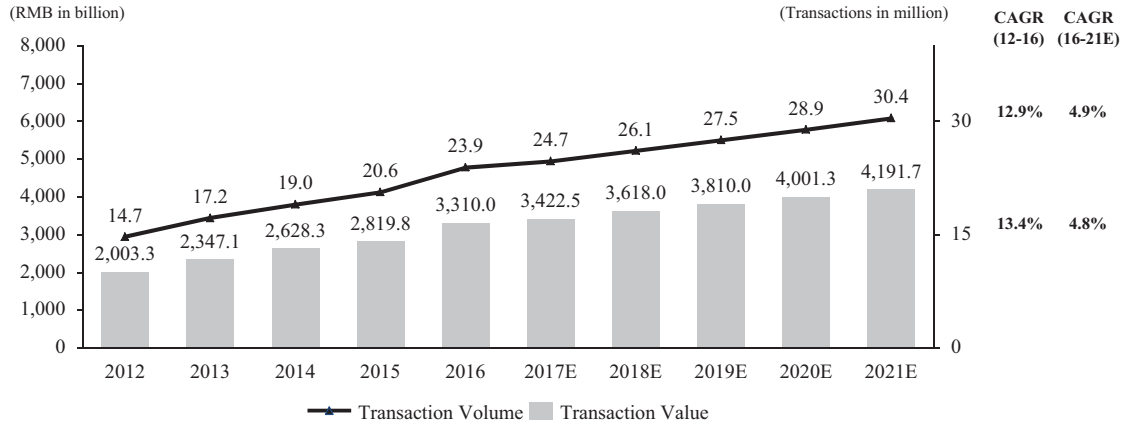
Source: Frost & Sullivan

Both new and used automobile retail transactions in China have been growing and are expected to continue to grow. However, the growth of used automobile retail transactions in China outpace that of new automobile retail transactions. The volume of new automobile retail transactions in China increased from 14.7 million in 2012 to 23.9 million in 2016, representing a CAGR of 12.9%, and the value of new automobile retail transactions in China increased from RMB2.0 trillion in 2012 to RMB3.3 trillion in 2016, representing a CAGR of 13.4%. The volume of new automobile retail transactions in China is expected to increase further to 30.4 million in 2021, representing a CAGR of 4.9% from 2016, and the value of new automobile retail transactions is expected to increase further to RMB4.2 trillion in 2021, representing a CAGR of 4.8% from 2016. The volume of used automobile retail transactions increased from 3.1 million in 2012 to 7.8 million in 2016, representing a CAGR of 25.8%, and the value of used automobile retail transactions in China increased from RMB191.4 billion in 2012 to RMB509.6 billion in 2016, representing a CAGR of 27.7%. In 2016, China's volume of used automobile retail transactions contributed to only 24.6% of the volume of overall automobile retail transactions, while such contribution rates were much higher in the United States (68.2%), suggesting significant growth potential of China's used automobile market. Growing automobile ownership and wider consumer acceptance of used automobiles will drive the growth of the used automobile retail transaction market in China. In 2021, the volume of used automobile retail transactions is expected to reach 14.6 million, representing a CAGR of 13.5% from 2016, and the value of used automobile retail transactions is expected to reach RMB1.0 trillion, representing a CAGR of 15.2% from 2016.

INDUSTRY OVERVIEW

The diagram below illustrates the historical and projected market size of new automobile retail transactions in China for each of the periods presented:

Market Size of New Automobile Retail Transactions in China

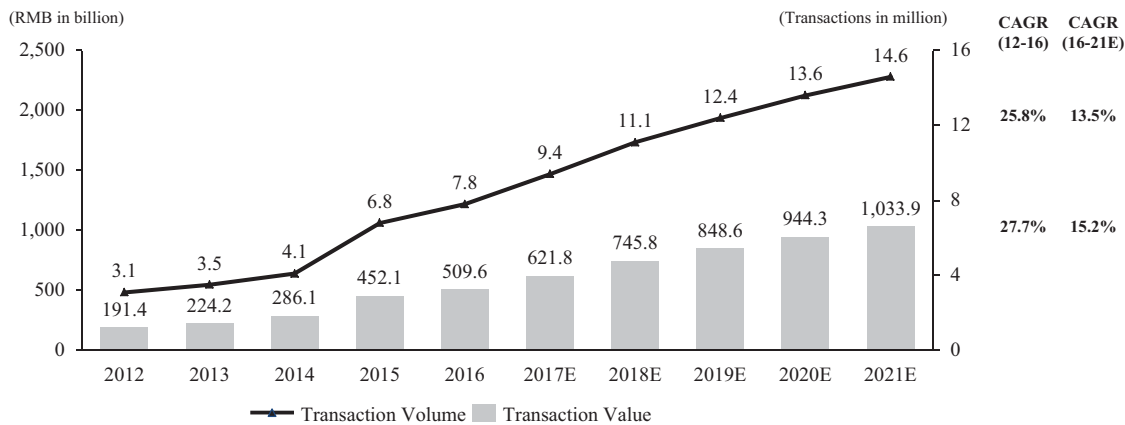


Note: The volume of China's new automobile retail transactions refers to the number of new automobile retail transactions with cash or with auto finance solutions. Auto finance solutions include auto loans, financing leases, and personal contract purchases.

Source: Frost & Sullivan

The diagram below illustrates the historical and projected market size of used automobile retail transactions in China for each of the periods presented:

Market Size of Used Automobile Retail Transactions in China



Note: The volume of China's used automobile retail transactions refers to the number of used automobile retail transactions with cash or with auto finance solutions. Auto finance solutions include auto loans, financing leases, and personal contract purchases.

Source: Frost & Sullivan

The value chain of China's automobile industry consists of manufacture, distribution and sales, and auto finance and aftermarket services. Automakers procure auto parts from their suppliers and assemble whole automobiles. They are typically responsible for the marketing and sales channel management of their own automobiles. Automakers rely on regional wholesalers and retailers for automobile distribution and sales. Retailers can be classified as online channels and offline dealerships. Online channels primarily include online automobile transaction platforms and online automobile

INDUSTRY OVERVIEW

information platforms engaging primarily in information distribution and promotion, such as automakers' official brand stores, and automakers' official marketplace stores established on major business-to-consumer online platforms. Offline dealerships primarily include authorized dealers and independent dealers. In addition, retailers also serve as one of the distribution channels for auto finance and aftermarket services. Auto finance and aftermarket service providers provide consumers with various service options to support the automobile transactions.

There has been a “going online” trend within the value chain of China’s automobile industry. Online platforms streamline the entire value chain of automobile industry by broadening consumers’ access to the automobile transaction market, boosting transaction efficiency, facilitating more effective supply and demand matching, and innovating traditional transaction processes.

Fast Growing Online Automobile Retail Transaction Market in China

As China’s Internet and mobile Internet penetration rates continue increasing, people in China become increasingly aware of and receptive to online automobile transactions, which are facilitated through online automobile transaction platforms. The online automobile transaction platforms in China primarily operate in a to-business model or a to-consumer model. The to-business model primarily targets to serve auto dealers and other online automobile platforms. The to-consumer model, also referred to as the online automobile retail transaction platform, primarily targets to serve individual consumers.

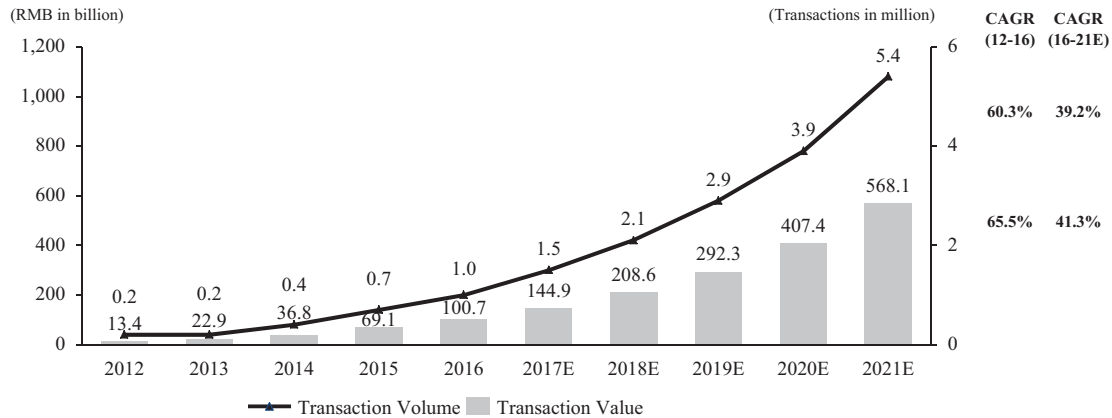
The online automobile retail transaction platforms either (i) source consumers online and facilitate their automobile transactions, or (ii) facilitate the automobile transactions of consumers from various channels (including auto dealers) through providing online auto finance solutions. Compared with traditional dealership-based automobile retail transactions, online-platform-based automobile retail transactions possess multiple advantages. The online automobile retail transaction platforms provide consumers with easier access to a variety of automobile information and auto finance solutions. On the other hand, both online and offline components are essential to the entire automobile retail transaction process. Under the current retail transaction conventions and consumer preferences, many retail transaction steps such as vehicle condition inspection, transaction document signing, and vehicle delivery are still performed offline. Therefore, it is crucial for online automobile retail transaction platforms to have the ability to command and integrate online and offline resources.

The online automobile retail transaction market in China has witnessed a rapid growth since 2012. The volume of online automobile retail transactions was 1.0 million in 2016, representing a CAGR of 60.3% from 2012 to 2016. Such volume is estimated to reach 5.4 million in 2021, representing a CAGR of 39.2% from 2016 to 2021. Consistent with this trend, the value of online automobile retail transactions also has been increasing rapidly since 2012, reaching RMB100.7 billion in 2016, representing a CAGR of 65.5% from 2012 to 2016. Such value is estimated to reach RMB568.1 billion in 2021, representing a CAGR of 41.3% from 2016 to 2021.

INDUSTRY OVERVIEW

The diagram below illustrates the historical and projected market size of online automobile retail transactions in China for each of the periods presented:

Market Size of Online Automobile Retail Transactions in China



Note: An online automobile retail transaction refers to an automobile retail transaction where either (i) the consumer is sourced via an online automobile transaction platform and then such consumer's automobile transaction is facilitated by the platform, or (ii) online auto finance solutions provided by an online automobile transaction platform is used to facilitate the transaction.

Source: Frost & Sullivan

The growth of online automobile retail transactions in China is expected to be driven primarily by the following factors.

- *Increasing penetration of Internet and mobile Internet.* China's Internet penetration rate, as measured by the number of Internet users as a percentage of total population, has increased from 41.7% in 2012 to 52.9% in 2016, and is expected to reach 80.9% in 2021. China's mobile Internet penetration rate, as measured by the number of mobile Internet users as a percentage of total population, has increased from 31.0% in 2012 to 50.3% in 2016, and is expected to exceed 80.0% in 2021. Additionally, 75.0% of China's Internet users in 2016 are aged between 18 and 34, which constitute a majority of consumers in the online automobile retail transaction market.
- *Diverse services available online.* Online automobile retail transaction platforms have developed diverse business models and a wide selection of service offerings that are not usually available at a particular auto dealer or a service provider. Such innovation is expected to continue as demands from both consumers and merchants are constantly evolving.
- *Increasing acceptance by consumers and merchants.* With more than a decade of booming e-commerce in China, both consumers and merchants have been increasingly receptive to the concept of online transactions, including online automobile retail transactions.
- *Stable growth of the automobile market.* China's online automobile retail transaction market benefits from the stable growth of the overall automobile market in China.

The major entry barriers to the online automobile retail transaction market in China include the following, which new entrants typically cannot obtain instantly or within a short period of time.

- *Ability to attract traffic.* Traffic is crucial to online automobile retail transaction platforms. The ability to attract traffic usually requires intensive media exposure, outstanding mobile

INDUSTRY OVERVIEW

app and website designs, and strong brand image, all of which takes time and capital to establish.

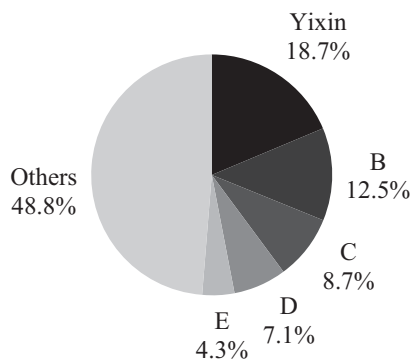
- *Ability to efficiently match supply and demand.* Online automobile retail transaction platforms have to be able to efficiently match supply and demand of products and services, because consumers and merchants expect high matching efficiency when they transact online. To achieve this, online automobile retail transaction platforms need to establish and maintain stable and close relationships with multiple automakers, auto dealers and other service providers, and have sufficient technological capabilities to mobilize such relationships and other resources effectively.
- *Ability to integrate online and offline services.* Online automobile retail transaction platforms have to be able to integrate online and offline services to maximize their respective advantages and increase operation efficiency, which requires significant integration expertise and operational experience.

The online automobile retail transaction market is highly concentrated in terms of both transaction volume and transaction value. In terms of transaction volume, the top five players accounted for 51.2% of the market in 2016; we ranked the first in the market in 2016 with a market share of 18.7%, while the second- and third-ranked players had market shares of 12.5% and 8.7%, respectively. In terms of transaction value, the top five players accounted for 45.9% of the market in 2016; we also ranked first in the market with a market share of 18.4% in 2016, while the second- and third-ranked players had market shares of 9.5% and 8.8%, respectively.

The diagram below illustrates market shares of major players in the market of online automobile retail transactions in China in 2016:

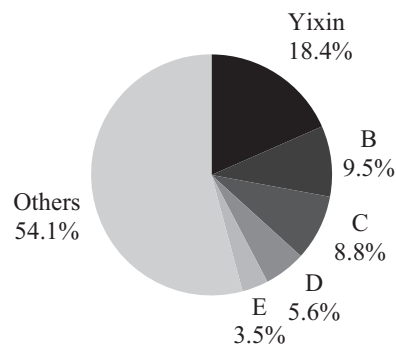
Market Share by Online Automobile Retail Transaction Volume, 2016

Total = 1.0 Million



Market Share by Online Automobile Retail Transaction Value, 2016

Total = RMB100.7 Billion



Source: Frost & Sullivan

Although Yixin has established a leading position among online automobile retail transaction platforms in China, it only accounted for 0.6% and 0.5% of China's overall automobile retail transactions market in terms of volume and value in 2016, as automobile retail transactions through online platforms only accounted for a small portion of total automobile retail transactions in China in that period. As online platforms become increasingly important in China's automobile retail transactions market, leading platforms like Yixin is expected to stand in good position to capture more market share in the overall automobile retail transactions market.

INDUSTRY OVERVIEW

As a rapidly developing market, the online automobile retail transaction market in China is expected to face challenges. These challenges mainly include exposure to credit risk, potential competition from automakers and large auto dealers, and uncertainty of regulations governing the online automobile retail transaction industry.

Increasing Popularity of Auto Finance Services Among Consumers in China

Consumers can fund their automobile retail transactions with either their own cash or one of the consumer auto finance options available in the market today. Consumer auto finance options are primarily comprised of auto loans, financing leases, and personal contract purchases.

- *Auto loans.* Auto loans are personal debt based on pre-determined credit extended by banks or other financial institutions to consumers for automobile retail transactions. Banks and other financial institutions may require auto loans to be secured by automobile collaterals or by third-party guarantees. Alternatively, the auto loans may take the form of credit-card-based installment plans.
- *Financing leases.* Under a financing lease, a financing provider will act as a lessor and a consumer will act as a lessee, while substantially all the risks and rewards of ownership with respect to the automobile is transferred to the lessee during the term of the lease. The financing lease can be structured as (i) a direct lease, where the lessor purchases an automobile upon specification of the lessee and then leases the automobile to the lessee for use, or (ii) a sale-and-leaseback, where the lessee purchases, using the lessor's financing, an automobile and transfers its title to the lessor, and the lessor then leases the automobile back to the lessee for use. At the end of the lease term, the lessee will acquire full title to the automobile after the financing lease is repaid in full.
- *Personal contract purchases.* A personal contract purchase arrangement is essentially an operating lease with an option to purchase, where a financing provider will act as a lessor and a consumer will act as a lessee. The lessee will make rental payments in installments and will have an option to acquire the title to the automobile at the end of the arrangement with a balloon payment.

Major players in the consumer auto finance sector include banks (銀行), auto financial companies (汽車金融公司), and financing lease companies (融資租賃公司).

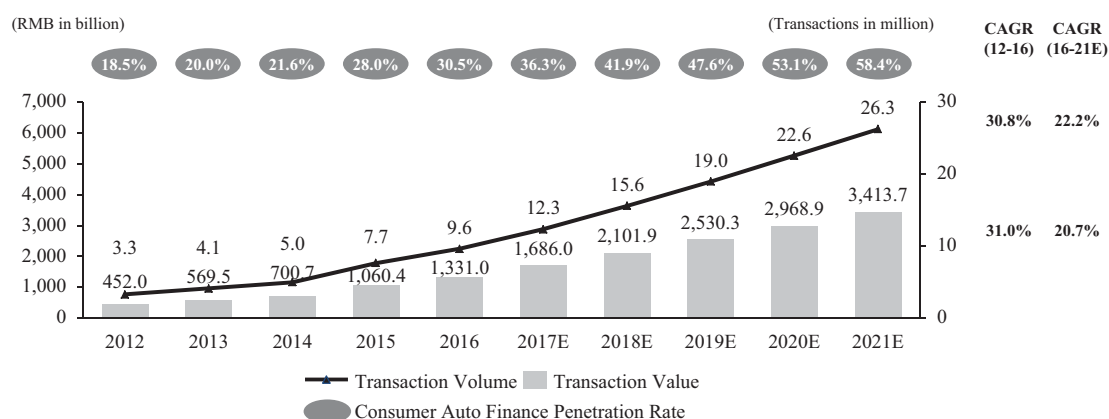
- *Banks.* Banks hold financial permits issued by, and are subject to the supervision of, the CBRC. They provide auto loans as part of their regular loan business. Banks generally have access to consumers through their branch network and operate with low cost on capital, but they usually adopt stringent standards and time-consuming procedures.
- *Auto financial companies.* Auto financial companies hold financial permits issued by, and are subject to the supervision of, the CBRC. Most of the auto financial companies are affiliated to automakers to provide auto loans or financing lease services. They typically finance only a limited number of automobile models.
- *Financing lease companies.* Financing lease companies are formed with the approval of, and are subject to the supervision of, the MOFCOM. They provide financing lease services, usually with higher degree of flexibility in terms of percentages of down-payment and financing terms.

INDUSTRY OVERVIEW

The consumer auto finance penetration rate in China, or the volume of automobile retail transactions involving auto finance arrangements as a percentage of total volume of automobile retail transactions, has been increasing but is still lower compared to more developed markets. The volume of automobile retail transactions involving auto finance arrangements in China increased from 3.3 million in 2012 to 9.6 million in 2016, with a consumer auto finance penetration rate of 30.5% in 2016, as compared to 82.0% in the United States. The consumer auto finance market in China is expected to grow while the volume of automobile retail transactions completely funded with cash is expected to be stagnated, primarily due to the emergence of diverse and innovative consumer auto finance solutions available on the market as well as increasing acceptance of auto finance by consumers. In 2021, the volume of automobile retail transactions involving auto finance arrangements in China is expected to reach 26.3 million, with a consumer auto finance penetration rate of 58.4%, while the value of automobile retail transactions involving auto finance arrangements in China is expected to reach RMB3.4 trillion.

The diagram below illustrates the historical and projected market size and penetration rate of automobile retail transactions involving auto finance arrangements in China:

Market Size of Automobile Retail Transactions Involving Auto Finance Arrangements in China



Source: Frost & Sullivan

The growth of the consumer auto finance market in China is expected to be driven primarily by the following factors.

- *Increasing popularity of consumer auto finance among young generations.* China's population structure has changed over time, and the post-80s generation (or "80 後" in Chinese) has gradually become the mainstream consumers in the automobile market. The post-80s generation is generally perceived as being more open towards consumer credit. Consumer auto finance allows consumers to own automobiles sooner or own better ones than without any consumer auto finance and imposes manageable burden on their cash flows, and is expected to become increasingly popular among younger generations.
- *Rapid growth of the automobile market.* The continuing urbanization process and the enhancement of purchasing power have unleashed the consumption potential and upgraded consumption structure in China, which is expected to accelerate the development of China's automobile market.
- *Further innovation in auto finance.* The overall deregulations of China's consumer auto finance market and refinement of personal credit system has attracted an increasing

INDUSTRY OVERVIEW

number of market participants in consumer auto finance and stimulated robust innovation in consumer auto finance product development, resulting in a great variety of consumer auto finance products to fulfill various needs and demands of consumers.

- *Broadened funding channels for auto finance providers.* China's ABS market is an important financing channel for auto finance providers. After China implemented a registration-based regulatory regime for ABS offering to replace the previous approval-based regulatory regime in 2014, an increasing number of auto finance providers have taken advantage of ABS offering to reduce their financing costs. The amount of auto finance ABSs issued on inter-bank market and exchanges in China increased from RMB7.8 billion in 2014 to RMB64.5 billion in 2016, representing a CAGR of 187.6%. The amount of auto finance ABSs issued on inter-bank market and exchanges in China during the first half of 2017 reached over RMB45.0 billion.

The major entry barriers to the consumer auto finance market in China include the following, which new entrants typically cannot obtain instantly or within a short period of time.

- *Capital demand and financing cost.* New entrants to China's consumer auto finance market must be prepared to commit a significant amount of capital, not only initially to satisfy the minimum registered capital requirement under the applicable regulatory regime, but also to sustain the business development. Additionally, the ability to access low cost financing is crucial to maintaining profitability and competitive edge for auto finance providers.
- *Internal control and risk management.* A solid internal control and risk management system is critical for the healthy growth of any auto finance providers. Establishment of a decent internal control and risk management system requires significant time and other resources for building the relevant IT infrastructure and data analytics capabilities, recruiting specialized and experienced credit assessment talents, and formulating detailed policies and procedures.
- *Channel development.* Auto finance providers either own a strong branch network to reach out to consumers or rely on dealership network or Internet platforms for the same purpose. New entrants will have to either build a stable and effective channel network from scratch or work with multiple parties to maintain a cooperation network.

OVERVIEW OF CHINA'S AUTO AFTERMARKET SERVICES INDUSTRY

The auto aftermarket services market is largely comprised of auto insurance and other aftermarket services.

Auto insurance products primarily include compulsory motor vehicle liability insurance and commercial insurance products. In recent years, due to the increasing Internet penetration in China and the advantages of online transactions such as more transparency on product comparison and higher transaction efficiency, more auto insurance transactions have been conducted online. In 2016, online auto insurance premium value reached RMB39.9 billion and is expected to continue to grow rapidly.

Other aftermarket services are generally comprised of warranty extension, maintenance and repair, road rescue, auto product sales, auto modification, and other related services. The value of the aforementioned auto aftermarket services transactions in China has witnessed a rapid growth from

INDUSTRY OVERVIEW

2012 to 2016, reaching RMB751.4 billion in 2016. Such growth is expected to continue, due to the increasing automobile density, the increasing number of aging automobile and demand for maintenance and repair, and changes in regulatory attitudes towards aftermarket services.

There has been an increasing trend for auto aftermarket services providers to cooperate with online automobile transaction platforms. Online automobile transaction platforms in general have targeted user bases with strong purchase intention for automobile and related services, and can effectively promote various auto aftermarket services as packaged solutions when facilitating automobile transactions.

REGULATIONS

REGULATIONS ON VALUE-ADDED TELECOMMUNICATIONS SERVICES AND FOREIGN INVESTMENT RESTRICTIONS

On September 25, 2000, the Telecommunications Regulations of the People's Republic of China (《中華人民共和國電信條例》) (the “**Telecom Regulations**”), were issued by the PRC State Council, which was amended and became effective on February 6, 2016, as the primary governing law on telecommunication services. The Telecom Regulations set out the general framework for the provision of telecommunication services by PRC companies. Under the Telecom Regulations, telecommunications service providers are required to procure operating licenses prior to their commencement of operations. The Telecom Regulations draw a distinction between “basic telecommunications services” and “value-added telecommunications services.” The Catalog of Telecommunications Business (《電信業務分類目錄》) was issued as an attachment to the Telecom Regulations to categorize telecommunications services as basic or value-added, and information services via public communication networks such as fixed networks, mobile networks and internet are classified as value-added telecommunications services.

On March 1, 2009, the Ministry of Industry and Information Technology (the “**MIIT**”) issued the Administrative Measures for Telecommunications Business Operating Permit (《電信業務經營許可管理辦法》) (the “**Telecom Permit Measures**”), which took effect on April 10, 2009. The Telecom Permit Measures was recently amended on July 3, 2017 and the amendment took effect on September 1, 2017. The Telecom Permit Measures confirm that there are two types of telecom operating licenses for operators in China, namely, licenses for basic telecommunications services and licenses for value-added telecommunications services (the “**VATS License**”). The operation scope of the license will detail the permitted activities of the enterprise to which it was granted. An approved telecommunication services operator shall conduct its business in accordance with the specifications listed in its VATS License. In addition, a VATS License's holder is required to obtain approval from the original permit-issuing authority in respect of any change to its shareholders.

On September 25, 2000, the State Council promulgated the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the “**Internet Measures**”), which was amended in January 2011. Under the Internet Measures, commercial Internet information services operators shall obtain an ICP License, from the relevant government authorities before engaging in any commercial Internet information services operations within the PRC. The provision of information services through mobile applications is subject to the PRC laws and regulations governing internet information services. In addition, on August 1, 2016, the State Internet Information Office promulgated the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》) (the “**Mobile Application Administrative Provisions**”), to strengthen the regulation of the mobile application information services. Pursuant to the Mobile Application Administrative Provisions, an internet application program provider must verify a user's mobile phone number and other identity information under the principle of mandatory real name registration at the back-office end and voluntary real name display at the front-office end. An internet application program provider must not enable functions that can collect a user's geographical location information, access user's contact list, activate the camera or recorder of the user's mobile smart device or other functions irrelevant to its services, nor is it allowed to conduct bundle installations of irrelevant application programs, unless it has clearly indicated to the user and obtained the user's consent on such functions and application programs. Furthermore, in December 2016, the MIIT promulgated the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals (《移動智能終端應用軟件預置和分發管理暫行規定》) (the “**Mobile**

REGULATIONS

Application Interim Measures”), which took effect on July 1, 2017. The Mobile Application Interim Measures requires, among others, that internet information service providers must ensure that a mobile application, as well as its ancillary resource files, configuration files and user data can be uninstalled by a user on a convenient basis, unless it is a basic function software, which refers to a software that supports the normal functioning of hardware and operating system of a mobile smart device.

The content of the Internet information is highly regulated in China and pursuant to the Internet Measures, the PRC government may shut down the websites of ICP License holders and revoke their ICP Licenses if they produce, reproduce, disseminate or broadcast internet content that contains content that is prohibited by law or administrative regulations. Commercial Internet information services operators are also required to monitor their websites. They may not post or disseminate any content that falls within the prohibited categories, and must remove any such content from their websites, save the relevant records and make a report to the relevant governmental authorities.

Pursuant to the Provisions on Administration of Foreign Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulation**”) promulgated by the State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016, the ultimate foreign equity ownership in a value-added telecommunications services provider shall not exceed 50%, except for online data processing and transaction processing businesses (operating e-commerce business) which may be 100% owned by foreign investors. Moreover, for a foreign investor to acquire any equity interest in a value-added telecommunications business in China, it must satisfy a number of stringent performance and operational experience requirements, including demonstrating good track records and experience in operating value-added telecommunications business overseas. Foreign investors that meet these requirements must obtain approvals from the MIIT and the MOFCOM or their authorized local counterparts, which retain considerable discretion in granting approvals. Pursuant to publicly available information, the PRC government has issued telecommunications business operating licenses to Sino-foreign joint ventures in very limited circumstances. The Guiding Catalog for Foreign Investment Industries (《外商投資產業指導目錄》) (the “**Catalog**”) amended in 2017 also imposes the 50% restrictions on foreign ownership in value-added telecommunications business except for operating e-commerce business. In addition, the Catalog amended in 2017 added services for releasing information by the public through internet into the list of businesses that are prohibited for foreign investors.

On July 13, 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《關於加強外商投資經營增值電信業務管理的通知》) (the “**MIIT Circular**”), which require foreign investors to set up foreign-invested enterprises and obtain a VATS License to conduct any value-added telecommunications business in China. Under the MIIT Circular, a domestic company that holds a VATS License is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in China. Furthermore, the relevant trademarks and domain names that are used in the value-added telecommunications business must be owned by the local VATS License holder or its shareholder. The MIIT Circular further requires each VATS License holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its license.

REGULATIONS

REGULATIONS ON FINANCING LEASE

In September 2013, MOFCOM issued the Administration Measures of Supervision on Financing Lease Enterprises (《融資租賃企業監督管理辦法》) (the “**Leasing Measures**”), to regulate and administer the business operations of financing lease enterprises. According to the Leasing Measures, financing lease enterprises are allowed to carry out financing lease business in such forms as direct lease, sublease, sale-and-lease-back, leveraged lease, entrusted lease and joint lease in accordance with the provisions of relevant laws, regulations and rules. However, the Leasing Measures prohibit financing lease enterprises from engaging in financial business such as accepting deposits, and providing loans or entrusted loans. Without the approval from relevant authorities, financing lease enterprises shall not engage in inter-bank borrowing and other businesses. In addition, financing lease enterprises are prohibited from carrying out illegal fund-raising activities in the name of financing lease. The Leasing Measures require financing lease enterprises to establish and improve their financial and internal risk control systems, and a financing lease enterprise’s risk assets shall not exceed ten times of its total net assets. Risk assets generally refer to the adjusted total assets of a financing lease enterprise excluding cash, bank deposits, sovereign bonds and entrusted leasing assets.

The main regulation governing foreign investment in the PRC financing lease industry includes the Administrative Measures on Foreign-Invested Lease Industry (《外商投資租賃業管理辦法》), as amended in 2015. The above measures require that foreign investors investing directly in the PRC financing lease industry must each have total assets of no less than US\$5 million. MOFCOM is the competent administrative authority in charge of the foreign-invested lease industry and is also responsible for the examination and approval of such business. A foreign-invested financing lease enterprise may undertake the following business: (i) the financing lease business; (ii) the lease business; (iii) the purchase of leased properties from onshore and offshore; (iv) the disposal of scrap value of and maintenance of leased properties; (v) the consultancy and guaranty business relating to lease transactions; and (vi) other business approved by the examination and approval department. In addition, a foreign-invested financing lease enterprise shall meet the following requirements: (i) have corresponding professionals, with its senior management personnel having relevant professional qualifications and experience of at least three years, (ii) the operating period of a foreign-invested financing lease enterprise established in the form of limited liability company shall not exceed thirty years. The risk assets of a foreign-invested financing lease enterprise shall not exceed ten times of its total net assets.

REGULATIONS ON INTERNET INSURANCE

In July 2015, the China Insurance Regulatory Commission (“**CIRC**”) issued Interim Measures for the Regulation of Internet Insurance Business (《互聯網保險業務監管暫行辦法》) (the “**Internet Insurance Interim Measures**”), pursuant to which no institutions or individuals other than insurance institutions, which refer to insurance companies, insurance agency companies, insurance brokerage companies and other qualified insurance intermediaries, may engage in the internet insurance business. Under the Internet Insurance Interim Measures, insurance institutions are allowed to conduct internet insurance business through both self-operated online platforms and third-party online platforms. Self-operated online platforms refer to online platforms set up by insurance institutions. Third-party online platforms refer to online platforms providing network supporting services for internet insurance business activities of insurance consumers and insurance institutions, but excluding self-operated online platforms. Third-party online platforms which are not insurance institutions are only allowed to provide network supporting services, and shall not provide any internet insurance business such as

REGULATIONS

sales, underwriting, settlement of claims, cancellation of insurance, complaints handling and customer services. The third-party online platforms are required to meet certain conditions, including obtaining relevant value-added telecommunication licenses or completing internet content provider filings, as applicable, and having network access within the territory of the PRC. Insurance institutions are prohibited from cooperating with third-party online platforms that do not meet those conditions. In addition, the premiums paid by insurance customers are required to be directly transferred to the special account for premium income of the insurance institutions, and the third-party online platform is not allowed to collect premiums on behalf of the insurance institutions. The online platforms shall accurately disclose the information of insurance products required by laws and regulations, and shall not make any false representations, exaggerate previous achievements, illegally promise earnings or undertake to bear losses, or provide other misleading descriptions.

REGULATIONS ON ANTI-MONEY LAUNDERING

The PRC Anti-Money Laundering Law (《中華人民共和國反洗錢法》), which became effective in January 2007, sets forth the principal anti-money laundering requirements applicable to financial institutions as well as nonfinancial 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 People's Bank of China (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. However, the State Council has not promulgated the list of the non-financial institutions with anti-money laundering obligations.

The Guidelines to Promote the Health Growth of the Internet Finance (《關於促進互聯網金融健康發展的指導意見》) (the "Internet Finance Guidelines") jointly released by ten PRC regulatory agencies in July 2015, purport, among other things, to require internet finance service providers, including online automobile finance platforms like us 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.

REGULATIONS ON CAR RENTAL BUSINESS

As the car rental industry is at an early stage of development in China, regulations governing it continue to evolve. The Ministry of Transport ("MOT") promulgated the Circular on Promoting the Health Development of Car Rental Industry (《關於促進汽車租賃業健康發展的通知》) in April 2011, which sets forth guidelines for the car rental industry and requires local government authorities to promulgate local rules and regulations to improve and develop the regulatory environment of the car rental industry.

REGULATIONS

Currently the car rental industry is primarily regulated by government authorities at local levels, where regulatory requirements vary from one province or city to another:

- Some provinces and cities do not have any specific local rules regulating car rental services.
- Some local authorities have promulgated rules to require car rental service providers to file with the local transportation authority (for example, in Hubei) or to obtain car rental operation permits (for example, in Shanxi, Fujian and Shijiazhuang) before they are engaged in car rental business.
- With respect to cars used for rental services, some provinces and cities do not have specific local rules, while others impose additional licensing and filing requirements. In many provinces and cities, the “nature of use” stated in the vehicle license must be registered as rental or commercial. Some provinces and cities require special additional licenses or vehicle license plates for rental vehicles. For instance, in some areas, such as Fujian, Hubei, Sichuan, Suzhou, Dalian and Kunming, a road transportation license or a rental vehicle operation license is required for each rental car; in some areas, such as Shenyang, special vehicle license plates must be obtained for rental cars, and in some areas, such as Chongqing, each rental car shall be filed with relevant local authority.
- Some local authorities, such as those in Nanchang, have promulgated local rules requiring that, if a rental vehicle does not carry a local license plate, it may not be used for rental services where the pick-up place and drop-off place are both within that city.

Local practices differ and the implementation of the local rules and regulations are still under development by local government agencies. Some of the above requirements are not strictly enforced or may be modified or suspended by the local administration authorities from time to time. For example, local government authorities of certain cities do not issue permits or process registration for car rental business or rental vehicles in practice although there exist local regulations requiring such permits or registration.

REGULATIONS ON ADVERTISEMENTS AND ONLINE ADVERTISING

The PRC government regulates advertising, including online advertising, principally through the State Administration for Industry and Commerce (the “SAIC”). The PRC Advertising Law (《中華人民共和國廣告法》), as amended in April 2015, outlines the regulatory framework for the advertising industry.

According to relevant laws and regulations, companies that engage in advertising activities must obtain a business license which specifically include operating an advertising business within its business scope from the SAIC or its local branches. Advertising operators and advertising distributors are required by PRC advertising laws and regulations to examine supporting documents provided by advertisers and to verify the content of the advertisements they design, produce, provide agency services for or distribute against these supporting documents in accordance with applicable laws and regulations. If the content of advertisements is inconsistent with the supporting documents, or the supporting documents are incomplete, advertising operators and distributors cannot provide design, production, agency or distribution services for such advertisements. In addition, where a special government review is required for certain categories of advertisements before publishing, the advertising operators and advertising distributors are obligated to confirm that such review has been

REGULATIONS

performed and the relevant approval has been obtained. Where internet information service providers know or should know that illegal advertisements are distributed using their services, they should prevent such advertisements from being distributed.

The Interim Administrative Measures for Internet Advertisements (《互聯網廣告管理暫行辦法》) promulgated the SAIC in July 2016 also sets forth certain compliance requirements for online advertising businesses. Online advertisements must be clearly indicated as “advertisements.” Advertising operators and distributors of internet advertisement must examine, verify and record identity information, such as name, address and contact information, of advertisers, and maintain an updated verification record on a regular basis.

Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In the case of serious violations, the SAIC or its local branches may force the violator to terminate its advertising operation or even revoke its business license. Furthermore, advertising operators or advertising distributors may be subject to civil liability if they infringe on the legal rights and interests of third parties.

REGULATION ON USED AUTOMOBILE BROKERAGE BUSINESS

On August 29, 2005 SAIC, the SAT, MOFCOM and the Ministry of Public Security promulgated Administrative Measures for Trade of Used Vehicles (《二手車流通管理辦法》), which was amended on September 14, 2017, pursuant to which enterprises engaged in used vehicles brokerage business shall include used vehicles brokerage business within their business scope.

REGULATIONS ON INFORMATION SECURITY AND PRIVACY PROTECTION

Internet content in China is regulated and restricted from a state security standpoint. On December 28, 2000, the Standing Committee of the PRC National People’s Congress introduced enacted the Decisions on Maintaining Internet Security (《關於維護互聯網安全的決定》), which amended on August 27, 2009 and may subject violators to criminal punishment in China for any effort to: (i) use the Internet to market fake and substandard products or carry out false publicity for any commodity or service; (ii) use the Internet for the purpose of damaging the commercial goodwill and product reputation of any other person; (iii) use the Internet for the purpose of infringing on the intellectual property of any person; (iv) use the Internet for the purpose of fabricating and spreading false information that affects the trading of securities and futures or otherwise jeopardizes the financial order; or (v) create any pornographic website or webpage on the Internet, providing links to pornographic websites, or disseminating pornographic books and magazines, movies, audiovisual products, or images. 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, and require internet service providers to take proper measures including anti-virus, data back-up and other related measures, and keep records of certain information about its users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, and detect illegal information, stop transmission of such information, and keep relevant records. 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.

REGULATIONS

PRC governmental authorities have enacted laws and regulations on Internet use to protect personal information from any unauthorized disclosure. In December 2012, the Standing Committee of the PRC National People's Congress promulgated the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》) to enhance the legal protection of information security and privacy on the internet. In July 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》) to regulate the collection and use of users' personal information in the provision of telecommunication services and Internet information services in China. Telecommunication business operators and internet service providers are required to establish its own rules for collecting and use of users' information and cannot collect or use users' information without users' consent. Telecommunication business operators and internet service providers are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information.

On November 7, 2016, Standing Committee of the PRC National People's Congress published Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), which took effective on June 1, 2017 and requires network operators to perform certain functions related to cyber security protection and the strengthening of network information management. For instance, under the Cyber Security Law, network operators of key information infrastructure shall store within the territory of the PRC all the personal information and important data collected and produced within the territory of PRC and their purchase of network products and services that may affect national securities shall be subject to national cybersecurity review. On May 2, 2017, the Cyberspace Administration of China issued a trial version of the Measures for the Security Review of Network Products and Services (Trial) (《網絡產品和服務安全審查辦法(試行)》), which took effective on June 1, 2017, to provide for more details rules regarding cybersecurity review requirements.

In addition, the Internet Finance Guidelines requires Internet finance service providers, including online finance 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.

REGULATIONS ON COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

The establishment, operation and management of companies in China is governed by the PRC Company Law, as amended in 2005 and 2013. According to the PRC Company Law, companies established in the PRC are either limited liability companies or joint stock limited liability companies. The PRC Company Law applies to both PRC domestic companies and foreign-invested companies. The establishment procedures, approval procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), as amended on September 3, 2016, and the Implementation Regulation of the Wholly Foreign-owned Enterprise Law (《外資企業法實施細則》), as amended on February 19, 2014. In September 2016, the National People's Congress Standing Committee published the Decision on Revising Four Laws including the Wholly Foreign-owned Enterprise Law of the People's Republic of China (《全國人民代表大會常務委員會關於修改〈中華人民共和國外資企業法〉等四部法律的決定》), which changes the "filing or approval" procedure for foreign investments in China such that foreign investments in business sectors not subject to special administrative measures will only be required to complete a filing instead of the existing requirements to apply for approval. The special entry management measures shall be promulgated or approved to be promulgated by the State Council. Pursuant to a notice issued by the

REGULATIONS

NDRC and MOFCOM on October 8, 2016, the special entry management measures shall be implemented with reference to the relevant regulations as stipulated in the Catalog in relation to the restricted foreign investment industries, prohibited foreign investment industries and encouraged foreign investment industries. Pursuant to the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) promulgated by MOFCOM on October 8, 2016 and amended on July 30, 2017, establishment and changes of foreign investment enterprises not subject to the approval under the special entry management measures shall be filed with the relevant commerce authorities.

The Provisions on Guiding Foreign Investment (《指導外商投資方向規定》) promulgated by the State Council on February 11, 2002 and the Catalog classify foreign investment projects into four categories: encouraged projects, permitted projects, restricted projects and prohibited projects. The purpose of these regulations is to direct foreign investment into certain priority industry sectors and restrict or prohibit investment in other sectors. If the industry sector in which the investment is to occur falls into the encouraged category, foreign investment can be conducted through the establishment of a wholly foreign-owned enterprise. If a restricted category, foreign investment may be conducted through the establishment of a wholly foreign-owned enterprise, provided certain requirements are met, and, in some cases, the establishment of a joint venture enterprise is required with varying minimum shareholdings for the Chinese party depending on the particular industry. If a prohibited category, foreign investment of any kind is not allowed. Any industry not falling into any of the encouraged, restricted or prohibited categories is classified as a permitted industry for foreign investment.

In January 2015, MOFCOM published the Draft Foreign Investment Law (《外國投資法(草案徵求意見稿)》) (the “**Draft Foreign Investment Law**”) soliciting the public’s 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. “Control” is broadly defined in the Draft Foreign Investment Law to cover the following summarized categories: (i) holding directly or indirectly 50% or more of the equity interest, assets, voting rights or similar equity interest of the subject entity; (ii) holding directly or indirectly less than 50% of the equity interest, assets, voting rights or similar equity interest of the subject entity, but having the power to secure at least 50% of the seats on the board of directors or other equivalent decision-making bodies, or having the voting power to exert material influence over the board of directors, at the shareholders’ meeting or over 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, staffing and technology matters or other key aspects of business operations. The Draft Foreign Investment Law specifically provides that entities established in China, but ultimately “controlled” by foreign investors, will be treated as foreign-invested enterprises. If a foreign-invested enterprise proposes to conduct business in an industry subject to foreign investment restrictions, the foreign-invested enterprise must go through a market entry clearance by MOFCOM before being established. According to the Draft Foreign Investment Law, variable interest entities would also be deemed as foreign-invested enterprises if they are ultimately “controlled” by foreign investors, and accordingly would be subject to restrictions on foreign investments. However, the Draft Foreign Investment Law does not address what actions will be taken with respect to the existing companies with a VIE structure. As of the date hereof, it is uncertain when the Draft Foreign Investment Law will become a law, to what extent the final version will differ from the Draft Foreign Investment Law and the potential impact on companies employing a VIE structure in the PRC. When the Draft Foreign Investment Law becomes effective, the trio of existing laws regulating foreign investment in the PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law of the PRC

REGULATIONS

(《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law of the PRC (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations, will be abolished.

TORT LIABILITY LAW

In accordance with the PRC Tort Liability Law (《中華人民共和國侵權責任法》), which became effective in July 2010, internet users and internet service providers bear tortious liabilities in the event that they infringe upon other persons' rights and interests through the internet. Where an internet user conducts tortious acts through internet services, the infringed person has the right to request the internet service provider take necessary actions such as deleting contents, screening and de-linking. Failing to take necessary actions after being informed, the internet service provider will be subject to joint and several liabilities with the internet user with regard to the additional damages incurred. Where an internet service provider knows that an internet user is infringing upon other persons' rights and interests through its internet service but fails to take necessary actions, it is jointly and severally liable with the internet user.

The PRC Tort Liability Law also provides that when the driver of a rental car who is not the owner of the vehicle is held liable for a traffic accident, liability will first be covered by the insurance company providing the compulsory traffic accident insurance of the vehicle, and the driver shall be responsible for the portion not covered by the compulsory traffic accident insurance. The vehicle owner is not liable unless the owner has fault in such accident. In accordance with Interpretations of the Supreme People's Court on Several Issues on the Application of Law in Hearing the Cases of Compensation for Road Traffic Accident Damages (《最高人民法院關於審理道路交通事故損害賠償案件適用法律若干問題的解釋》), which became effective on December 21, 2012, the vehicle owner will be determined as having fault if (i) the owner knows or should know that the vehicle has a defect which constitutes one of the causes for the traffic accident, (ii) knows or should know that the driver of the vehicle does not meet the driving requirements or has not acquired corresponding driving qualifications; (iii) knows or should know that the driver cannot drive the vehicle due to drinking, taking psychoactive or narcotic drug, or having any disease that obstructs safe driving of the vehicle; or (iv) has any other fault for the traffic accident.

REGULATION ON INTELLECTUAL PROPERTY

Copyright and Software Products

The National People's Congress adopted the Copyright Law (《中華人民共和國著作權法》) in 1990 and amended it in 2001 and 2010, respectively. The amended Copyright Law extends copyright protection to internet activities, products disseminated over the internet and software products. In addition, there is a voluntary registration system administered by the China Copyright Protection Center.

In order to further implement the Computer Software Protection Regulations (《計算機軟件保護條例》) promulgated by the State Council on December 20, 2001 and amended on January 30, 2013, the State Copyright Bureau issued the Computer Software Copyright Registration Procedures (《計算機軟件著作權登記辦法》) on February 20, 2002, which apply to software copyright registration, license contract registration and transfer contract registration.

REGULATIONS

Trademarks

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》) adopted in 1982 and subsequently amended in 1993, 2001 and 2013 as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted by the State Council in 2002 and amended on April 29, 2014. The Trademark Office under the SAIC handles trademark registrations and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the first or any renewed ten-year term. Trademark license agreements must be filed with the Trademark Office for record. The PRC Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use. Trademark license agreements should be filed with the Trademark Office or its regional offices.

Domain Names

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》), issued by MIIT on November 5, 2004 and effective as of December 20, 2004 which was replaced by the Measures on Administration of Internet Domain Names (互聯網域名管理辦法) issued by MIIT as of November 1, 2017, and the Implementing Rules on Registration of Domain Names (《中國互聯網絡信息中心域名註冊實施細則》) issued by China Internet Network Information Center on May 28, 2012, which became effective on May 29, 2012. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

REGULATION ON FOREIGN EXCHANGE

Regulations on Foreign Currency Exchange

Pursuant to the Foreign Exchange Administration Regulations (《外匯管理條例》), as amended on August 5, 2008, Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless prior approval is obtained from SAFE and prior registration with SAFE is made.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign Invested Enterprises (《關於改革外商投資企業外匯資金結匯管理方式的通知》) (“SAFE Circular 19”) in replacement of SAFE Circular 142, SAFE Circular 59 and SAFE Circular 45. SAFE further promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《關於改革和規範資本項目結匯管理政策的通知》) (“SAFE Circular 16”), effective on June 9, 2016, which, among other things, amend certain provisions of Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company

REGULATIONS

is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties.

From 2012, SAFE has promulgated several circulars to substantially amend and simplify the current foreign exchange procedure. Pursuant to these circulars, the opening of various special purpose foreign exchange accounts, the reinvestment of RMB proceeds 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. In addition, domestic companies are allowed to provide cross-border loans not only to their offshore subsidiaries, but also to their offshore parents and affiliates. SAFE also promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》) in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (“**SAFE Circular 13**”), which took effect on June 1, 2015. SAFE Circular 13 delegates the power to enforce the foreign exchange registration in connection with inbound and outbound direct investments under relevant SAFE rules from local branches of SAFE to banks, thereby further simplifying the foreign exchange registration procedures for inbound and outbound direct investments.

On January 26, 2017, SAFE issued the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) (“**SAFE Circular 3**”), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years’ losses before remitting the profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Regulations on Dividend Distribution

The principal regulations governing distribution of dividends of foreign-invested enterprises include the PRC Company Law, the Foreign Invested Enterprise Law (《中華人民共和國外資企業法》), and the Implementation Rules of the Foreign Invested Enterprise Law (《外資企業法實施細則》). 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

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

SAFE promulgated the Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“**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 was 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 (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) issued by SAFE in October 2005. SAFE further enacted SAFE Circular 13, which allows PRC residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. However, remedial registration applications made by PRC residents that previously failed to comply with the SAFE Circular 37 continue to fall under the jurisdiction of the relevant local branch of SAFE. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from distributing profits to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Regulations on Stock Incentive Plans

In February 2012, SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the “**Stock Option Rules**”), 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 a 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 its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. 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 the overseas entrusted institution or other material changes. The PRC agents must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share

REGULATIONS

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. In addition, SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with SAFE or its local branches before exercising rights.

REGULATIONS RELATED TO TAX

Enterprise Income Tax

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”), which became effective on January 1, 2008 and amended on February 24, 2017, and its implementing rules, enterprises are classified as resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% while non-PRC resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%. An enterprise established outside of the PRC with its “de facto management bodies” located within the PRC is considered a “resident enterprise,” meaning that it can be treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define a de facto management body as a managing body that in practice exercises “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise.

The EIT Law and the implementation rules provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are “non-resident enterprises,” and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and other jurisdictions. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Double Tax Avoidance Arrangement**”) and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Notice on the Interpretation and Recognition of Beneficial Owners in Tax Treaties (《關於如何理解和認定稅收協定中“受益所有人”的通知》), issued on October 27, 2009 by the SAT, and the Announcement on the Recognition of Beneficial Owners in Tax Treaties (《關於認定稅收協定中“受益所有人”的公告》) issued on June 29, 2012 by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognized as beneficial owners and thus are not entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

REGULATIONS

Value-added Tax and Business Tax

According to the Provisional Regulations on Value-added Tax (《增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993 and was amended in 2008 and 2016, and the Implementing Rules of the Provisional Regulations on Value-added Tax (《增值稅暫行條例實施細則》), which was promulgated by the MOF on December 18, 2008 and subsequently amended by the MOF and the SAT on October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax.

Pursuant to the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》), which became effective on January 1, 1994 and were subsequently amended on November 10, 2008, and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC shall pay business tax. The scope of services which constitute taxable services and the rates of business tax are prescribed in the List of Items and Rates of Business Tax (《營業稅稅目稅率表》) attached to the regulation.

Since January 1, 2012, the MOF and the SAT have implemented the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改征增值稅試點方案》) (the “VAT Pilot Plan”), 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. According to the implementation circulars released by the MOF and the SAT on the VAT Pilot Program, the “modern service industries” include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (《財政部、國家稅務總局關於全面推開營業稅改征增值稅試點的通知》) which became effective on May 1, 2016, entities and individuals engaging in the sale of services, intangible assets or fixed assets within the territory of the PRC are required to pay value-added tax instead of business tax. Following the implementation of the VAT Pilot Plan, most of our PRC subsidiaries and affiliates have been subject to VAT, at a rate of 6% or 17%, instead of business tax.

M&A RULES AND OVERSEAS LISTINGS

On August 8, 2006, six PRC regulatory agencies, including the CSRC, adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》) (the “M&A Rules”), which became effective on September 8, 2006 and was amended on June 22, 2009. Foreign investors shall comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets and operate the assets. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of CSRC prior to publicly listing their securities on an overseas stock exchange.

REGULATIONS

EMPLOYMENT LAWS

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》), the PRC Labor Contract Law (《中華人民共和國勞動合同法》) and the Implementing Regulations of the Employment Contracts Law (《中華人民共和國勞動合同法實施條例》), labor relationships between employers and employees must be executed in written form. Wages may not be lower than the local minimum wage. Employers must establish a system for labor safety and sanitation, strictly abide by state standards and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions.

Under PRC laws, rules and regulations, including the Social Insurance Law (《中華人民共和國社會保險法》), the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費征繳暫行條例》) and the Regulations on the Administration of Housing Accumulation Funds (《住房公積金管理條例》), employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance and housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the deficit amount.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

We operate an online automobile transaction platform in China and are primarily engaged in providing transaction platform services and self-operated financing services through our own and partnered online channels, as well as through our transaction service teams and auto dealer cooperative network across the PRC.

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on November 19, 2014, as a subsidiary of our parent company, Bitauto. Our Company first began operations through Bitauto's auto finance department, which was established in December 2013.

Our parent company, Bitauto, is a leading provider of internet content & marketing services, and transaction services for China's automobile industry. Following the Listing, our Company will be spun off from Bitauto, and Bitauto and our Company will continue to operate under separate brands and platforms and have separate businesses and teams. Our Company mainly provides transaction platform and self-operated financing services through our online channels, which includes Taoche app, Yixin Chedai app, *taoche.com*, and *daikuan.com*, our transaction service teams, and our auto dealer cooperative network. Other than the business carried on by our Company, Bitauto mainly offers new car advertising and subscription services through its Bitauto and Auto Quote apps and *bitauto.com*.

Mr. Andy Xuan Zhang, our Chairman, Chief Executive Officer and executive Director, has extensive experience in the automobile Internet, and finance industry garnered from his prominent position at Bitauto over the past 11 years. In his tenure from Bitauto's vice president of finance to chief financial officer, to chief operating officer and now as its president, Mr. Andy Xuan Zhang has been extensively involved in Bitauto's strategy and operations, contributing significantly to its growth and successful listing, including with respect to the transaction services business that now comprises our core business.

BUSINESS MILESTONES

The following is a summary of our key business development milestones:

<u>Date</u>	<u>Event</u>
December 2013	Our business commenced as Bitauto's auto finance department
August 2014	Shanghai Yixin, our first domestic legal entity, was established
November 2014	Our Company was incorporated in the Cayman Islands
February 2015	We completed our first substantial round of financing of US\$390 million from, among others, Tencent and JD.com
June 2015	Our first automobile transaction was completed
April 2016	We commenced providing loan facilitation services
August 2016	The cumulative number of automobile transactions we facilitated exceeded 100,000 automobile units
October 2016	We completed our second substantial round of financing of US\$550 million from, among others, Tencent, JD.com and Baidu
February 2017	We commenced our operating lease initiative Kaizouba (開走吧)
May 2017	We completed our third substantial round of financing of US\$505 million from, among others, Tencent and Bitauto

HISTORY AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

The principal business activities, date of establishment and date of commencement of business of each member of our Group that made a material contribution to our track record results are shown below:

<u>Name of company</u>	<u>Principal business activities</u>	<u>Date of establishment and commencement of business</u>
Shanghai Yixin	Financing lease and operating leases business	August 12, 2014
Beijing Yixin	Advertising and subscription business, transaction platform business	January 9, 2015
Xinche Investment	Holding company of our PRC entities	January 16, 2015
Shanghai Techuang	Advertising and subscription business	January 29, 2015

SHAREHOLDING CHANGES OF OUR COMPANY

Major shareholding changes of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on November 19, 2014, and is the holding company of our Group. Upon its incorporation, the authorized share capital of our Company was US\$50,000 divided into 50,000,000 ordinary shares with a par value of US\$0.001 each.

- Upon its incorporation on November 19, 2014, our Company issued one ordinary share with a par value of US\$0.001 to Offshore Incorporations (Cayman) Limited, an Independent Third Party. This one share was subsequently transferred to Bitauto HK on the same day.
- On November 19, 2014, our Company issued an additional nine ordinary shares with a par value of US\$0.001 each to Bitauto HK, including the one share transferred from Offshore Incorporations (Cayman) Limited. As a result, Bitauto HK held ten ordinary shares.
- On February 16, 2015, our Company further issued a total of 13,499,896 ordinary shares with a par value of US\$0.001 each to Bitauto HK.
- On February 16, 2015, our Company issued a total of 34,602,469 Series A Preferred Shares to the Series A Preferred Shares Shareholders.
- On October 28, 2015, each issued ordinary share of US\$0.001 par value each of our Company was subdivided into ten shares of US\$0.0001 par value each, and each issued Series A Preferred Share of US\$0.001 par value each of our Company was subdivided into ten Series A Preferred Shares of US\$0.0001 par value each, so that the issued ordinary shares and issued Series A Preferred Shares of the Company were divided into 134,999,060 ordinary shares with a par value of US\$0.0001 each or Shares and 346,024,690 Series A Preferred Shares with a par value of US\$0.0001 each.
- On August 19, 2016, the Company issued 27,514,153 Shares to Above Master Limited and 13,757,077 Shares to Alpha Start Global Limited, for the purpose of holding shares for the Company's employee incentive scheme.

HISTORY AND CORPORATE STRUCTURE

- On August 19, 2016, our Company issued a total of 138,467,410 Series B Preferred Shares to the Series B Preferred Shares Shareholders other than Baidu HK.
- On October 21, 2016, our Company issued a total of 27,091,450 Series B Preferred Shares to Baidu HK.
- On May 26, 2017, our Company issued a total of 108,551,910 Series C Preferred Shares to the Series C Preferred Shares Shareholders.
- On May 26, 2017, the 41,271,230 Shares held by Above Master Limited and Alpha Start Global Limited were surrendered to the Company canceled by us and in its place we adopted the Pre-IPO Share Option Scheme.

For further details of the share subscriptions above, please see “—Pre-IPO Investments.”

Voting Proxy Agreement

On October 31, 2017, Bitauto, Tencent and JD.com entered into the Voting Proxy Agreement, pursuant to which Tencent and JD.com granted Bitauto a voting proxy over Shares representing two-thirds and one-third, respectively, of 10% of our issued share capital immediately upon consummation of the Global Offering, solely for the purposes of enabling Bitauto to exercise in excess of 50% of the voting rights in our Company and thereby continue to consolidate our financial results. Without the prior written consent from Bitauto, Tencent and JD.com shall not transfer such Shares during the term of the Voting Proxy Agreement. In the event of such sale, the number of the Shares subject to the voting proxy shall be adjusted downward accordingly. The remaining Shares held by Tencent and JD.com are not subject to the voting proxy and Tencent and JD.com will remain entitled to vote those Shares in any manner they see fit. The number of Shares subject to the voting proxy shall be subject to a corresponding downward adjustment if (i) the number of Offer Shares issued pursuant to the Global Offering represents less than 10% of our issued share capital; (ii) the Over-allotment Option is not exercised in full; and/or (iii) the shareholding of Bitauto in our Company increases during the term of the Voting Proxy Agreement.

Pursuant to the Voting Proxy Agreement, Bitauto shall have the right to vote the relevant Shares, in its sole discretion, on all matters submitted to a vote of Shareholders at a meeting of Shareholders, except for any matters in respect of which it is required to abstain from voting pursuant to the Listing Rules or any other applicable laws and rules. The parties to the Voting Proxy Agreement have agreed to take necessary actions to cause and Bitauto also agreed to vote in favor of (i) the appointment of two nominees of Tencent to our Board of Directors for so long as Tencent continues to directly or indirectly hold an effective interest of at least 20% of the issued share capital of our Company, and one nominee for so long as Tencent continues to directly or indirectly hold an effective interest of at least 10% of the issued share capital of our Company, and (ii) the appointment of one nominee from JD.com for so long as JD.com continues to directly or indirectly hold an effective interest of at least 10% of the issued share capital of our Company.

The Voting Proxy Agreement shall terminate on the occurrence of the earliest of the following events: (i) the second anniversary from the Listing Date, (ii) Bitauto acquiring control of over 50% of the Shares in its own right, and (iii) the shareholding of Bitauto together with the shareholding of Tencent and JD.com that is subject to voting proxy in our Company falling below 50%. Tencent and JD.com agreed to provide Bitauto with a right of first offer to acquire their remaining Shares that they

HISTORY AND CORPORATE STRUCTURE

hold immediately upon consummation of the Global Offering and are not the subject of the voting proxy in the event that they propose to sell them during the term of the Voting Proxy Agreement. Bitauto also agreed that during the term of the Voting Proxy Agreement, without the prior written consent of Tencent and JD.com it would not dispose of or to create encumbrance over any interest in Shares representing 10% of the issued share capital of our Company from time to time or enter into any transaction with the same economic effect or announce any such intention.

For details of the shareholding of Bitauto, Tencent and JD.com immediately before and after the Global Offering, please refer to “—Our Structure Immediately Prior to the Global Offering” and “—Our Structure Immediately Following the Global Offering.”

THE CONTRIBUTION AGREEMENT AND ACQUISITION OF KKC HOLDINGS LIMITED

On May 11, 2017, we entered into the Contribution Agreement with Bitauto, pursuant to which Bitauto and its relevant subsidiaries contributed its used automobile business to us and agreed to enter into the Business Cooperation Agreement in respect of traffic support and non-compete undertakings in favor of our Company. As consideration for the Contribution Agreement, we agreed to issue 70,934,920 Series C Preferred Shares to Bitauto and 4,299,090 Series C Preferred Shares to Bitauto HK at an issue price of US\$4.65 per share. As part of the Contribution Agreement, our Company and Bitauto HK entered into a share purchase agreement dated May 24, 2017, pursuant to which our Company acquired the entire share capital of KKC Holdings Limited, which is principally engaged in the used automobile transaction business. Beijing Yixin and Bitauto also effected a series of asset transfers pursuant to the Contribution Agreement, which include intellectual property and contract assignments. The transferred assets comprise the contribution of Bitauto’s used automobile business. For further details of the traffic support and non-compete undertakings, please refer to section headed “Relationship with our Controlling Shareholders—Independence from Controlling Shareholders—Operational Independence.”

The consideration paid under the Contribution Agreement was determined on an arm’s length basis based on the value of the assets being transferred to our Group. The transactions pursuant to the Contribution Agreement were completed on May 26, 2017.

PRE-IPO INVESTMENTS

1. Overview

Our Company underwent three rounds of Pre-IPO Investment:

- On January 9, 2015, our Company entered into the Series A Share Subscription Agreement with the Series A Preferred Shares Shareholders, pursuant to which our Company issued 34,602,469 Series A Preferred Shares (346,024,690 Series A Preferred Shares after the sub-division on October 28, 2015) at a price of approximately US\$11.27 per share (US\$1.13 per share after the sub-division) for a total consideration of US\$390,000,000. The issue of Series A Preferred Shares was completed on February 16, 2015.
- On August 1, 2016, our Company entered into the Series B Share Subscription Agreement with the Series B Preferred Shares Shareholders, pursuant to which our Company issued 165,558,860 Series B Preferred Shares at a price of approximately US\$3.32 per share for a total consideration of US\$550,000,000. The issue of Series B Preferred Shares was completed on October 21, 2016.

HISTORY AND CORPORATE STRUCTURE

- On May 11, 2017, our Company entered into the Series C Share Subscription Agreements with the Series C Preferred Shares Shareholders, pursuant to which our Company issued 108,551,910 Series C Preferred Shares at a price of approximately US\$4.65 per share in consideration for which (i) Bitauto and its relevant subsidiaries agreed to contribute their used automobile business, (ii) Bitauto entered into the Business Cooperation Agreement in respect of traffic support, agreed to enter into non-compete undertakings with our Company and agreed to provide free access to Bitauto's automobile model database; and (iii) the other Series C Preferred Shares Shareholders paid an aggregate cash consideration of US\$155,000,000. The issue of Series C Preferred Shares was completed on May 26, 2017.

The consideration for each of the Pre-IPO Investments was determined based on arm's length negotiations between our Company, the Pre-IPO Investors and our Controlling Shareholders after taking into account the timing of the subscription, the illiquidity of the shares as a private company when the Pre-IPO Investments were entered into and the fair value of any relevant business contributed in conjunction with the Pre-IPO Investments (where applicable).

In connection with the Pre-IPO Investments, our Company, Bitauto, Bitauto HK and the Pre-IPO Investors entered into the Shareholders' Agreement at the time of their relevant investment. The Shareholders' Agreement was entered into on February 16, 2015, and was amended and restated on August 19, 2016 and May 26, 2017, respectively. All the Pre-IPO Investors are parties to the Shareholders' Agreement which will terminate upon the Listing.

HISTORY AND CORPORATE STRUCTURE

The table below is a summary of the capitalization of the Company:

Shareholders	Shares	Series A Preferred Shares	Series B Preferred Shares	Series C Preferred Shares	Ownership percentage as of the date of this prospectus ⁽¹⁾	Ownership percentage as of the Listing Date ⁽²⁾
Bitauto HK ⁽³⁾	134,999,060	115,341,560	72,544,880	4,299,090	42.43%	36.49%
Dongting Lake Investment Limited ⁽⁴⁾	—	133,086,420	—	—	17.26%	14.84%
Hammer Capital Management Limited ⁽⁵⁾	—	8,872,430	—	—	1.15%	0.99%
JD Financial Investment Limited ⁽⁶⁾	—	88,724,280	9,030,480	—	12.68%	10.90%
Baidu HK ⁽⁷⁾	—	—	27,091,450	—	3.51%	3.02%
Morespark Limited ⁽⁴⁾	—	—	38,229,050	—	4.96%	4.26%
HCM IV Limited ⁽⁵⁾	—	—	9,632,520	—	1.25%	1.07%
BAI GmbH	—	—	4,515,240	—	0.59%	0.50%
Genius Concept Limited	—	—	4,515,240	—	0.59%	0.50%
Bitauto ⁽³⁾	—	—	—	70,934,920	9.20%	7.91%
Tencent Mobility Limited ⁽⁴⁾	—	—	—	16,121,570	2.09%	1.80%
IDG China Capital Fund III L.P.	—	—	—	5,923,710	0.77%	0.66%
IDG China Capital III Investors L.P.	—	—	—	524,910	0.07%	0.06%
Pacific Treasure Global Limited	—	—	—	2,149,540	0.28%	0.24%
China Orient Asset Management (International) Holding Limited	—	—	—	8,598,170	1.12%	0.96%
Xindu Limited	7,167,993	—	—	—	0.93%	0.80%
Yidu Limited	5,350,000	—	—	—	0.69%	0.60%
Spring Forests Limited	3,439,269	—	—	—	0.45%	0.38%
Public Shareholders	—	—	—	—	—	14.00%
Total	150,956,322	346,024,690	165,558,860	108,551,910	100%	100%

Notes:

- (1) Under the terms of the Preferred Shares, all the Preferred Shares will automatically be converted into an equal number of ordinary shares upon Listing by way of redesignation as ordinary shares.
- (2) Calculated after taking into account the Shares to be issued pursuant to the Capitalization Issue and the Global Offering and (assuming the Over-allocation Option is not exercised, the options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Global Offering are not exercised, and no Shares are granted under the First Share Award Scheme).
- (3) Bitauto and Bitauto HK are not Pre-IPO Investors, but received Series C Preferred Shares in consideration for entering into the Contribution Agreement and the Business Cooperation Agreement. Please refer to the paragraph headed “—The Contribution Agreement and Acquisition of KKC Holdings Limited” above and the corporate structure chart in the section headed “Relationship with our Controlling Shareholders” for further information.
- (4) Dongting Lake Investment Limited, Morespark Limited and Tencent Mobility Limited are wholly-owned subsidiaries of Tencent (together with Tencent and its affiliates, the “**Tencent Group**”).
- (5) HCM IV Limited is directly wholly-owned by Hammer Capital Management Limited.
- (6) JD Financial Investment Limited is a wholly-owned subsidiary of JD.com (together with JD.com and its affiliates, the “**JD Group**”).
- (7) Baidu (Hong Kong) Limited is a wholly-owned subsidiary of Baidu (together with Baidu and its affiliates, the “**Baidu Group**”).

HISTORY AND CORPORATE STRUCTURE

2. Principal terms of the Pre-IPO Investments and Pre-IPO Investors' rights

The principal terms of the Pre-IPO Investments and the rights granted to the Pre-IPO Investors, each of which shall automatically terminate upon Listing when the Preferred Shares are converted into Shares, are set out below:

	<u>Series A Preferred Shares Shareholders</u>	<u>Series B Preferred Shares Shareholders</u>	<u>Series C Preferred Shares Shareholders</u>
Completion of the subscription	February 16, 2015	October 21, 2016	May 26, 2017
Payment date of consideration	April 30, 2015	October 21, 2016	May 26, 2017
Original issue price per share (US\$)	1.13	3.32	4.65
Total consideration (US\$ million)	390	550	505 ⁽¹⁾
Number of Shares following conversion of Preferred Shares and the Capitalization Issue	346,024,690	165,558,860	108,551,910
Discount to the Offer Price ⁽²⁾	82.4%	48.2%	27.5%
Lock-Up Period	If required by us or the Underwriters, any of our equity securities held by the Pre-IPO Investors will be subject to a 180-day lock-up after the date of the prospectus.		
Use of proceeds from the Pre-IPO Investments	We utilized the proceeds for the development and operation of our business, including but not limited to, personnel recruitment, business and product operation and development, technology infrastructure, office utilities and marketing. As of the Latest Practicable Date, the net proceeds from the Pre-IPO Investments by the Pre-IPO Investors had not yet been fully utilized.		
Strategic benefits of the Pre-IPO Investors brought to our Company	At the time of the Pre-IPO Investments, our Directors were of the view that we could benefit from the additional capital that would be provided by the Pre-IPO Investors' investment and the possibility that we could take advantage of the Pre-IPO Investors' knowledge and experience.		
Conversion rights	<u>Optional conversion</u> At the option of the Preferred Shares Shareholders, a Preferred Share may be converted into fully-paid and non-assessable ordinary shares based on the then applicable conversion price.		

Notes:

- (1) This represents the total estimated value of the consideration. The consideration consisted of (i) Bitauto and its relevant subsidiaries contributing its used automobile business, (ii) Bitauto and its relevant subsidiaries agreeing to enter into the Business Cooperation Agreement in respect of traffic support, (iii) Bitauto and its relevant subsidiaries agreeing to enter into non-compete undertakings (iv) Bitauto and its relevant subsidiaries providing its automobile model database to us free of charge and on a non-exclusive basis for 20 years, and (v) cash of US\$155,000,000.
- (2) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK\$7.15 per Share, being the midpoint of the indicative Offer Price range of HK\$6.60 to HK\$7.70.

HISTORY AND CORPORATE STRUCTURE

Automatic conversion

Each Preferred Share shall automatically be converted into ordinary shares at the then effective applicable conversion price, upon: (i) the consummation of a qualified IPO or (ii) with respect to any series of Preferred Shares, if holders of 75% of such Preferred Shares elect to convert them.

Anti-dilution protection

The conversion ratio, which shall initially be determined based on the issue price of the Preferred Shares, shall be adjusted from time to time by customary events such as payment of share dividends, subdivisions, combinations, or consolidation of ordinary shares. The adjustment to the conversion ratio of the Preferred Shares is not linked to the Offer Price or the market capitalization of our Company upon Listing and is in line with the principles and requirements promulgated by the Stock Exchange.

The parties to the Shareholders' Agreement have agreed that the Global Offering is a qualified IPO and all Preferred Shares will be automatically converted into Shares upon Listing.

Dividend rights	The Preferred Shareholders are entitled to receive dividends when and if declared by the Board on a preferential basis.
Redemption rights	The Preferred Shareholders have the right to have their Preferred Shares redeemed by our Company after the fifth anniversary of the series C issue date if a qualified IPO has not occurred by such date.
Liquidation rights	In the event of any liquidation, dissolution or winding-up of our Company, whether voluntary or involuntary, the Preferred Shareholders are entitled to receive an amount equivalent to the higher of (i) their initial investment plus interest at 8% per annum and any dividends declared and unpaid and (ii) the amount that they would be entitled to receive on an as converted basis assuming that the assets and surplus funds of our Company are to be distributed to the Preferred Share Shareholders and holders of ordinary shares on a pro rata basis.
Right to elect Director and participation in Board and Board committee	<p>The Tencent Group is entitled to appoint and remove two Directors if it holds at least 20% of the shares and one Director if it holds at least 10% of the shares, in each case on a fully diluted basis (the “Tencent Director(s)”). The JD Group is entitled to appoint and remove one Director if it holds at least 10% of the shares on a fully diluted basis (the “JD Director”). Baidu Group is entitled to appoint and remove one (1) Director if it does not transfer any of its Shares to any third party (other than to its affiliates) (the “Baidu Director”).</p> <p>Bitauto may, by way of written notice to the Company, appoint and remove four Directors, who initially shall be Mr. Andy Xuan Zhang, and Mr. Andy Xuan Zhang shall have four votes unless and until additional nominees are designated by Bitauto, in which case, each of the additional nominees shall have one vote and Mr. Andy Xuan Zhang's votes shall be reduced accordingly, for so long as Bitauto and its Affiliates hold in the aggregate at</p>

HISTORY AND CORPORATE STRUCTURE

least 35% of the Shares on a fully diluted basis; three Directors for so long as Bitauto and its Affiliates hold in the aggregate at least 30% of the Shares on a fully diluted basis; two Directors for so long as Bitauto and its Affiliates hold in the aggregate at least 20% of the Shares on a fully diluted basis; and one Director for so long as Bitauto and its Affiliates hold in the aggregate at least 10% of the Shares on a fully diluted basis (the “**Bitauto Directors**”) and, upon the removal or resignation of any Bitauto Directors, may, by way of written notice to the Company, appoint another person as Bitauto Director in his place.

Pre-emptive right	Each Preferred Shareholder shall have the pre-emptive right to purchase its pro rata share of any new securities that we propose to issue.
Right of first refusal	If any Preferred Shareholder proposes to transfer any shares, the other Preferred Shareholders (other than Shareholders that acquired shares through the Pre-IPO Share Option Scheme) shall have a right of first refusal with respect to such transfer.
Drag-along rights	If the holders of more than 50% of our outstanding ordinary shares (excluding any shares issued or issuable pursuant to the Pre-IPO Share Option Scheme or other incentive programs of our Company) and the holders of at least 70% of the outstanding Preferred Shares (voting as a single class on an as-converted basis) propose a Trade Sale (as defined below) of our Company at a per Share price of no less than US\$6.50 (subject to any appropriate adjustments for any share dividends, share subdivision, combination or other similar recapitalization with respect to the shares) (such approved Trade Sale, a “ Drag-Along Event ”), they have the option, but not the obligation to require all other Shareholders to participate in such Trade Sale, including taking corresponding actions to give effect to such Trade Sale.

A “**Trade Sale**” means any of the following (a) merger, consolidation, transfer of shares or other form of restructuring of our Company as a result of which its Shareholders do not retain at least 50% of the voting power and/or economic interests in the equity securities of the surviving or resulting company, (b) a transaction in which in excess of 50% of our Company’s voting power and/or economic interests in the equity securities are transferred or assigned, or (c) a sale of all or substantially all of our assets or an exclusive licensing of all or substantially all of our intellectual property.

Veto rights	<p>No member of our Group shall approve various matters, including the following matters, without the affirmative written consent or approval by each of Tencent Group, JD Group and Bitauto (so long as they and their affiliates hold an aggregate of at least 10% of the shares on a fully diluted basis or they and their affiliates hold in the aggregate less than 10% of the shares on a fully diluted basis but neither they nor their affiliates transferred any shares held by them on the date of the Shareholders’ Agreement to any person who is not an affiliate of them):</p> <ol style="list-style-type: none">(i) any amendment or change of the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of, any Preferred Shares;
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HISTORY AND CORPORATE STRUCTURE

- (ii) any issue, increase or decreases in the authorized number of any equity securities except for: (i) ordinary shares issuable upon conversion of Preferred Shares or (ii) ordinary shares or other securities issued under the Pre-IPO Share Option Scheme with the approval of the Board;
- (iii) any purchase, repurchase, redemption or retirement of any equity securities, save for limited exceptions, including repurchases pursuant to share restriction agreements as approved by the Board;
- (iv) any amendment or modification to or waiver under any of the Articles or any other charter documents of any company of our Group;
- (v) starting from the second year of business operation of our Group, other than in the ordinary course of business, any sale, transfer, or other disposal of, or the incurrence of any lien on, any substantial part of its assets valued in excess of 20% of our Group's total assets at the end of the preceding fiscal year, provided that in circumstances where the threshold will materially adversely affect business operations, the threshold may be reviewed by our Board;
- (vi) adoption, amendment or termination of the Pre-IPO Share Option Scheme or any similar scheme;
- (vii) the commencement of liquidation, winding up, dissolution, reorganization, or similar arrangements;
- (viii) any change in the equity ownership of the consolidated affiliated entities or any amendment or modification to waiver under any of the Contractual Arrangements;
- (ix) any merger, amalgamation, consolidation, division, scheme of arrangement or any other type of corporate restructuring;
- (x) any divestiture or sale of an interest in a subsidiary, partnership or joint venture; or
- (xi) any Trade Sale.

No member of the Group shall conduct any of the following matters without the affirmative consent or approval by the majority of the Directors (which majority shall include (i) for so long as Tencent Group has the right to appoint one or more Tencent Directors, one Tencent Director, (ii) for so long as JD Group has the right to appoint one JD Director, one JD Director, and (iii) for so long as Bitauto has the right to appoint three (3) or more Bitauto Directors, two Bitauto Directors and, for so long as Bitauto has the right to appoint less than three (3) Bitauto Directors, (1) Bitauto Director):

- (i) during any fiscal year starting from the second year of business operation of our Group, the purchase or lease of any business and/or assets valued in excess of (i) 10% of our Group's total assets at the end of the preceding fiscal year individually or (ii) 20% of our Group's total assets at the end of the preceding fiscal year in the aggregate for our Group other than in the ordinary course of business;
- (ii) during any fiscal year starting from the second year of business operation of our Group, an investment in any other person in excess of

HISTORY AND CORPORATE STRUCTURE

- (i) 10% of our Group's total assets at the end of preceding fiscal year individually or (ii) 20% of our Group's total assets at the end of preceding fiscal year in the aggregate for the Group other than in the ordinary course of business;
- (iii) appointment or removal of auditors, or the change of the term of the fiscal year;
- (iv) any fundamental change to the business scope or nature of our business, or cessation of any business line which is critical to the business;
- (v) adoption of or change to, a significant tax or accounting practice or policy or any internal financial controls and authorization policies, or the making of any significant tax or accounting election, subject to certain exceptions; or
- (vi) any connected transactions, (i) which are either not on arm's length terms or (ii) which are on arm's length terms but are in excess of 5% of our Group's net assets or if aggregated with all other connected transactions in the same fiscal year will exceed 20% of our annual budgeted revenue for the fiscal year.

3. Public Float

Upon the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option and options granted under the Pre-IPO Share Option Scheme are not exercised and no Shares are granted under the First Share Award Scheme), Bitauto and Bitauto HK, Tencent and JD.com will each control or hold in excess of 10% of the issued Shares, while the remaining Pre-IPO Investors will each hold less than 10% of the issued Shares. Therefore, save for the Shares held by Bitauto, Tencent and JD.com, the Shares held by the remaining Pre-IPO Investors will count towards the public float.

4. Information about the Pre-IPO Investors

Dongting Lake Investment Limited, a company incorporated under the laws of the British Virgin Islands, Morespark Limited a company incorporated under the laws of the Hong Kong, and Tencent Mobility Limited a company incorporated under the laws of the Hong Kong, are direct wholly-owned subsidiaries of Tencent. As of the date of this prospectus, Dongting Lake Investment Limited, Morespark Limited and Tencent Mobility Limited collectively hold 24.31% of our total issued and outstanding Shares.

JD Financial Investment Limited, a company incorporated under the laws of the British Virgin Islands, is a special purpose vehicle and a wholly-owned subsidiary of JD.com. As of the date of this prospectus, JD Financial Investment Limited holds 12.68% of our total issued and outstanding Shares.

Baidu (Hong Kong) Limited, a company incorporated under the laws of the Hong Kong, is an investment holding company and a wholly-owned subsidiary of Baidu. As of the date of this prospectus, Baidu (Hong Kong) Limited holds 3.51% of our total issued and outstanding Shares.

HCM IV Limited is directly wholly-owned by Hammer Capital Management Limited, which is in turn directly wholly-owned by Mr. Rodney Ling Kay Tsang, an Independent Third Party. HCM IV

HISTORY AND CORPORATE STRUCTURE

Limited and Hammer Capital Management Limited are investment holding companies engaged in private investments. As of the date of this prospectus, HCM IV Limited and Hammer Capital Management Limited collectively hold 2.40% of our total issued and outstanding Shares.

BAI GmbH, a company incorporated under the laws of Germany, is a venture capital fund whose beneficial owner is Bertelsmann SE & Co. KGaA (“**Bertelsmann**”). BAI GmbH is primarily focused on investing in new media, internet & mobile internet, online education, new technology, outsourcing and services. BAI GmbH concentrates on industry innovators, ecosystem creators and high-growth, high quality entrepreneurs and their teams, adopts a long-term strategic vision to invest in enterprises in their startup and growth periods and pays active attention to post investment coaching and management. As Bertelsmann’s strategic investment arm in Asia, BAI GmbH has been actively looking for investment targets and strategic partners in China. As of the date of this prospectus, BAI GmbH holds 0.59% of our total issued and outstanding Shares.

Genius Concept Limited, a limited liability company incorporated under the laws of Samoa, is a special purpose vehicle set up for investing in the Company. Genius Concept Limited held by Intellectus Fund I L.P. as to 60% and CMBC International Holdings Limited (“**CMBC**”) as to 40%. Intellectus Fund I L.P. is a private equity fund focusing in growth capital investments with primary focus in companies located in Asia or with businesses linked to Asia. The general partner of Intellectus Fund I L.P. is Intellectus GP I. CMBC is a direct wholly-owned subsidiary of China Minsheng Banking Corporation Limited (“**China Minsheng**”), a joint stock limited company incorporated in the PRC whose shares are listed on the main board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange. China Minsheng and its subsidiaries mainly provide corporate and personal banking, treasury business, finance leasing, asset management and other financial services in the PRC. As of the date of this prospectus, Genius Concept Limited holds 0.59% of our total issued and outstanding Shares.

IDG China Capital Fund III L.P. and IDG China Capital III Investors L.P., both Cayman exempted limited partnership, are venture capital funds with a primary purpose of making equity investments, mainly in expansion stage companies in China, focusing on companies in the information, technology, media, healthcare, energy, clean technology and non-technology consumer businesses and services related industries, including, but not limited to, companies engaged in software, Internet, telecom, media and managed healthcare business. As of the date of this prospectus, IDG China Capital Fund III L.P. and IDG China Capital III Investors L.P. collectively hold 0.84% of our total issued and outstanding Shares.

Pacific Treasure Global Limited, a company incorporated under the laws of the British Virgin Islands, is an investment holding company. Pacific Treasure Global Limited is an investment company and ultimately controlled by Mr. Wei Wang, an Independent Third Party. As of the date of this prospectus, Pacific Treasure Global Limited holds 0.28% of our total issued and outstanding Shares.

China Orient Asset Management (International) Holding Limited is a wholly owned subsidiary of China Orient Asset Management Co., Ltd. China Orient Asset Management (International) Holding Limited is based in Hong Kong and is primarily engaged in asset management and financial investment. As of the date of this prospectus, China Orient Asset Management (International) Holding Limited holds 1.12% of our total issued and outstanding Shares.

HISTORY AND CORPORATE STRUCTURE

COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

The Joint Sponsors confirm that the investment by the Pre-IPO Investors is in compliance with the Guidance Letter HKEx-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange and Guidance Letter HKEx-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

PRC REGULATORY REQUIREMENTS

According to the Regulations for Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies. Our PRC Legal Advisors are of the opinion that prior CSRC approval for this offering is not required because (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this prospectus are subject to the M&A Rules; (ii) our wholly-owned PRC subsidiaries were not established through mergers or acquisitions of domestic companies owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company, and (iii) that no provision in the M&A Rules clearly classified contractual arrangements as a type of transaction subject to the M&A Rules. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented.

SAFE REGISTRATION IN THE PRC

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 37**”), promulgated by SAFE and which replaced the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Corporate Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 75**”) which became effective on July 14, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or

HISTORY AND CORPORATE STRUCTURE

reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “SAFE Circular 13”), promulgated by SAFE and became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

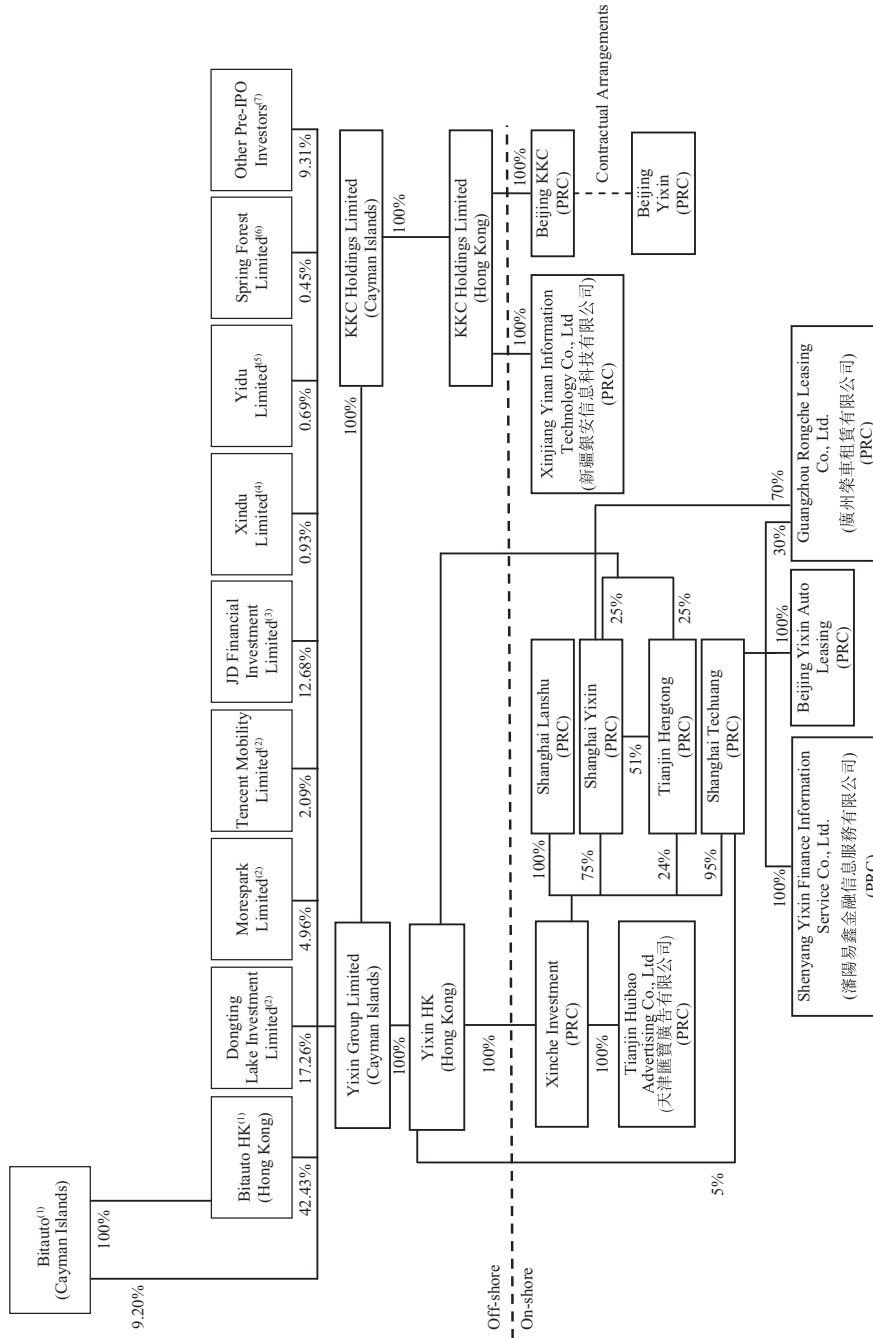
As advised by our PRC Legal Advisor, Mr. Bin Li (李斌) completed the registration under the SAFE Circular 75 on November 14, 2012.

THE CAPITALIZATION ISSUE

Subject to the share premium account of our Company being credited by an amount of US\$462,655.0692 as a result of the issue of the Offer Shares pursuant to the Global Offering, our Company will, on the Listing Date allot and issue a total of 4,626,550,692 Shares credited as fully paid at par to the holders of Shares and Preferred Shares whose names appear on the register of members of our Company on the day preceding the Listing Date in proportion to their then existing shareholdings in our Company by capitalizing the sum of US\$462,655.0692 from the share premium account of our Company. The Shares allotted and issued pursuant to the above capitalization issue will rank *pari passu* in all respects with the existing issued Shares.

OUR STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

The following diagram illustrates the corporate and shareholding structure of our Group immediately prior to the completion of the Global Offering:



Notes:

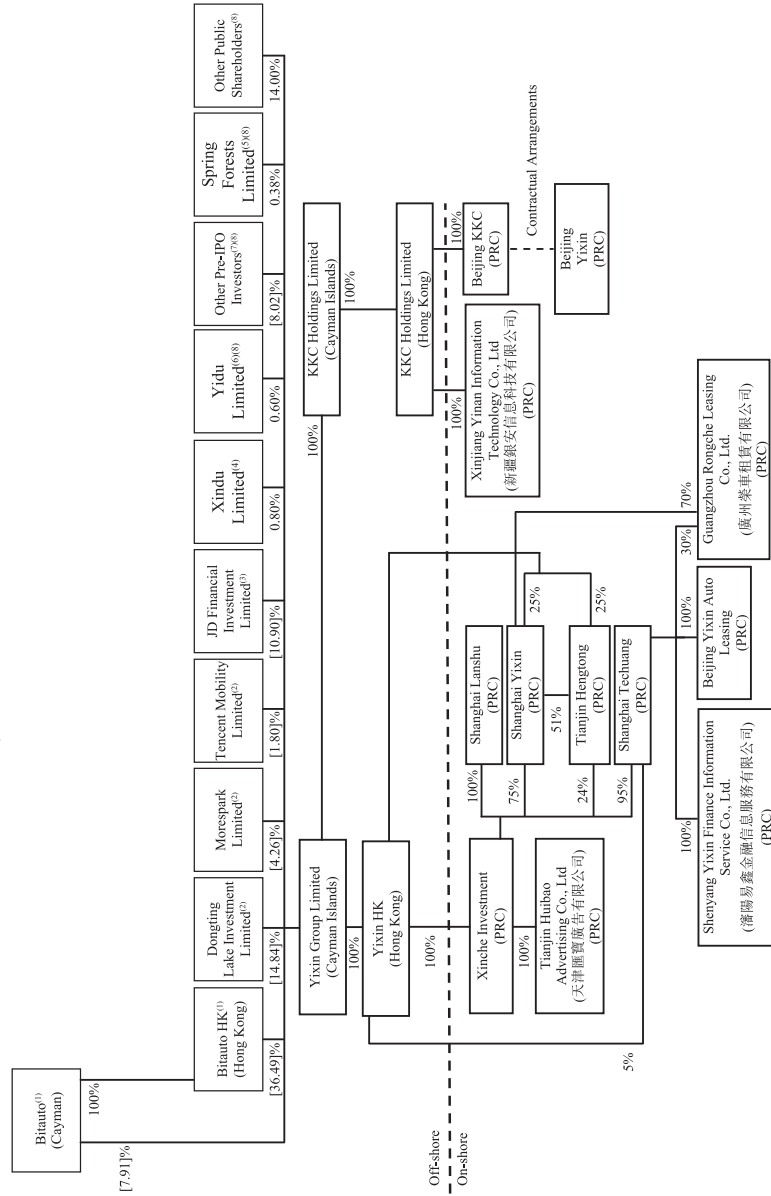
- (1) Bitauto HK is a wholly-owned subsidiary of Bitauto, our parent company.
- (2) Dongting Lake Investment Limited, Morespark Limited and Tencent Mobility Limited are wholly-owned subsidiaries of Tencent.
- (3) JD Financial Investment Limited is an indirect wholly-owned subsidiary of JD.com.
- (4) The Shares are held by Xindu Limited, with Yidu PTC Limited as trustee, for and on behalf of four employees of the Group. Of these Shares, assuming completion of the Capitalization Issue, 38,519,810 Shares are held by Mr. Dong Jiang (姜东), 8,156,141 Shares are held by Mr. Wei Zheng (郑伟), 2,100,000 Shares are held by Mr. Bo Han (韩波) and 1,400,000 Shares are held by Mr. Wei Li

(李威), Mr. Dong Jiang is a Director and the Chief Operating Officer of the Company, and Mr. Wei Zheng, Mr. Bo Han and Mr. Wei Li are directors of a subsidiary or subsidiaries of the Company. As such, Mr. Dong Jiang, Mr. Wei Zheng, Mr. Bo Han and Mr. Wei Li are connected persons of the Company. Xindu Limited is therefore a close associate of connected persons of the Company and any Shares held by it will not count towards the public float. Apart from the above, no other beneficiaries under the trust are connected persons.

- (5) The Shares are held by Yidu Limited, with Yidu PTC Limited as trustee, for and on behalf of certain employees of the Group who are not core connected persons of the Group. The Shares held by Yidu Limited are therefore counted towards the public float.
- (6) The Shares are held by Spring Forests Limited, with Yidu PTC Limited as trustee, for and on behalf of certain employees of the Group who are not core connected persons of the Group. The Shares held by Spring Forests Limited are therefore counted towards the public float.
- (7) The remaining interest is owned by the other Pre-IPO Investors. Please see “—Pre-IPO Investments—Overview” above.

OUR STRUCTURE IMMEDIATELY FOLLOWING THE GLOBAL OFFERING

The following diagram illustrates the corporate and shareholding structure of our Group immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised, the options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the Capitalization Issue and the completion of the Global Offering are not exercised, and no Shares are granted under the First Share Award Scheme):



Notes:

- (1) Bitauto HK is a wholly-owned subsidiary of Bitauto, our parent company. Bitauto is a party to the Voting Proxy Agreement, which will become effective upon completion of the Global Offering, and pursuant to which Tencent and JD.com have granted Bitauto a voting proxy over Shares representing two-thirds and one-third, respectively, of 10% of our issued share capital immediately upon completion of the Global Offering. On the assumptions set out above, Bitauto will therefore be able to exercise approximately 54.40% of the voting rights in our Company immediately upon completion of the Global Offering (assuming the Over-allotment option is not exercised and the options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Global Offering are not exercised, and no Shares are granted under the First Share Award Scheme). For further details see “—Shareholding Changes of our Company—Voting Proxy Agreement” above.
- (2) Dongting Lake Investment Limited, Morespark Limited and Tencent Mobility Limited are wholly-owned subsidiaries of Tencent. Tencent is a party to the Voting Proxy Agreement, which will become effective upon completion of the Global Offering, and pursuant to which it granted Bitauto a voting proxy over Shares representing two-thirds of 10% of our issued share capital immediately upon completion of the Global Offering. For further details please see “—Shareholding Changes of our Company—Voting Proxy Agreement” above.
- (3) JD Financial Investment Limited is an indirect wholly-owned subsidiary of JD.com. JD.com is a party to the Voting Proxy Agreement, which will become effective upon completion of the Global Offering, and pursuant to which it granted Bitauto a voting proxy over Shares representing one-third of 10% of our issued share capital immediately upon completion of the Global Offering. For further details please see “—Voting Proxy Agreement” above.
- (4) The Shares are held by Xindu Limited, with Yidu PTC Limited as trustee for and on behalf of four employees of the Group. Of these Shares, assuming completion of the Capitalization Issue, 38,519,810 Shares are held by Mr. Dong Jiang (董强), 8,156,141 Shares are held by Mr. Wei Zheng (魏征), 2,100,000 Shares are held by Mr. Bo Han (韩波) and 1,400,000 Shares are held by Mr. Wei Li (李威). Mr. Dong Jiang is a Director and the Chief Operating Officer of the Company, and Mr. Wei Zheng, Mr. Bo Han and Mr. Wei Li are directors of a subsidiary or subsidiaries of the Company. As such, Mr. Dong Jiang, Mr. Wei Zheng, Mr. Bo Han and Mr. Wei Li are connected persons of the Company. Xindu Limited is therefore a close associate of connected persons of the Company and any Shares held by it will not count towards the public float. Apart from the above, no other beneficiaries under the trust are connected persons.
- (5) The Shares are held by Yidu Limited, with Yidu PTC Limited as trustee, for and on behalf of certain employees of the Group who are not core connected persons of the Group. The Shares held by Yidu Limited are therefore counted towards the public float.
- (6) The Shares are held by Spring Forests Limited, with Yidu PTC Limited as trustee, for and on behalf of certain employees of the Group who are not core connected persons of the Group. The Shares held by Spring Forests Limited are therefore counted towards the public float.
- (7) The remaining interest is owned by the other Pre-IPO Investors. Please see “—Pre-IPO Investment—Overview” above.
- (8) The expected public float immediately following the Global Offering is 22.99%, which comprises the shares to be held by the public shareholders and other Pre-IPO Investors.

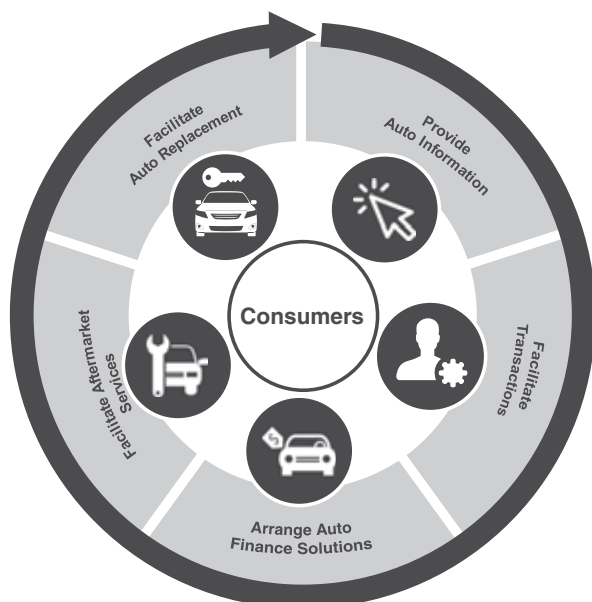
BUSINESS

OVERVIEW

We are the largest online automobile retail transaction platform in China as measured by the volume and the value of automobile retail transactions in 2016, according to the Frost & Sullivan Report. For the year ended December 31, 2016, we facilitated over 190,000 automobile retail transactions with the aggregate value of the underlying automobiles reaching over RMB18 billion. We operate our business in two segments by leveraging our online platform: (i) transaction platform business, where we primarily facilitate automobile purchase transactions by consumers, facilitate auto loans to consumers offered by our auto finance partners, provide value-added services such as sales of vehicle telematics systems to auto dealers, and provide advertising and subscription services for automakers, auto dealers, auto finance partners, and insurance companies; and (ii) self-operated financing business, where we primarily provide consumers with auto finance solutions through financing leases and operating leases. Across these two segments, for the year ended December 31, 2016, we facilitated an aggregate of over 260,000 automobile retail transactions and auto-related transactions with an estimated aggregate value of these underlying automobiles reaching over RMB26 billion. For the six months ended June 30, 2017, we facilitated an aggregate of approximately 160,000 automobile retail transactions and auto-related transactions with an estimated aggregate value of these underlying automobiles reaching approximately RMB16 billion, representing an 87.6% increase in the transaction volume and a 93.6% increase in the value of the underlying automobiles over the same period in 2016, respectively.

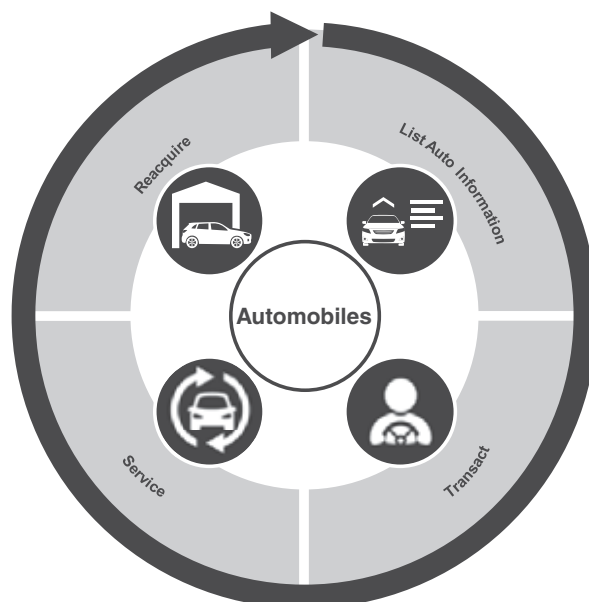
Our Business Model

Leveraging our online automobile retail transaction platform, we have developed an ecosystem, the participants of which comprise consumers, automakers, auto dealers, auto finance partners, and aftermarket service providers. This ecosystem facilitates transactions throughout consumers' automobile transaction cycles and automobiles' life cycles.



Consumers' Automobile Transaction Cycles

- We believe that each consumer who uses our platform may need to purchase and sell automobiles multiple times during his or her lifetime and represents multiple opportunities for us to monetize transactions at various stages of an automobile transaction cycle.
- After a consumer has completed an automobile transaction, we continue to strengthen the relationship with the consumer using our consumer account system to originate and facilitate future automobile transactions and services.



Automobiles' Life Cycles

- We believe that each automobile that is listed or transacted on our platform may be transacted multiple times during its lifespan and thus represents multiple opportunities for us to monetize transactions at various phases of an automobile's life cycle.
- After completion of an automobile transaction, we continue to track the subject automobile using our automobile account system to originate and facilitate future automobile transactions and services.

Among our two business segments, transaction platform business is growing at a faster pace, while self-operated financing business currently accounts for most of our revenues. For the six months ended June 30, 2017, the revenue of our transaction platform business was RMB321.1 million, contributing 20.7% of our total revenues, representing a 449.9% increase over the same period in 2016; while the revenue of our self-operated financing business was RMB1.2 billion, contributing 79.3% of our total revenues, representing a 209.6% increase over the same period in 2016.

Our self-operated financing business primarily includes financing lease services. We categorize a lease as a financing lease if the terms and conditions of the lease agreement transfer substantially all the risks and rewards of ownership with respect to the subject assets to the lessee. We provide financing lease services mainly to car buyers via automobile purchase financing lease and to car owners via automobile collateralized financing. Our financing lease services are primarily structured using the sale-and-leaseback (回租) method. As we require automobile collateral for our financing lease services, changes in the residual value of automobile collateral securing our finance receivables may affect the recoverability of such finance receivables. We assess automobile residual values and determine the pricing of our financing lease services based on our proprietary data analytics capabilities and by leveraging external resources. For discussions on our assessment of automobile residual values and determination of pricing of our financing lease services, see “—Self-Operated Financing Business—Financing Lease Services.”

BUSINESS

An integral part of our online platform is our omni-channel operational capabilities, which seamlessly integrate our online channels, our transaction service teams, and dealership stores within our auto dealer cooperative network, to offer consumers a convenient and informative automobile transaction experience.

- *Online channels.* We operate various mobile apps, mobile sites and websites that allow consumers to conveniently explore their automobile transaction options and allow our business partners to efficiently reach out to prospective consumers. In September 2017, our online channels had approximately 51 million MAUs, and some of these users inquired about automobile transactions or auto-related transactions and the estimated aggregate value of these automobiles pursuant to such inquiries reached approximately RMB90 billion.
- *Transaction service teams.* Our transaction service teams are instrumental in lead conversion and serving our consumers and business partners. As of June 30, 2017, our transaction service teams are comprised of a call center staffed with over 370 employees primarily focusing on lead conversion and customer support, and our local service teams staffed with over 3,300 employees, focusing on on-site services covering over 300 cities in China.
- *Auto dealer cooperative network.* We work with a network of auto dealers to deepen our market penetration and broaden consumer reach. These dealers are independently owned and operated by third parties. As of June 30, 2017, the auto dealer cooperative network is comprised of over 15,000 dealership stores across over 300 cities in over 30 provinces or equivalent regions in China, including 62 independently operated auto dealership stores that specifically feature the Yixin brand, or the Yixin-branded experience stores. Such Yixin-branded experience stores have unified appearance and provide consumers with standardized quality services, thus enabling us to have deeper engagement with consumers to better facilitate transactions.

Our Business Segments

Since our inception, the composition of our business segments has been evolving, because we have been dedicated to better serving our consumers and business partners by enriching and expanding our services. We started with advertising and subscription services, which was our only business in 2014, by leveraging our online channels' user traffic. Nevertheless, we realized that the opportunity of the automobile transaction market is much larger than that of the automobile advertising and subscription market. In the second quarter of 2015, we started our self-operated financing business to provide financing to consumers with our financing lease products. Through our fast growing self-operated financing business, we have quickly formed our transaction service team, further expanded the auto dealer cooperative network, and accumulated data analytics and risk management capabilities, which, we believe, are key elements in addition to online channel for a successful online automobile transaction platform. The successful track record of our self-operated financing business has formed a solid base for our facilitation and value-added services business. As a result, starting from the second quarter of 2016, we expanded our transaction platform business to offer facilitation and value-added services to further build an ecosystem to satisfy consumers' needs throughout various stages of automobile transaction cycles. Currently, our two business segments are:

- *Transaction platform business.* The transaction platform business is comprised of:
(i) facilitation and value-added services, which include (a) transaction facilitation services,

BUSINESS

whereby we primarily earn service fees from consumers or auto dealers that have completed transactions through our platform, (b) loan facilitation services, whereby we primarily earn service fees from consumer borrowers or banks that have extended auto loans to consumers, (c) value-added services, where we primarily generate revenues from auto dealers for sales of vehicle telematics systems, and (ii) advertising and subscription services, whereby we primarily earn advertising fees from automakers, auto dealers, auto finance partners, and insurance companies that have advertised on our platform, service fees from auto dealers for promotional services, and earn subscription fees from those that have subscribed to our membership services.

- *Self-operated financing business.* The self-operated financing business is comprised of (i) financing lease services, whereby we primarily generate interest revenues from consumers, and (ii) operating lease services, whereby we primarily generate rental revenues from consumers. In connection with our self-operated financing business, we also generated significant revenues in 2016 from selling to institutional purchasers, such as auto dealers and leasing companies, the automobiles we purchased from auto dealers designated by automakers, in order to strengthen our relationship with and enjoy preferential purchase terms from such automakers. Along with the increasing scale of our self-operated financing business, revenues from automobile sales decreased significantly in the first half of 2017.

We have experienced significant growth during the Track Record Period. Our total revenue increased from RMB48.0 million for the year ended December 31, 2014 to RMB271.3 million and RMB1.5 billion for the years ended December 31, 2015 and December 31, 2016, respectively, representing a CAGR of 456.8%, and our total revenue increased by 240.4% from RMB455.8 million for the six months ended June 30, 2016 to RMB1.6 billion for the six months ended June 30, 2017. Our gross profit increased from RMB41.0 million for the year ended December 31, 2014 to RMB231.3 million and RMB735.0 million for the years ended December 31, 2015 and December 31, 2016, representing a CAGR of 323.3%, and our gross profit increased by 300.6% from RMB223.1 million for the six months ended June 30, 2016 to RMB893.9 million for the six months ended June 30, 2017.

Our Adjusted Operating Profit increased from RMB2.1 million for the year ended December 31, 2014 to RMB94.4 million and RMB150.6 million for the years ended December 31, 2015 and December 31, 2016, representing a CAGR of 747.1%, and our Adjusted Operating Profit increased by 413.6% from RMB68.2 million for the six months ended June 30, 2016 to RMB350.2 million for the six months ended June 30, 2017. Our Adjusted Net Profit increased from RMB3.8 million for the year ended December 31, 2014 to RMB65.6 million and RMB99.7 million for the years ended December 31, 2015 and December 31, 2016, representing a CAGR of 413.5%, and our Adjusted Net Profit increased by 684.2% from RMB33.3 million for the six months ended June 30, 2016 to RMB261.2 million for the six months ended June 30, 2017. For discussions of Adjusted Operating Profit and Adjusted Net Profit, see “Financial Information—Non-IFRS Measures.”

Our Market

China’s automobile market experienced rapid growth from 2012 to 2016 in terms of the volume of automobile retail transactions. Such volume grew from 17.8 million in 2012 to 31.6 million in 2016, representing a CAGR of 15.5%. Driven by the increasing consumption power resulting from China’s urbanization process and growth of disposable income per capita, increasing volume of used automobile retail transactions, and further penetration of sales channels into lower-tier cities, the

BUSINESS

automobile market in China is expected to expand further. The volume of automobile retail transactions is expected to further grow to 45.0 million in 2021, representing a CAGR of 7.3% from 2016 to 2021.

There has been a “going online” trend within the value chain of China’s automobile industry. Online platforms can broaden consumers’ access to the automobile retail transaction market, boost transaction efficiency, facilitate more effective supply and demand matching, and innovate traditional transaction processes.

The volume of online automobile retail transactions in China grew from 0.2 million in 2012 to 1.0 million in 2016, representing a CAGR of 60.3%. Driven by the increasing penetration of Internet and mobile Internet, diverse services available online, increasing acceptance by consumers and merchants, and stable growth of the automobile market, the online automobile retail transaction market is expected to expand further. The volume of online automobile retail transaction is expected to further grow to 5.4 million in 2021, representing a CAGR of 39.2% from 2016 to 2021. In terms of transaction volume, we ranked first in the online automobile retail transaction market in 2016 with a market share of 18.7%.

The information stated above is based on the Frost & Sullivan Report commissioned by us. For discussions of China’s automobile transaction and related services industry, see “Industry Overview.”

OUR VALUE PROPOSITION

We connect consumers with our business partners in the large automobile retail transaction market in China, and we believe our unique value propositions to consumers and business partners have been and will continue to be contributing to our success.

Our Value Proposition to Consumers

We believe consumers are attracted to us primarily due to the following features of our services.

- *Wide selection.* Through our platform, consumers have access to a wide range of products and services, including approximately 36,000 new car models as of June 30, 2017 and approximately 5 million used car inventories with prices and other transaction information for the twelve months ended June 30, 2017 on a cumulative basis, as well as our auto finance solutions with approximately 40,000 combinations of financing terms.
- *More transparency.* We believe that our comprehensive, transparent and reliable automobile pricing and other transaction information help boost consumers’ confidence level in their car selection and interaction with auto dealers, which in turn facilitates fast and efficient transactions and enhances overall consumer satisfaction.
- *Fast process.* Powered by proprietary data analytics, we are able to promptly reach credit decisions on consumers’ financing applications, and efficiently match consumers’ transaction needs with available products and services from us or our business partners.
- *One-stop solutions.* We provide one-stop solutions for consumers’ various needs before, during, and after automobile transactions to keep them engaged at every stage of an automobile transaction cycle.

Our Value Proposition to Business Partners

We believe our business partners choose to cooperate with us primarily for the following reasons.

- *Automakers.* We offer automakers an effective marketing channel to build brand awareness and launch promotional campaigns on our platform. Leveraging our large consumer base and our proprietary data analytics, we are able to provide automakers with more reliable and timely insights into consumer behavior than traditional consumer surveys or other marketing or post-sales feedback channels.
- *Auto dealers.* Auto dealers may expand their reach to consumers by participating in our dealer network and benefiting from our advertising and subscription services, transaction and loan facilitation services, and IT support systems. Auto dealers may also improve their success in completing transactions with consumers, leveraging the auto finance solutions we provide or facilitate.
- *Auto finance partners.* We help our auto finance partners, including banks and other financial institutions, expand their reach to more prospective borrowers. We provide our auto finance partners with a range of services covering application screening, credit assessment, repayment administration, and asset management, thus increasing the amount of the loans extended by them.
- *Aftermarket service providers.* In addition to the access to our large consumer base, aftermarket service providers such as insurance companies may also benefit from our full engagement with consumers throughout the automobile transaction cycle and the duration of the financing terms, whereby we act as a natural and convenient conduit for promoting annual insurance coverage and other aftermarket services to consumers, and thus maintain our long-term relationship with consumers.

OUR STRENGTHS

We believe that the following strengths contribute to our success and differentiate us from our competitors.

Largest Online Automobile Retail Transaction Platform in China

We are the largest online automobile retail transaction platform in China as measured by the volume and the value of automobile retail transactions in 2016, according to the Frost & Sullivan Report. For the year ended December 31, 2016 we facilitated over 190,000 automobile retail transactions with an aggregate value of the underlying automobiles reaching over RMB18 billion.

We believe that our market leading position provides us with significant competitive advantages. In September 2017, our online channels had approximately 51 million MAUs, and some of these users inquired about automobile or auto-related transactions, and the estimated aggregate value of these automobiles pursuant to such inquiries reached over RMB90 billion. As of June 30, 2017, we worked with an auto dealer cooperative network of over 15,000 dealership stores with which we had a business cooperation relationship, and over 220 financial institutions including over 60 banks that market their auto loan products on our platform. Our scale enables us to provide consumers with more product and service choices with competitive terms, as well as to negotiate with our business partners for better terms, thus attracting more consumers and business partners, increasing transactions and our

revenue, and reducing our costs. We also leverage our scale and market leading position to broaden our access to diversified funding sources, including bank loans and ABSs, financing our growth with a diversified and balanced capital structure.

Center of Automobile Retail Transaction Ecosystem

We have nurtured a consumer centric automobile transaction ecosystem in which consumers, automakers, auto dealers, auto finance partners, and aftermarket service providers could better interact and transact with each other and thrive. We create a transaction environment that is designed to give consumers more choices and transparency so that they are more likely to transact on our platform. With our growing consumer base, we attract business partners to enrich our product and service offerings, which we believe will ultimately benefit consumers. We believe that, when consumers and our business partners are satisfied with their experience on our platform, they tend to continue staying within our ecosystem, which in turn allows us to continue to serve them in future transactions. Our end-to-end automobile retail transaction ecosystem therefore forms a self-reinforcing virtuous circle that enhances user loyalty.

We believe a consumer will engage in multiple automobile transactions during his or her lifetime, and the title of an automobile will change hands multiple times during its lifespan, both of which present us with multiple business opportunities that we are able to monetize. We have built and maintained a consumer account system that manages information of and relationship with our consumers after we have served each of them via our platform, as well as an automobile account system that tracks the VIN of each automobile that has been transacted or the VIN that has been provided via our platform. As of June 30, 2017, we had an aggregate of over 5 million registered consumer accounts across our platform. Our account systems, together with our one-stop solutions, enable us to better serve consumers, thus enhancing our operation efficiency and creating more monetization opportunities.

Seamless Integrated Omni-channel Operational Capabilities

Our online channels, transaction service teams, and auto dealer cooperative network are integrated in a seamless fashion. Consumers come to our platform through our online channels and auto dealer cooperative network for their transaction needs. Some consumers contact us or dealership stores directly by phone, while we also follow up with other consumers who have left inquiries on our platform. Our transaction service team is comprised of over 370 employees in our call center, who are mainly responsible for following up consumers' inquiries and customer support, and over 3,300 employees on our local service team, who are mainly responsible for on-site services for consumers to facilitate transactions. Our local service teams work closely with our auto dealer cooperative network, which is comprised of over 15,000 dealership stores, including 62 independently operated Yixin-branded experience stores. These stores enable us to accommodate consumers' needs to inspect and examine automobiles that are essential to completing transactions, because we believe that mere display of automobile information online is not sufficient to satisfy consumers' needs and is less likely to result in transactions. Following completion of the transactions, our online channels, transaction service teams, and auto dealer cooperative network will continue to work together to originate and facilitate future automobile transactions.

We add value to the traditional automobile retail transaction market by bringing in wide selection, more transparency, fast process, and one-stop solutions for consumers. Our seamlessly

integrated omni-channel operational capabilities bring the benefits of smooth and fast transaction experience for consumers and boosting transaction success rates for our business partners, which is critical to the success of our platform.

Highly Efficient IT Infrastructure

Our IT infrastructure supports and integrates our consumer and automobile account systems for data analytics, our business partner management system for transaction management, and credit risk management system for fraud detection and credit assessment.

Our consumer and automobile account systems help us strengthen relationships with our consumers by offering services before, during and after their automobile transactions, and allow us to have better understanding of our consumers to achieve more effective sales and marketing results.

Our business partner management system connects our business partners with our system to ensure a fast and streamlined process from consumer direction, application material collection and screening to transaction execution.

Our credit risk management system allows us to promptly screen and analyze data to effectively conduct fraud detection and credit assessment.

Strong Data Analytics Capabilities

Our business and platform are driven by our strong data analytics capabilities. Our sophisticated proprietary algorithms developed by our data analytics team comprising of over 380 data specialists, along with the large amount of data generated from our user base and transactions, serve as a critical foundation for our business and lead to more efficient sales and marketing results, faster and higher success rate of transactions, and better credit risk management. As of June 30, 2017, our 30+ days, 90+ days and 180+ days past due ratio were 0.89%, 0.51% and 0.23%, respectively, which we believe are lower than the industry average. For discussion of our asset quality, see “—Risk Management and Internal Control—Credit Risk Management—Asset Quality Information.” We are also dedicated to continuously improving our proprietary data analysis capabilities, along with our growing business, user base, and data, to optimize our business and decision-making process while upholding our standards in consumer data security protection.

Visionary and Experienced Management Team

Our visionary management team commands strong operational experience and extensive expertise in the Internet, automobile and finance industries, who will lead us to continue to pioneer and innovate in the online automobile retail transaction market.

Our chairman and chief executive officer, Mr. Andy Xuan Zhang, has over 15 years of experience in the Internet, automobile and finance industries. He is also president of Bitauto and has been instrumental in Bitauto’s business operations and financing activities. Our chief operating officer, Mr. Dong Jiang (姜東), was vice president of China Grand Auto prior to joining our Company. He has approximately 15 years of experience in China’s automobile industry. Our chief financial officer, Ms. Xiaozheng Liu (劉曉鉦), was chief strategy officer of Qihoo 360 prior to joining our Company. She has over 13 years of experience in the Internet and finance industries.

BUSINESS

We believe the versatility of our management team's combined industry expertise reinforces our innovative execution of the automobile retail transaction platform and enables us to best utilize our resources to offer top class automobile services.

OUR STRATEGIES AND FUTURE PLANS

We will execute the following strategies to further expand our business.

Grow Our Consumer Base

The core building block of our business is our consumer base. We plan to prioritize consumer acquisition in executing our various strategies.

We will continue to execute our omni-channel consumer acquisition strategy. We plan to improve our mobile apps, mobile sites, and websites to increase our user traffic, and will actively expand the geographical coverage of our auto dealer cooperative network and our local service teams to penetrate into lower-tier cities in China to unlock the demands from their residents.

We intend to continue to promote our brand awareness through marketing campaigns, as well as to design and develop more innovative products and services enriching consumers' choices. Our personal contract purchase service line named Kaizouba (開走吧), launched in February 2017, primarily targeting young consumers who have good job prospects and earning potential with an opportunity to drive cars home earlier with zero or low down-payment and low monthly payments.

We also intend to leverage our data analytics capabilities to increase the lead conversion rate by further improving the quality and range of our services, and to increase average lifetime value of individual consumers through broader and deeper participation in consumers' automobile transaction cycles.

Strengthen Our Ecosystem

We will continue to strengthen our automobile retail transaction ecosystem by enhancing our value proposition to consumers and our business partners.

In addition to prioritizing improvement of consumer experience on our platform, we plan to enhance cooperation with our business partners. We will promote our data analytics capabilities to automakers and auto dealers so that we could provide them with better consumer behavioral insights and more effective sales and marketing. We will continue to earn trust from auto finance partners by maintaining satisfactory credit risk management services for them and helping them to market their products to consumers. We will continue to innovate the development of our relationships with insurance companies and explore cooperative opportunities with other aftermarket service providers.

We intend to explore cooperation opportunities with more automakers, expand the geographical coverage of our auto dealer cooperative network, especially the independently operated Yixin-branded experience stores, develop loan facilitation services with more banks and other financial institutions, and partner with more insurance companies and other aftermarket service providers. We also have been periodically assessing opportunities to grow our ecosystem by potentially introducing new groups of participants to stimulate more synergies and more transaction opportunities.

BUSINESS

We intend to serve and incentivize our consumers and business partners to remain in our self-reinforcing ecosystem. Our goal is to capture opportunities in the fast growing automobile retail transaction market with a strong balance sheet and controllable credit risk exposure.

Further Enhance Our Technology Capabilities

Recognizing our technology capabilities as one of the key driving forces behind our growth, we are dedicated to constantly improving our IT systems and our data analytics capabilities.

We will continue to improve our consumer and automobile account system, and business partner management system, credit management system and develop other systems that will improve our operational efficiencies. We also plan to keep focusing on optimizing our proprietary data analytics algorithms including artificial intelligence and deep learning technologies to better assess consumer credit risk and improve sales and marketing efficiencies, as our user base and transactions continue to grow.

Pursue Strategic Alliance, Investment and Acquisition Opportunities

While we continue to expand our business through organic growth, we may evaluate and selectively pursue strategic alliance, investments and acquisition opportunities across the automobile value chain to supplement and complement our existing products, services and strategies when such opportunities arise. In our pursuit of such opportunities, we may optimize our talent pool, broaden our product and service offerings, expand our consumer reach, strengthen the relationship with our business partners, and improve our data analytics capabilities and technologies.

We may invest in or acquire businesses that are complementary to our business across the automobile value chain, including businesses that: (i) increase our consumer base; (ii) expand our auto dealer cooperative network and strengthen relationships with our business partners; (iii) provide services that may create synergy to our existing business operations; (iv) possess advanced data analytics and technological capabilities; or (v) hold licenses or permits in particular sectors that might be of interest and synergetic to us. As of the Latest Practicable Date, we had not identified any potential acquisition targets and did not have any ongoing negotiations relating to potential acquisitions.

OUR BUSINESS

We grow our business primarily through the expansion of our services and our online traffic and offline footprints. We started with only advertising and subscription services in 2014, expanded to offer self-operated financing business in the second quarter of 2015, and further expanded to offer facilitation and value-added services in the second quarter of 2016. For brief discussions of the change of our business segments, see “Summary—Overview—Our Business Segments.” We also have been building our omni-channel operation capabilities to promote growth across all business segments. We focus on increasing online traffic through the development of our mobile apps, mobile sites and websites, and brand promotion and online traffic acquisitions. In September 2017, the MAUs of our online channels increased to approximately 51 million. Some of these users inquired about automobile transactions or auto-related transactions and the estimated aggregate value of the automobiles pursuant to such inquiries reached approximately RMB90 billion. We also focus on enlarging our geographical footprints. As of June 30, 2017, our auto dealer cooperative network was comprised of over 15,000 dealership stores across over 300 cities in over 30 provinces or equivalent regions in China, including

BUSINESS

62 independently operated Yixin-branded experience stores. Our business growth depends on our ability to attract, retain, and motivate qualified personnel. As of June 30, 2017, we had 4,633 employees nationwide, most of whom focused on sales and marketing, risk management, and research and development.

The following table sets out revenues of each type of services under our transaction platform business segment and self-operated financing business segment in absolute amount and as a percentage to the total revenue for the periods presented:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2014		2015		2016		2016		2017	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(Unaudited)									
	(in thousands, except percentages)									
Revenues										
Transaction Platform Business										
Facilitation and Value-Added Services . . .	—	—	—	—	12,825	0.9%	—	—	132,916	8.6%
Advertising and Subscription Services . . .	47,990	100.0%	205,814	75.9%	199,327	13.4%	58,397	12.8%	188,225	12.1%
Subtotal	47,990	100.0%	205,814	75.9%	212,152	14.3%	58,397	12.8%	321,141	20.7%
Self-Operated Financing Business										
Financing Lease Services	—	—	65,461	24.1%	767,250	51.6%	200,672	44.0%	1,083,813	69.9%
Operating Lease Services	—	—	—	—	12,223	0.8%	4,213	1.0%	31,811	2.0%
Others ⁽¹⁾	—	—	—	—	496,272	33.3%	192,529	42.2%	114,643	7.4%
Subtotal	—	—	65,461	24.1%	1,275,745	85.7%	397,414	87.2%	1,230,267	79.3%
Total	47,990	100.0%	271,275	100.0%	1,487,897	100.0%	455,811	100.0%	1,551,408	100.0%

Note:

(1) Included revenues from automobile sales and other revenues. For more details of segmentation, see “Appendix I—Accountant’s Report—Notes to the Historical Financial Information—Segment information.” For discussions of our revenues from automobile sales, see “Business—Self-operated Financing Business—Revenues from Automobile Sales.”

For the six months ended June 30, 2017, we had an aggregate of approximately 7 million leads from online channels and completed approximately 160,000 automobile retail transactions and auto-related transactions, representing a lead conversion rate of approximately 2.3%. In addition, of all our business contracts entered into across our two business segments during the first half of 2017, the revenue attributable to the business contracts under our transaction platform business recognized during the first half of 2017 accounted for 45.2% of the revenue from all such business contracts entered into during the first half of 2017.

TRANSACTION PLATFORM BUSINESS

We have forged an end-to-end automobile retail transaction ecosystem and strategically placed ourselves in its center to operate our transaction platform business. We create value for both consumers and our business partners by efficiently matching their needs and facilitate automobile transactions and auto-related transactions.

The transaction platform business is comprised of facilitation and value-added services and advertising and subscription services. For the six months ended June 30, 2017, we facilitated over 60,000 automobile retail transactions and auto-related transactions under our facilitation and value-added services. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the revenue of our transaction platform business was approximately RMB48.0 million, RMB205.8 million, RMB212.2 million, and RMB321.1 million, representing approximately 100.0%, 75.9%, 14.3%, and 20.7% of our total revenue, respectively.

BUSINESS

We have adjusted our businesses from time to time to meet our consumers' and business partners' needs. In 2014 and 2015, all of our transaction platform business was comprised of advertising and subscription services. Starting from the second quarter of 2016, we began our transaction facilitation and loan facilitation service initiatives, and in 2017, we further enriched our ecosystem by offering value-added services. The transaction facilitation, loan facilitation, and value-added services form our integrated facilitation and value-added services. The revenues from the facilitation and value-added services and the advertising and subscription services represent 8.6% and 12.1% of our total revenues for the six months ended June 30, 2017 respectively, and we expect both the contribution of the facilitation and value-added services and the advertising and subscription services as a percentage of our total revenues to increase as we dedicate more focused resources to growing these services.

Our Business	Our Role	Our Source of Revenue
Facilitation and Value-Added Services		
<i>Transaction Facilitation Services</i>	To facilitate consumers' purchase or sale of automobiles, primarily including any arrangement of <ul style="list-style-type: none"> ● on-site inspection and test-drive, ● auto finance solutions, ● provision of pricing referral, and ● insurance plans. 	Service fees: <ul style="list-style-type: none"> ● From auto dealers or consumers.
<i>Loan Facilitation Services</i>	To facilitate auto loans offered by auto finance partners to consumers, including any of the following: <ul style="list-style-type: none"> ● borrower sourcing, ● loan application collection and screening, ● credit assessment, ● loan administration, and ● auto asset management. 	Service fees: <ul style="list-style-type: none"> ● From consumer borrowers or auto finance partners.
<i>Value-Added Services</i>	To supply auto dealers with vehicle telematics systems.	Sales revenues.
Advertising and Subscription Services		
<i>Advertising Services</i>	To provide automakers, auto dealers, auto finance partners, and insurance companies with advertising services.	Advertising fees.
	To provide auto dealers with promotional services.	Service fees.
<i>Subscription Services</i>	To provide primarily auto dealers that sell used automobiles with subscription-based membership services.	Subscription fees.

Facilitation and Value-Added Services

The transaction facilitation, loan facilitation, and value-added services form our integrated facilitation and value-added services.

BUSINESS

In the second quarter of 2016, we started offering our facilitation and value-added services, and the revenue amount and contribution has increased quickly and it is expected to grow further. The revenue from the facilitation and value added services for the year ended December 31, 2016 and the six months ended June 30, 2017 is RMB12.8 million and RMB132.9 million, respectively, representing 0.9% and 8.6% of the total revenues, respectively.

Transaction Facilitation Service

We offer transaction facilitation services to consumers to help them purchase or sell automobiles.

Purchase Support

Starting in November 2016, we began offering our purchase support services, especially for consumers who purchase used cars. We believe, based on our industry experience, that there is significant demand from consumers for assistance and services in used car transactions. Prospective used car consumers may be more concerned with hidden issues and conditions of used cars that have not been properly reflected in the records, but generally lack the expertise, time or resources to uncover such issues and conditions to avoid any unexpected post-transaction repairing costs or otherwise overpaying in general. We are able to provide various services to meet consumers' needs.

Our transaction service teams closely work with the dealership stores within our auto dealer cooperative network to execute our purchase support services and focus on lead conversion. Consumers may begin their journey with us by browsing through our mobile apps, mobile sites, or websites either directly or indirectly through other platforms that cooperate with us, leaving their contact information, calling our call center or dealership store, or walking into any dealership stores within our auto dealer cooperative network, all of which can be referred to as leads.

When a consumer is interested in a particular automobile inventory listed on our own or our business partner's mobile apps, mobile sites, or websites, he or she can directly contact our call center or the dealership store that lists such automobile inventory through a temporary phone number that is generated by us. The consumer can also leave his or her contact information, such as a cell phone number, on our platform and our call center will follow up by calling the consumer. After our call center learns about the consumer's transaction objectives and requirements through a preliminary conversation, a service consultant, which is a member on our local service teams, will be assigned based on the consumer's geographical preference and availability of the inventory matching the consumer's requirements. This service consultant will promptly contact the consumer and coordinate with the relevant dealership stores within our auto dealer cooperative network to set up appointment for an on-site inspection or test-drive.

Alternatively, a consumer may also directly walk into a dealership store within our auto dealer cooperative network to inquire about an automobile transaction, either after browsing the information listed on our own or other business partner's online channels, or without conducting research online. If this consumer is interested in additional services, such as auto finance solution, the dealership store will contact our local service teams covering that dealership store. A service consultant in our local service teams will be assigned to provide assistance to the consumer.

While our service consultant is accompanying the consumer during the transaction, we are able to understand more about the consumer's needs and provide additional services, such as on-site

BUSINESS

inspection, test-drive, third party pricing references, auto finance and insurance plan arrangement, to help facilitate the transaction.

For our purchase support services, we earn fixed rate service fees from auto dealers or consumers based on the value of the transactions completed and the regions where the transactions have taken place. Such service fee rates typically range from 1% to 5%.

Sales Support

We provide sales support services for car owners' trade-in needs. Our auto dealer cooperative network is a natural market for consumers to trade-in their used cars. Additionally, we work with a third-party used car auction platform to provide consumers with a potentially more efficient alternative from the traditional dealer market.

A consumer who wants to trade-in a used car on our platform typically begins by making inquiries online and selecting whether he or she is willing to be contacted by an auto dealer, or the third-party used car auction platform, or both. Based on the consumer's choice, we will then relay the lead to the dealer in our auto dealer cooperative network, or, the third-party used car auction platform, or both, for their respective further handling.

For our referral-based sales support services, we earn fixed-rate service fees from auto dealers based on the value of the transactions completed and the regions where the transactions have taken place. Such service fee rates typically range from 1% to 5%.

Loan Facilitation Services

We launched our loan facilitation services in April 2016 to facilitate auto loans to consumers offered by our auto finance partners through our online platform, which is an addition to our self-operated financing business. Our loan facilitation services are generally less capital intensive than our self-operated financing business and can extend our capabilities in meeting consumer demands for more auto finance solutions. Through our self-operated financing business, we have accumulated strong data analytics and risk management capabilities, and built a successful ecosystem, which forms a solid base for us to cooperate with banks to provide loan facilitation services.

As of the Latest Practicable Date, we are working primarily with three banks to provide our loan facilitation services. We plan to further expand our loan facilitation services and take advantage of our large auto finance partner base going forward. For the six months ended June 30, 2017, we facilitated an aggregate of approximately RMB76 million auto loans of which we provided guarantee for the repayment of some of such auto loans. We stopped providing guarantees with respect to our loan facilitation services in June 2017. Since March 2017, Dalian Rongxin, a connected person of the Group, has been providing guarantee services to certain auto loans for which we provide loan facilitation services. The change in arrangement of guarantee provision reflected our business strategy to leverage professional guarantee company to further reduce the overall risk exposure of our loan facilitation services. For discussions of Dalian Rongxin's guarantee in connection with our loan facilitation services, see "Connected Transactions—Fully-Exempt Continuing Connected Transactions."

From the consumers' perspective, our process typically begins with identifying suitable financing options for their choice. We believe that consumers may be more certain in selecting cars

BUSINESS

and making purchase decisions after they are assured that financing is in place. For us, loan facilitation is a natural step-up from our advertising services for auto finance partners as well as a natural extension of our self-operated financing business, and forms part of our omni-channel operational capabilities.

We provide auto finance partners with loan facilitation services before, during and after the loans are extended. Depending on the nature of the arrangement with auto finance partners, we provide one or more of any of the following facilitation services.

- *Borrower sourcing.* In addition to our online platform, we work with our auto dealer cooperative network through our transaction service teams to source prospective borrowers for our auto finance partners. Our local service teams and the sales associates of auto dealers within our auto dealer cooperative network will endeavor to promote and cross-sell available products and services, including auto loans. For discussions of consumer acquisition cooperation with the auto dealer cooperative network, see “Sales and Marketing—Consumer Marketing.”
- *Application information collection.* If the consumer selects certain product from one of our auto finance partners, our local service team will collect the information and supporting documents of the applications for our auto finance partner and provide to the auto finance partner.
- *Application screening.* If requested by our auto finance partner, we will perform a preliminary screening of the borrowers’ identities, background and general creditworthiness leveraging our proprietary data analytics capabilities.
- *Credit assessment.* If requested by our auto finance partner, based on the policies and standards formulated by our auto finance partner, we will conduct a thorough credit assessment for our auto finance partner and submit the assessment result. Our auto finance partner will independently perform their own credit assessment and make the final credit approval decisions.
- *Loan extension.* After the loan applications are approved, our auto finance partners will promptly notify us of such approval. We will coordinate with the borrowers and the auto finance partners to execute the necessary loan documents, following which the auto finance partners will promptly remit the amount of loans to the relevant accounts controlled by us and authorize us to release the amount to the relevant auto dealers to close the transaction.
- *Repayment administration.* Auto finance partners may choose to have the borrowers directly repay to them or repay through us. In the latter scenario, we are authorized to accept monthly repayments by the borrowers on behalf of our auto finance partners and remit the proceeds to our auto finance partners.
- *Auto Asset management.* During the terms of the loans, we actively monitor each loan’s scheduled repayments and promptly act upon any delinquency. If requested by our auto finance partner, we will perform auto asset management services including post-loan monitoring, collection of overdue payment for our auto finance partners if delinquency arises or any abnormal behavior is observed.

For discussions of our credit assessment capabilities, see “—Risk Management and Internal Control—Credit Risk Management.”

BUSINESS

Depending on the scope and complexity of our various services provided during the loan facilitation process, historically, we primarily earned service fees based on a pre-agreed percentage typically ranging from 3% to 7% of the amount of each loan extended from auto finance partners. Going forward, we plan to continue our innovation in the loan facility services and may implement new fee structures including charging service fees on consumers.

Value-Added Services

We started our value-added services in the second quarter of 2017 to enhance our transaction platform business. As of the Latest Practicable Date, our value-added services primarily include sales of vehicle telematics systems, where we generated sales revenues. Auto finance solutions have become increasingly important as part of consumers' automobile transactions. In order to increase the sales volume, auto dealers procure vehicle telematics systems for installation in the financed automobiles as typically required by auto finance providers for post-financing asset management purposes. We started offering this valued-added service to auto dealers to further strengthen our relationship with them from the second quarter of 2017. We aggregate various auto dealers' demand for such vehicle telematics systems and enter into framework agreements with the relevant suppliers that allow us to purchase vehicle telematics systems at competitive costs. We had immaterial inventory of such vehicle telematics systems as of June 30, 2017. We believe that our inventory risk for holding the vehicle telematics systems purchased is limited because we typically hold these systems only briefly as inventory on our balance sheets before we sell them to the auto dealers.

Advertising and Subscription Services

Since our inception, we have been offering advertising and subscription services. Our advertising and subscription services are generally transaction-focused. Our advertising customers primarily include automakers, auto dealers, auto finance partners and insurance companies that we believe seek to promote new and used automobile transactions on our online channels and our auto dealer cooperative network. The customer base of our subscription service primarily consist of auto dealers that sell used automobiles. For discussions of delineation of our businesses from Bitauto's businesses, see "Relationship with Our Controlling Shareholders—Independence from Controlling Shareholders—Operational Independence—Clear delineation of business activities between our Group and Bitauto Group."

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, our revenues from advertising and subscription services amounted to RMB48.0 million, RMB205.8 million, RMB199.3 million and RMB188.2 million, representing 100.0%, 75.9%, 13.4% and 12.1%, of our total revenues respectively. The revenues of our advertising and subscription services increased 328.9% from 2014 to 2015, because we expanded our advertising and subscription customer base to include auto finance partners in 2015. The revenues of our advertising and subscription services remained relatively stable from 2015 to 2016 because we focused on developing our self-operated financing business. The revenues of our advertising and subscription services increased 222.3% in the first half of 2017 primarily due to the growth of the promotional activities under our advertising service.

Advertising Services

We provide advertising services to our business partners via our platform for automakers, auto dealers, auto finance partners, and insurance companies.

BUSINESS

We display advertisements on our mobile apps, mobile sites and websites and organize promotional events and campaigns, thus allowing extensive possibilities of user interactions through rich media advertisements. Visitors to our platform usually seek specific transaction information relating to automobiles and are more likely interested in automobile transactions. As a result, our platform is tailored for transaction-focused online advertisements and promotional activities of our business partner advertisers. We are able to achieve cost-effective and targeted advertising results for our customers, such as targeting consumers located in specific geographic areas or particular automobile models or their competing models to interested consumers. In the second quarter of 2017, we further expanded our promotional activities including events and campaigns to serve target auto dealers, and plan, design and execute campaigns for products under selected automobile brands to boost their sales.

Through our advertising management system, our business partner advertisers will be able to upload their advertisements subject to our specification requirements, review, and management. The system will embed the relevant advertisements with the appropriate digital contents on our mobile apps, mobile sites, and websites so that the advertisements appear more viewer friendly. We also organize promotional events in dealership stores, or other places across different cities in China. We believe that our increasing scale and comprehensive product and service offerings make the advertising space on our platform more attractive to our business partner advertisers.

Our data analytics capabilities enhance our in-depth understanding of the consumer characteristics on our platform, and help us accurately deliver contents to the desired target viewers. They also allow us to accurately value and efficiently utilize our advertising space. Our data analytics capabilities and insights generated therefore enhance the accuracy and effectiveness of our advertising services. We have also provided data analytics services to our Controlling Shareholders and generated revenues from these services.

Our online advertising fee structure is primarily based on the cost-per-time method, or CPT method. Under the CPT method, we charge advertising fee based on the length of the applicable advertisement delivered at an agreed and scheduled time slot. We charge pre-agreed service fees from auto dealers for promotional campaigns depending on the needs of these dealers.

Subscription Services

We also provide subscription services to automakers and auto dealers on our platform. Our subscription services provide SaaS-based integrated digital marketing solutions, via our mobile apps, mobile sites, and websites, to our automaker subscribers and dealer subscribers in China. We believe our SaaS-based digital marketing solutions are intuitive and user-friendly, and enable our subscribers to create their own online showrooms, list pricing and promotional information, provide contact information, place advertisements and manage consumer relationships.

We charge subscription fees at several levels for the foregoing subscription services, corresponding to the packaged services offered by us. The packaged services typically include promotional services designed for our subscribers during any one-year period.

The standard value-added service modules for automaker subscribers and dealer subscribers include the following:

- *Listing service.* Through our listing services, our automaker subscribers and dealer subscribers will reach out to a broader consumer base. We publish our automaker

BUSINESS

subscribers' and dealer subscribers' pricing and promotional information on, and link their online showrooms developed using our site-building services to, our mobile apps, mobile sites and websites.

- *Site-building service.* Our automaker subscribers and dealer subscribers can use our site-building services to quickly set up their own online interfaces by choosing their preferred site templates that we have pre-designed and uploading their own digital content, such as pricing, promotional and contact information as well as inventory information. The online interfaces developed using our site-building service also have features that allow consumers to interact with the subscribers online, such as interactive surveys, transaction interest indication and online inquiries and responses.
- *Advertising tool.* Our automaker subscribers and dealer subscribers can efficiently design and create online advertisements based on their professionally pre-designed materials and templates. The advertising tool makes it easy to customize, edit and deploy the previously created advertisements online.

SELF-OPERATED FINANCING BUSINESS

In addition to our transaction platform business, we conduct self-operated financing business, which includes financing lease services and operating lease services. For the six months ended June 30, 2017, we completed approximately 140,000 automobile retail transactions and auto-related transactions under our self-operated financing business. We started our self-operated financing business in June 2015, and it grew rapidly and currently represents our largest business segment in terms of revenues. For the years ended December 31, 2015 and 2016 and six months ended June 30, 2017, the revenues of our self-operated financing business were approximately RMB65.5 million, RMB1.3 billion and RMB1.2 billion, representing 24.1%, 85.7% and 79.3% of our total revenues, respectively.

We categorize a lease as a financing lease if the terms and conditions of the lease agreement transfer substantially all the risks and rewards of ownership with respect to the subject assets to the lessee. We categorize a lease as an operating lease if, under the terms and conditions of the lease agreement, substantially all the risks and rewards of ownership with respect to the subject assets remain with us, as the lessor. We introduced financing lease services in June 2015, and then operating lease services in February 2016, and in February 2017, we initiated Kaizouba (“開走吧”), which is personal contract purchase services catered for young generation who has good job prospects and earning potential.

Our revenues from the financing lease services contributed 24.1%, 51.6% and 69.9% of our total revenues for the years ended December 31, 2015 and 2016 and for the six months ended June 30, 2017, respectively. Our operating lease services, including Kaizouba, are still at an early stage of operation, but experienced significant growth in the first half of 2017. Our revenue from automobile sales contributed 31.8% and 6.7% of our total revenues for the year ended December 31, 2016 and for the six months ended June 30, 2017, respectively, and is expected to decrease in the future.

We believe that the significant growth of our self-operated financing business, particularly our financing lease services, was primarily driven by the continuing fast growth of the online automobile retail transaction market and the increasing popularity and penetration rate of consumer auto finance in China. For discussions of the online automobile retail transaction market and consumer auto finance services in China, see “Industry Overview—Overview of China’s Automobile Industry.” Our

BUSINESS

omni-channel operation capabilities are key to the fast growth our self-operated financing business, as we provide consumers with wide selection, more transparency, fast process, and one-stop solutions. Compared to auto financial companies, most of which are affiliated with specific automakers and only finance a limited number of models produced by certain automakers, we offer wider coverage of automobile brands and models to consumer. Compared to the coverage offered by banks, whose credit approval procedures are typically more time-consuming, we offer a faster process and flexibility to consumers without compromising our risk control by leveraging our product and data driven risk control system. Our financing lease products' interest rates and tenure are market competitive compared to those offered by banks or auto financial companies.

The following table sets forth a summary of our self-operated financing business, our roles and our source of revenues.

<u>Our Business</u>	<u>Our Role</u>	<u>Our Source of Revenue</u>
<i>Financing Lease Services</i>	To provide financing lease services to <ul style="list-style-type: none"> ● car buyers via automobile purchase financing lease, ● car owners via collateralized financing, and ● auto dealers via inventory financing. 	Installment payments.
<i>Operating Lease Services</i>	To provide operating lease services to consumers via <ul style="list-style-type: none"> ● personal contract purchases, and ● traditional operating lease services. 	Rental payments.

Financing Lease Services

We provide financing lease services primarily to consumers for their automobile purchase financing, including trade-in financing, their automobile collateralized financing. Historically, we also have provided financing lease for auto dealers for their inventory financing from time to time, but the scale of such services is insignificant during the first half of 2017.

In terms of consumer experience, we believe that there is little difference between third-party auto loans facilitated by us under our loan facilitation services and consumer financing lease offered by us, other than that consumers do not have to deal with banks and other financial institutions when choosing our financing lease services.

Credit risk management is one of our key focuses in our financing lease services. We have a limited history of providing financing lease services since the second quarter of 2015 and most of our financing lease contracts are outstanding for a relatively shorter period than the average term of our financing lease services. We apply our data analytics capabilities in our anti-fraud system and credit scoring system to assist the credit assessment procedures. Our credit risk management methods depend on the evaluation of information regarding consumers, automobiles and other relevant matters.

For our credit risk management, one of the important aspects is the assessment of automobile residual values. We assess automobile residual values and determine pricing of our financing lease services based on our proprietary data analytics capabilities and by leveraging external resources. We

partner with leading third-party used automobile valuation service providers such as Jingzhengu and You Yue, which design and develop valuation and pricing models, taking into consideration multiple factors such as the historical selling prices of new automobiles, current selling prices for the same or similar new automobile models, potential decrease in prices, current selling prices for the same or similar used automobile models, the cities or regions where the relevant used automobiles are transacted and registered, impact of seasonality, the specifications, conditions and mileage of the used automobiles, and various other factors. The potential decrease in new and used automobile prices as well as certain existing local government restrictions on inter-city or inter-province transfer of used automobiles have been factored into the valuation and pricing models. After obtaining used automobile reference prices from third-party used automobile valuation service providers, we will run these reference prices together with other pricing-related data collected on our own transaction platform and from other external sources, such as from our Controlling Shareholder, Bitauto, using our proprietary analytics algorithms, to reach a conclusion on residual value assessment and pricing determination. We believe that our proprietary data analytics capabilities and access to leading valuation and pricing resources have given us a competitive edge in the financing lease market. For discussions of risks and impact of the potential decrease in new automobile prices and the PRC regulatory environment on inter-city or inter-province transfer of automobiles, see “Risk Factors—Risks Relating to Our Business and Industry—Significant decrease in residual value of our automobile collateral may lower the recoverability of our finance receivables, which may materially and adversely affect our results of operations.”

We assess the quality of our finance receivables through past due ratio based on the nature of our business and industry practice. As of June 30, 2017, our 30+ days past due ratio, 90+ days past due ratio and 180+ days past due ratio are 0.89%, 0.51% and 0.23%, respectively. Our historical past due ratio and other asset quality information may not be indicative of our future past due ratio and other asset quality information. We assess the allowance for the past due finance receivables based on the current performance of our net finance receivables. We believe we have provided adequate allowance for potential credit losses. As of June 30, 2017, our 30+ days past due coverage ratio, 90+ days past due coverage ratio and 180+ days past due coverage ratio were 17.6%, 30.7% and 68.0%, respectively. We will continue to monitor the changes in the asset quality of our financing lease asset portfolio and adjust our allowance level accordingly to reflect the development of our business and financing lease asset portfolio. For discussions of our credit risk management, see “—Risk Management and Internal Control—Credit Risk Management.”

As of June 30, 2017 we had a total of RMB19.7 billion outstanding net finance receivables under the financing leases that we provided. As of June 30, 2017, all of financing lease in terms of outstanding finance receivables are based on fixed interest rate terms, and all of our financing lease contracts are denominated in RMB. For discussions of the finance receivables, see “Financial Information—Discussion of Certain Key Balance Sheet Items—Finance Receivables.”

BUSINESS

The following table sets forth a breakdown of our net finance receivables by the forms and service categories of financing leases both in absolute amount and as a percentage of our total net finance receivables as of the dates indicated. We did not have finance receivables in 2014 because our financing lease services began in June 2015.

	As of December 31,				As of June 30,	
	2015		2016		2017	
	RMB	%	RMB	%	RMB	%
	(RMB'000, except percentages)					
Form of Financing Leases:						
Sale-and-leaseback	2,786,380	97.4%	14,184,989	98.6%	19,351,223	98.2%
Direct lease	75,100	2.6%	201,363	1.4%	357,938	1.8%
Total Net Finance Receivables	<u>2,861,480</u>	<u>100.0%</u>	<u>14,386,352</u>	<u>100.0%</u>	<u>19,709,161</u>	<u>100.0%</u>

	As of December 31,				As of June 30,	
	2015		2016		2017	
	RMB	%	RMB	%	RMB	%
	(RMB'000, except percentages)					
Financing Lease Service Categories:						
<i>For Consumers</i>						
Automobile Purchase Financing for						
Consumers	929,541	32.5%	10,699,059	74.4%	14,419,417	73.2%
Automobile Collateralized Financing for						
Consumers	144,251	5.0%	3,346,563	23.3%	5,030,130	25.5%
<i>For Auto Dealers</i>						
Financing Lease for Auto Dealers	1,787,688	62.5%	340,730	2.4%	259,614	1.3%
Total Net Finance Receivables	<u>2,861,480</u>	<u>100.0%</u>	<u>14,386,352</u>	<u>100.0%</u>	<u>19,709,161</u>	<u>100.0%</u>

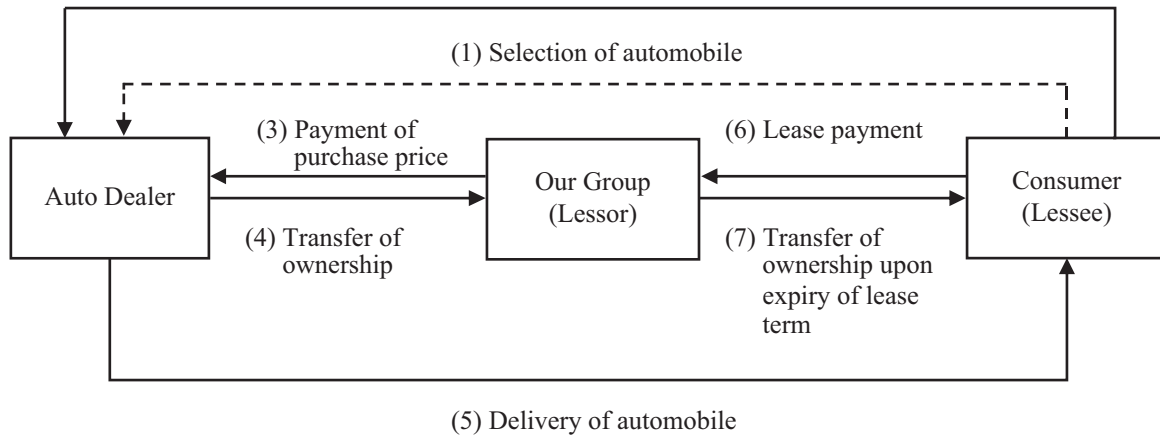
Form of Financing Leases

We structure our financing lease services using two models: direct lease (正租) and sale-and-leaseback (回租). Substantially all of our financing lease services are based on the sale-and-leaseback model. Under the direct lease model, we purchase an automobile from an auto dealer to the specification of the consumer and then lease the automobile to the consumer for use in exchange for monthly lease repayment. Under the sale-and-leaseback model, the consumer purchases, using our financing, an automobile from an auto dealer and transfers the title of the automobile to us, and we then lease the automobile back to the consumer in return for monthly repayment. The diagrams below illustrate the procedures of direct leases and sale-and-leasebacks and their respective relationships among the parties.

BUSINESS

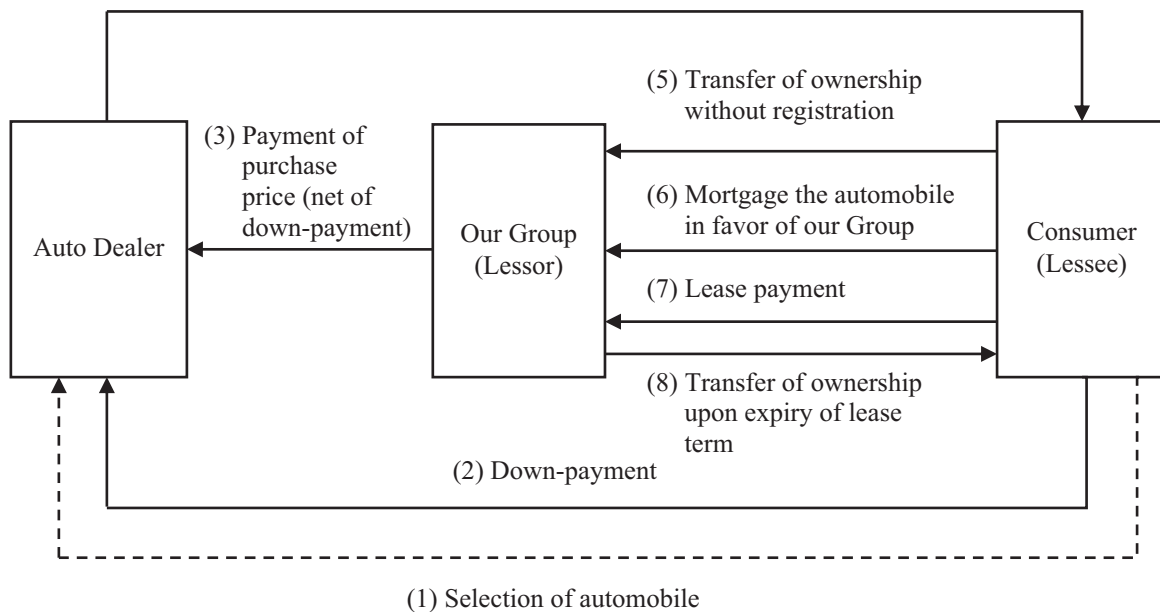
Direct Lease

(2) Down-payment



Sale-and-Leaseback

(4) Delivery of automobile and transfer of ownership



Under both models, we act as a lessor and a consumer acts as a lessee. The lessee will specify the desirable automobile to be purchased and make down-payment to the auto dealer that sells the automobile, and we will remit the remaining amount, which is the amount of financing provided by us, directly to the auto dealer. During the term of the financing lease, the lessee will have use rights with respect to the automobile. At the end of the lease term, the consumer will obtain full title to the automobile after the financing lease is repaid in full. Under both the direct lease and sale-and-leaseback models, we, as lessor, generally have recourse against the lessees in addition to any applicable rights with respect to collateral. However:

- Under the direct lease model, we will obtain title to the automobile upfront and retain such title during the term of the financing lease; and
- Under the sale-and-leaseback model, the consumer will temporarily obtain title to the automobile upfront but will be contractually required to transfer such title to us. We will

BUSINESS

hold such title during the term of the financing lease. In practice, we do not require the consumer to register such title transfer with the relevant government authorities. Instead, we require the consumer to mortgage the automobile in our favor pending discharge at the end of the term of the financing lease and to duly register such mortgage with the relevant vehicle management authorities. We are able to enforce our contractual title claim to the automobiles against the consumers under such arrangement, even though the title transfer is not registered with the relevant government authorities. In addition, since we require the consumers to mortgage the automobiles in favor of us and to register such mortgage, if a consumer transfers the automobile to a third party without our consent, we are able to claim title to the automobile against such third party based on the implied fact that such third party should have knowledge of the registered mortgage and thus should not be deemed as a bona fide purchaser. Therefore, although the title transfer is not registered, we are protected by our contracts with the consumers and the registered mortgage.

Under both models, we build in additional protective measures that aim at providing us with extra flexibility and security during the term of the financing leases.

- *Pre-agreed payment adjustment.* The consumer-lessee must acknowledge and agree to any adjustment of lease payment amount based on any change in tax law or interest rate.
- *Penalties for tampering with vehicle telematics systems.* The consumer-lessee must refrain from tampering with the vehicle telematics systems pre-installed on the automobiles subject to the financing lease. We have the right to accelerate all remaining lease payments or repossess the automobile for repair under certain circumstances.
- *Insurance sufficiency.* The consumer-lessee must carry sufficient insurance to our satisfaction and name us as the first beneficiary.

Substantially all of our financing lease operations are sale-and-leaseback, which is largely consistent with market practice in China. We believe one of the factors contributing to its popularity in China is that the sale-and-leaseback as structured in practice resembles a mortgage and thus is intuitive to consumers. Additionally, unlike the direct lease model, we are not responsible to obtain license plates under the sale-and-leaseback model, which makes it more efficient for us to expand in certain cities with license plate lottery or auction systems (限牌城市) where only very limited number of license plates can be obtained on a monthly basis.

Service Categories

We provide financing lease services to both consumers and auto dealers. For the year ended December 31, 2016 and the six months ended June 30, 2017, the revenue of our financing lease services for consumers represented 95.2% and 99.4% of the total revenues of our financing lease services, respectively. As of December 31, 2016 and June 30, 2017, the net financing receivables of our financing lease services for consumers represented 97.6% and 98.7% of the total net finance receivables of our financing lease services, respectively. For the year ended December 31, 2016 and the six months ended June 30, 2017, approximately 220,000 and 130,000 automobiles were transacted on our platform, respectively, through financing leases for consumers.

We provide financing lease services to consumers for their automobile purchases financing including trade-ins financing, and for their automobile collateralized financing. As of June 30, 2017, all of our financing leases in term of outstanding receivables are based on fixed interest rate terms. All of

BUSINESS

our financing lease contracts are denominated in Renminbi. For the six months ended June 30, 2017, the average financing amount per consumer financing lease was approximately RMB70,000 and the average term per consumer financing lease was approximately 33 months. The average yield of our net financing receivables for the six months ended June 30, 2017 was 13.0%. We require collateral for almost all services categories, but in practice, due to local rules in certain lower tier cities in China, we are unable to register our security interest in the collateral with the local authorities. As of June 30, 2017, the number of financing lease contracts under which we were unable to register our security interest in the collateral with the local authorities represented less than 0.1% of the total number of our outstanding financing lease contracts. Most of our financing lease products to consumers provide for early repayment options and require a penalty fee of the early repaid financing amount plus a fixed administrative fee for each incident of early repayment.

The following table sets forth the typical range of interest rates of our automobile purchase financing for consumers and automobile collateralized financing for consumers as of the dates indicated. We are able to charge higher interests on our automobile collateralized financing for consumers than our automobile purchase financing for consumers, because (i) we generally face less competition in the sector of automobile collateralized financing for consumers as compared to the sector of automobile purchase financing for consumers, and (ii) we are able to efficiently assess the residual values of the used automobiles leveraging our data analytics capabilities to control our credit risk exposure.

	As of December 31,		As of June 30, 2017
	2015	2016	
Range of Interest Rates:			
Automobile Purchase Financing for Consumers	4% to 16%	4% to 19%	4% to 19%
Automobile Collateralized Financing for Consumers	15% to 23%	11% to 23%	11% to 26%

The following table sets forth the typical range of lease duration of our automobile purchase financing for consumers and automobile collateralized financing for consumers as of the dates indicated.

	As of December 31,		As of June 30, 2017
	2015	2016	
	Months		
Range of Lease Duration:			
Automobile Purchase Financing for Consumers	12 to 36	12 to 36	12 to 36
Automobile Collateralized Financing for Consumers	12 to 36	12 to 36	12 to 36

The following table sets forth the 180+ days past due ratio of our automobile purchase financing for consumers and automobile collateralized financing for consumers as of the dates indicated.

	As of December 31,		As of June 30, 2017
	2015	2016	
180+ Days Past Due Ratio:			
Automobile Purchase Financing for Consumers	—	0.17%	0.30%
Automobile Collateralized Financing for Consumers	—	0.04%	0.04%

Automobile Purchase Financing for Consumers

We began offering financing lease services to finance consumers' automobile purchases in June 2015. As of June 30, 2017, we have designed and offered various financing lease products covering approximately 800 combinations of terms and conditions such as automobile types, documents requirement, down-payment ratio and loan-to-value ratio, duration, payment preference, and approval speed, to cater for consumers' various needs.

Our automobile purchase financing for consumers services have terms ranging from 12 months to 60 months, and target consumers aged between 18 and 60 years old. As of the Latest Practicable Date, our representative product lines under our automobile purchase financing for consumers services include Yizhengtong (一證通), Liangzhengtong (兩證通), and Jisudai (極速貸). Most of our consumers chose Yizhengtong. These product lines are established based on the levels of risk control requirement, as reflected in the number of documents required for automatic preliminary assessment. In general, Yizhengtong requires a PRC identification card from a prospective consumer for automatic preliminary assessment; Liangzhengtong requires one more document in addition to a PRC identification card from a prospective consumer, such as bank statements, real estate title certificates, or professional certificates for automatic preliminary assessment; Jisudai is a special product line that requires a PRC identification card but focuses on providing qualified consumers with speedy credit decisions with higher down-payment required. For the years ended December 31, 2015 and 2016 and the six months ended June 30, 2017, the revenues from our automobile purchase financing for consumers services represented 19.7%, 77.9% and 64.1% of the revenues of all financing lease services, respectively. As of December 31, 2015 and 2016 and June 30, 2017, the net finance receivables from our automobile purchase financing for consumers represented 32.5%, 74.4% and 73.2% of the net finance receivables of all financing lease services, respectively. For the years ended December 31, 2015 and 2016 and the six months ended June 30, 2017, the average down-payment ratio of our automobile purchase financing for consumers was 37.3%, 36.7% and 32.6%, respectively.

The various product features under both Yizhengtong and Liangzhengtong are largely similar, except that for each particular product under both Yizhengtong and Liangzhengtong, the one under Liangzhengtong may offer higher amount of credit and lower interest rate, require lower percentage of down-payment, or any combination of the foregoing, as compared to the same product under Yizhengtong. Jisudai, on the other hand, is itself a standalone product that requires 50% of down-payment.

We also from time to time introduce new products, change existing products, or discontinue existing products to better address consumers' needs and our business' expansion needs. Below is a summary of some representative financing lease products under both Yizhengtong and Liangzhengtong to illustrate the flexibility of commercial terms of our automobile purchase financing for consumers services.

- *Shuxinrong* (舒鑫融). A majority of our automobile purchase financing for consumers services are provided through Shuxinrong. Once approved for a given consumer, the consumer will typically make a down-payment and thereafter will repay in equal installments.
- *Yixinrong* (易鑫融). Once approved for a given consumer, the consumer will typically make a down-payment, a final balloon payment, and will repay in equal installments between the down-payment and the final payment.

BUSINESS

- *Shengxinrong* (省鑫融). Once approved for a given consumer, the consumer only need to make a low down-payment followed by repayment in equal installments, but will have to pay an upfront fee as well as a refundable security deposit.

Automobile Collateralized Financing for Consumers

We began providing automobile owners with collateralized financing services in June 2015 in the form of financing lease to satisfy their needs for cash, such as the Fangxinrong (放鑫融).

The automobile collateralized financing for consumers services are structured as sale-and-leaseback, under which a consumer contractually transfers the title of his or her automobile to us for cash, and we then lease the automobile back to the consumer in return for monthly interest payments, typically for terms of up to three years. During the term of the financing lease, the consumer-lessee will have use rights with respect to the automobile. At the end of the lease term, the consumer will acquire full title to the automobile after the financing lease is repaid in full. For the years ended December 31, 2015 and 2016 and the six months ended June 30, 2017, the revenues from our automobile collateralized financing for consumers services represented 7.1%, 17.3% and 35.3% of the revenues of all financing lease services. As of December 31, 2015 and 2016 and June 30, 2017, the net finance receivables from our automobile collateralized financing for consumers services represented 5.0%, 23.3% and 25.5% of our total net finance receivables of financing lease services, respectively. For the years ended December 31, 2015 and 2016 and the six months ended June 30, 2017, the loan-to-value ratio of our automobile collateralized financing for consumers was 56.3%, 72.3% and 73.2%, respectively.

Financing Lease for Auto Dealers

We are able to support auto dealers in their bulk inventory purchases by providing inventory financing in the form of financing lease services beginning in June 2015. We offered our financing lease services to help auto dealers optimize their cash flows while procuring inventories. As one of the conditions for us to provide inventory financing, the auto dealer delivered to our custody the vehicle conformity certificates, without which the automobiles can neither be affixed with license plates nor transferred. For the years ended December 31, 2015 and 2016 and the six months ended June 30, 2017, the revenue from our inventory financing for auto dealers services represented 73.2%, 4.8% and 0.6% of the revenue of all financing lease services. As of December 31, 2015 and 2016 and June 30, 2017, the net finance receivables from our inventory financing for auto dealers services represented 62.5%, 2.3% and 1.3% of our total net finance receivables, respectively.

This type of finance leases generally has no limitation on terms, during which we hold the vehicle conformity certificates. The auto dealer will make monthly interest payments and will gradually pay back the principal as the auto dealer makes sales to consumers. The repayment schedule is flexible because we believe our holding the vehicle conformity certificates provides sufficient incentive for auto dealers to make repayment when a sale is made to consumers, as the car can't be affixed with a license plate without the vehicle conformity certificate.

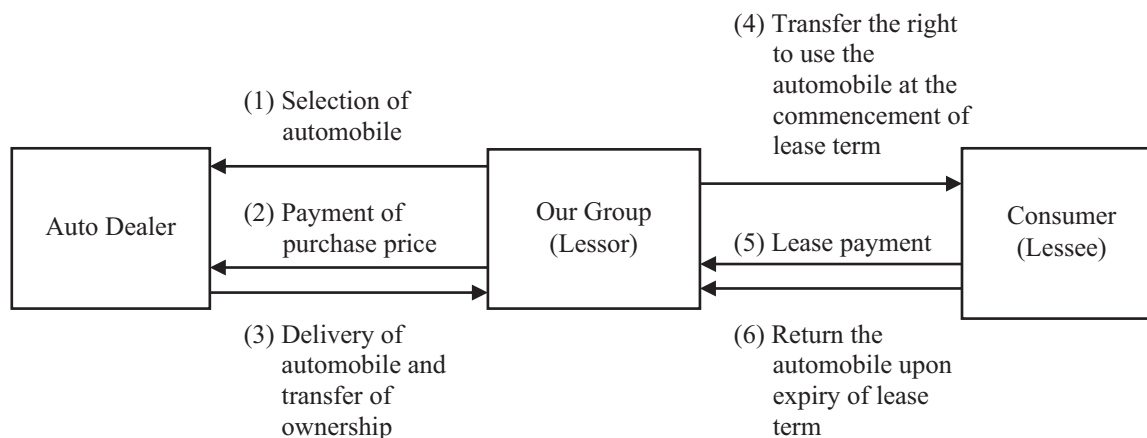
We provided inventory financing services for auto dealers in 2015 in order to develop and strengthen relationships with auto dealers. However, as our business grows, we have strategically decreased the inventory financing services in 2016 and 2017 for auto dealers to focus more on our financing lease services to consumers.

BUSINESS

Operating Lease

We began offering traditional operating lease services in February 2016. Under an operating lease model, we act as lessor and lease the automobiles to which we have title to consumers as lessees in exchange for rent. The consumers will only have use rights during the lease period and will never obtain title to the automobiles. The operating lease business currently does not form a material portion of our businesses.

Operating Lease



In February 2017, we began offering the Kaizouba (開走吧) product line to consumers using the personal contract purchase model, which is a hybrid operating lease with an option to purchase. Kaizouba targets young consumers who have good job prospects and earning potential and provide them with an opportunity to drive cars home earlier with zero or low down-payment and low monthly repayments. A consumer is required to make a down-payment that is typically up to 10% of the automobile purchase price and also an additional refundable security deposit of 10% of the automobile purchase price, but does not have to make additional payments for taxes, insurance and license plate. For the first 12 months, the consumers only make monthly rental payments. At the end of the first 12-month period, consumers have the option to choose from (i) making a lump sum payment to purchase the automobile, (ii) converting the arrangement into a three-year financing lease, (iii) making a down-payment again to rent a new automobile, or (iv) return the automobile and conclude the arrangement at no additional cost. Kaizouba has been offered for a relatively short period of time, but experienced significant growth in the first half of 2017. For the year ended December 31, 2016 and the six months ended June 30, 2017, the numbers of leased automobiles under our operating lease services were approximately 800 and 5,400, respectively.

Revenues from Automobile Sales

We purchase automobiles primarily for our self-operated financing business. In order to strengthen relationships with automakers and enjoy preferential terms, we purchased automobiles from a limited number of auto dealers designated by automakers in large quantities. However, since we only started our self-operated financing business in June 2015, our operation scale was relatively small. In March 2016, we started selling some of the automobiles we purchased to a limited number of institutional purchasers, including certain auto dealers and leasing companies. However, as our business scale increases, our revenue from automobile sales decreased significantly in the first half of 2017 and we expect it to decrease further. For the six months ended June 30, 2016 and 2017, revenue

BUSINESS

from automobile sales represented 45.7% and 8.4% of our revenue from the self-operated financing business, respectively.

We usually make the following arrangements in our automobile sales operations:

- Our annual purchase agreements allow us to make multiple purchases of automobiles up to a pre-agreed number of automobiles a given year. We coordinate and time our purchases and sales to a limited number of institutional purchasers, in that we place purchase orders only after we believe we are close to securing a sale.
- We generally require institutional purchasers to make upfront payment of the full purchase price to us at the time of the execution of sales agreements.

We recognize sales revenues of the entire sales price, after deducting VAT, from selling these automobiles to institutional purchasers. For the year ended December 31, 2016 and the six months ended June 30, 2017, we generated revenue of RMB473.0 million and RMB103.3 million respectively from sales of automobiles. We had immaterial inventory as of June 30, 2017 and we believe our inventory risk for holding the automobiles purchased is mitigated by the fact that we typically only hold the automobiles briefly as inventory on our balance sheets before we sell them to institutional purchasers.

SALES AND MARKETING

Consumer Marketing

We reach out to consumers through our own online channels as well as other third-party online channels that cooperate with us. Our online channels primarily include apps such as Taoche app, Yixin Chedai app, *taoche.com*, and *daikuan.com*. Through our online channels, consumers have access to a wide range of products and services, including approximately 36,000 new car models as of June 30, 2017 and approximately 5 million used car inventories with prices and other transaction information for the twelve months ended June 30, 2017 on a cumulative basis, as well as our auto finance solutions with approximately 40,000 combinations of financing terms. We also plan to provide transaction-focused bulletin board system for consumers to discuss and to facilitate their transactions.

We also reach our consumers through our auto dealer cooperative network. The auto dealership stores within our auto dealer cooperative network, including Yixin-branded experience stores, are independently owned and operated by third parties. They cooperate with us by promoting our products and services to consumers. Additionally, our cooperative dealers conduct preliminary screening of consumers' identities and background information, assist consumers in submitting financing application, assist us in automobile and mortgage registration, and provide other ancillary services. We have been deploying training and other quality control resources to ensure our auto dealer cooperative network maintains a satisfactory level of consumer experience. Moreover, we continue to expand the geographical reach of our auto dealer cooperative network into lower tier cities. As of June 30, 2017 we had a network of over 15,000 dealership stores, including 62 independently operated Yixin-branded experience stores.

The Yixin-branded experience stores are an important component of our auto dealer cooperative network and part of our recent efforts to deepen our engagement with consumers, and thus are instrumental in promoting our products and services to customers. The terms of our cooperation agreement with these experience stores are largely the same as those we have with other auto dealers within our auto dealer cooperative network, except for, among others, guarantee deposits with respect

BUSINESS

to display of our automobiles, and our requirements on store floor plan and decoration, as well as on management and training of employees. These experience stores are authorized to use our “Yixin” logo and have unified appearances according to our standards and requirements, although we neither control their operations nor charge any upfront fees from them. The sales associates of the Yixin-branded experience stores are trained by us to provide standard, high-quality services to consumers. As the Yixin-branded experience stores use our logo, in the cooperation agreements, we also ask these stores to protect our brand, reputation and trade secrets and compensate us if we incur relevant losses as result of the stores’ breach of the agreements. Additionally, because the Yixin-branded experience stores are more committed to cooperation with us than other auto dealers and enjoy more favorable terms, we believe they have extra incentive to accommodate and prioritize our various services. As of June 30, 2017 we had cooperative relationship with 62 independently operated Yixin-branded experience stores.

As part of the contractual arrangements with our cooperative auto dealers and Yixin-branded experience stores, we require a guarantee deposit from each of them to guarantee their compliance with the cooperation agreements and we will return such deposits to them upon expiration of the cooperation agreements if no breach has occurred. For a cooperative auto dealer, we primarily use the deposits to recover our losses in case consumers introduced by such cooperative auto dealer become delinquent or default on payments to us. For an experience store, we primarily use the deposits to cover the risks of damage or loss with respect to our automobiles that are displayed at the stores.

We benefit from lead support provided by some of our shareholders when carrying out our business operations. On May 11, 2017, our Controlling Shareholders, Bitauto, entered into the Business Cooperation Agreement with us, pursuant to which Bitauto and its relevant subsidiaries would continuously and exclusively direct all enquiries regarding various automobile related financing, leasing and/or insurance services and products arising from Bitauto and various used automobile related business to us. For discussions of the traffic support from Bitauto, see “Relationship with Our Controlling Shareholders—Independence from Controlling Shareholders—Operational Independence—Business Cooperation Agreement.” In addition, we also obtain lead support from our other shareholders.

We believe our product brands are well recognized in the automobile retail transaction market in China, and our marketing is focused on continuing to build our product brands. We employ traditional media and digital media sources to market our brands.

Merchant Marketing

In addition to serving consumers by operating our online automobile retail transaction platform, we provide merchants with services such as advertising and subscription services, and operating lease services. We do not conduct active sales and marketing campaigns to specifically target merchants, and generally rely on word-of-mouth marketing by enhancing satisfaction of our merchant customers and our local service teams to develop cooperative relationships with merchants.

SOURCE OF FUNDS

We have established diversified funding channels and have prudently managed our balance sheet. We also have established a comprehensive risk management and internal control system to manage liquidity risk, operational risk and credit risk. For discussions of our risk management and internal control as well as the various risks that we face, see “—Risk Management and Internal Control.”

BUSINESS

During the Track Record Period, we obtained funding from various sources to support our business growth, primarily including (i) Preferred Share issuance, (ii) bank loans and borrowings from other independent financial institutions, (iii) ABSs, and (iv) loans from Bitauto Group. During the Track Record Period, all our borrowings were secured by our assets or guaranteed by one of our Controlling Shareholders, Bitauto, and a large majority of our borrowings were on a fixed rate basis as of June 30, 2017. We used the proceeds from these funding sources to supplement our working capital to fund various business operations, the majority of which relate to our self-operated financing business.

Our loans and guarantees from Bitauto Group will be repaid and discharged, respectively, prior to the Listing. During the Track Record Period, we have been diversifying our funding sources. Following the Listing, we expect to have access to a wider variety of sources of funds: (i) cash flow from our own operations, particularly from our transaction platform business, the revenues of which increased from RMB58.4 million for the six months ended June 30, 2016 to RMB321.1 million for the six months ended June 30, 2017, and (ii) other external sources such as bank loans and borrowings from other independent financial institutions and ABSs, and (iii) public equity and debt issuance. For the remainder of 2017, in addition to the existing funding sources, we also plan to enter the PRC debt capital market by issuing corporate bonds. Specifically, we applied to the Shanghai Stock Exchange in September 2017 for a proposed private placement of corporate bonds, which is currently under review by the Shanghai Stock Exchange. We also expect to utilize net proceeds from the Global Offering. For details, see “Future Plans and Use of Proceeds.” For 2018, in addition to the existing funding sources, we plan to further expand our access to the international capital market through the issuance of corporate bonds, syndicated loans or ABSs. Based on the foregoing funding plan, we believe we will generate sufficient cash to meet our working capital requirements.

The funding costs associated with our loans from Bitauto Group may be lower than the market levels, but as of June 30, 2017, our loans from Bitauto Group is insignificant and only represented 3.3% of our total indebtedness (excluding Preferred Shares). Our loans guaranteed by Bitauto Group, representing 9.6% of our total indebtedness (excluding Preferred Shares) as of June 30, 2017. Such guarantees will be discharged as of Listing, and we do not expect our funding costs to be significantly different going forward.

Proceeds from Issuance of Preferred Shares

During the Track Record Period, we raised an aggregate of approximately RMB7.1 billion in cash from multiple issuances of Preferred Shares to Tencent, JD.com, Baidu, Bitauto, through their respective investment vehicles, and other investors. On the Listing Date, all Preferred Shares will be automatically converted into our ordinary shares. For discussions of issuance of Preferred Shares, see “History and Corporate Structure—Pre-IPO Investments.”

Bank Loans and Borrowings from Other Independent Financial Institutions

As of June 30, 2017, we had approximately RMB12.1 billion of available credit facilities from banks and other independent financial institutions, of which approximately RMB11.2 billion had been drawn down as of the same date. The expiry dates of the remaining RMB953.0 million credit facilities range from June 2018 to April 2020. Some of these credit facilities are secured, including RMB1.9 billion guaranteed by certain associates of Bitauto. With respect to the outstanding balance of the amount already drawn down, approximately RMB5.4 billion will mature in the second half of 2017, approximately RMB1.2 billion will mature in 2018, approximately RMB2.1 billion will mature in 2019, and the remainder will mature by 2020. As of September 30, 2017, we had RMB5.2 billion of unused credit facilities, the expiry dates of which range from December 2017 to July 2018.

BUSINESS

We will continue to strengthen our relationship with financial institution in order to obtain bank loans and borrowings that we need to support our business.

ABSs

China's ABS market is an important financing channel for auto finance providers. After China implemented a registration-based regulatory regime for ABS offering to replace the previous approval-based regulatory regime in 2014, an increasing number of auto finance providers have taken advantage of ABS offering to reduce their financing costs. The amount of auto finance ABSs issued on the inter-bank market and exchange market in China increased from RMB7.8 billion in 2014 to RMB64.5 billion in 2016, representing a CAGR of 187.6%. The amount of auto finance ABSs issued on the inter-bank market and exchange market in China during the first half of 2017 reached over RMB45.0 billion.

We originated ABSs during the Track Record Period. We securitized finance receivables arising from our self-operated financing business through PRC trust plans in exchange for cash proceeds. Under the trust plans, we have transferred the economic benefits in these finance receivables to a trust firm acting as trustee, which then issued senior tranche debt securities to investors and subordinate tranche debt securities to us. If the collateralized assets do not generate sufficient funds to meet the payment obligations of the trust, we would not only need to absorb losses as the holder of the subordinate tranche, but also make up for the shortage from our own funds to repay the principal and interest of all senior tranche debt securities in full. As of June 30, 2017, the carrying amount of the ABSs we had originated is RMB7.0 billion, including those offered publicly and listed on the Shanghai Stock Exchange and those offered through private placements, and the corresponding amount of finance receivables that we collateralized in securitization transactions was RMB8.4 billion.

As of June 30, 2017, the aggregate carrying amount of our publicly offered ABSs was RMB2.6 billion. The maturity dates of the publicly offered ABSs range from December 2017 to March 2019, and the interest rates of the publicly offered ABSs range from 3.8% to 6.8%.

BUSINESS

The following table sets forth some of the material terms of our publicly offered ABSs. The prospectuses for these ABS offerings are publicly available at the official website of Shanghai Stock Exchange (www.sse.com.cn). We monitor and disclose the past due status of the overall finance receivables but not the past due status of the collateralized finance receivables specifically. For more discussions of our asset quality, see “—Risk Management and Internal Control—Credit Risk Management—Asset Quality Information.”

<u>ABS Plan</u>	<u>Issuer</u>	<u>Rating (Agency)</u>	<u>Issue/Maturity Dates</u>	<u>Interest Rates</u>	<u>Issuance Amounts</u>
Guojin-Yixin I	Sinolink Securities Co., Ltd.	<i>Senior:</i> AAA(United Credit Ratings Co., Ltd.) <i>Subordinate:</i> N/A	<i>Senior:</i> Issue Date: 1/29/2016 Estimated Maturity Date: 12/8/2017 Statutory Maturity Date: 12/10/2020 <i>Subordinate:</i> Issue Date: 1/29/2016 Estimated Maturity Date: 12/10/2018 Statutory Maturity Date: 12/10/2020	<i>Senior:</i> 4.74% <i>Subordinate:</i> N/A	<i>Senior:</i> RMB400,000,000 <i>Subordinate:</i> RMB56,000,000
Guojin-Yixin II	Sinolink Securities Co., Ltd.	<i>Senior:</i> AAA(United Credit Ratings Co., Ltd.) <i>Subordinate:</i> N/A	<i>Senior:</i> Issue Date: 3/30/2016 Estimated Maturity Date: 2/14/2019 Statutory Maturity Date: 2/14/2021 <i>Subordinate:</i> Issue Date: 3/30/2016 Estimated Maturity Date: 2019/2/14 Statutory Maturity Date: 2/14/2021	<i>Senior:</i> 4.57% <i>Subordinate:</i> N/A	<i>Senior:</i> RMB424,000,000 <i>Subordinate:</i> RMB63,000,000

BUSINESS

ABS Plan	Issuer	Rating (Agency)	Issue/Maturity Dates	Interest Rates	Issuance Amounts
Guojin-Yixin III	Sinolink Securities Co., Ltd.	<i>Senior:</i> AAA(United Credit Ratings Co., Ltd.) <i>Subordinate:</i> N/A	<i>Senior:</i> Issue Date: 7/5/2016 Estimated Maturity Date: 7/13/2018 Statutory Maturity Date: 6/13/2021 <i>Subordinate:</i> Issue Date: 7/5/2016 Estimated Maturity Date: 6/13/2019 Statutory Maturity Date: 6/13/2021	<i>Senior:</i> 4.48% <i>Subordinate:</i> N/A	<i>Senior:</i> RMB640,000,000 <i>Subordinate:</i> RMB122,000,000
Guangda-Yixin I	Everbright Securities Asset Management Co., Ltd.	<i>Senior:</i> AAA (China Chengxin Securities Rating Co., Ltd.) <i>Subordinate:</i> N/A	<i>Senior:</i> Issue Date: 8/19/2016 Estimated Maturity Date: 6/27/2018 Statutory Maturity Date: 6/27/2019 <i>Subordinate:</i> Issue Date: 8/19/2016 Estimated Maturity Date: 6/27/2019 Statutory Maturity Date: 6/27/2019	<i>Senior:</i> 4.49% <i>Subordinate:</i> N/A	<i>Senior:</i> RMB488,000,000 <i>Subordinate:</i> RMB73,000,000

BUSINESS

<u>ABS Plan</u>	<u>Issuer</u>	<u>Rating (Agency)</u>	<u>Issue/Maturity Dates</u>	<u>Interest Rates</u>	<u>Issuance Amounts</u>
Zhongtai-Yixin I	Zhongtai Securities Co., Ltd.	<i>Senior A:</i> AAA(United Credit Ratings Co., Ltd.) <i>Senior B:</i> AA(United Credit Ratings Co., Ltd.) <i>Subordinate:</i> N/A	<i>Senior A:</i> Issue Date: 10/18/2016 Estimated Maturity Date: 9/27/2018 Statutory Maturity Date: 12/27/2020 <i>Senior B:</i> Issue Date: 10/18/2016 Estimated Maturity Date: 12/27/2018 Statutory Maturity Date: 12/27/2020 <i>Subordinate:</i> Issue Date: 10/18/2016 Estimated Maturity Date: 12/27/2018 Statutory Maturity Date: 12/27/2020	<i>Senior A:</i> 3.8% <i>Senior B:</i> 6% <i>Subordinate:</i> N/A	<i>Senior A:</i> RMB1,010,000,000 <i>Senior B:</i> RMB60,000,000 <i>Subordinate:</i> RMB124,000,000
Zhongtai-Yixin II	Zhongtai Securities Co., Ltd.	<i>Senior A:</i> AAA(United Credit Ratings Co., Ltd.) <i>Senior B:</i> AA(United Credit Ratings Co., Ltd.) <i>Subordinate:</i> N/A	<i>Senior A:</i> Issue Date: 3/29/2017 Estimated Maturity Date: 12/27/2018 Statutory Maturity Date: 3/27/2022 <i>Senior B:</i> Issue Date: 3/29/2017 Estimated Maturity Date: 3/27/2019 Statutory Maturity Date: 3/27/2022 <i>Subordinate:</i> Issue Date: 3/29/2017 Estimated Maturity Date: 3/27/2020 Statutory Maturity Date: 3/27/2022	<i>Senior A:</i> 5.2% <i>Senior B:</i> 6.78% <i>Subordinate:</i> N/A	<i>Senior A:</i> RMB1,751,000,000 <i>Senior B:</i> RMB117,000,000 <i>Subordinate:</i> RMB221,000,000

BUSINESS

The following table sets forth the carrying amount of each tranche of the publicly offered ABSs we had originated and the corresponding amount of finance receivables that we collateralized in securitization transactions as of June 30, 2017.

<u>ABS Plan</u>	<u>As of June 30, 2017</u>	
	<u>Carrying Amounts of ABS</u>	<u>Carrying Amounts of Corresponding Securitized Finance Receivables</u>
	<u>(RMB)</u>	<u>(RMB)</u>
Guojin-Yixin I	66,185,400	156,887,013
Guojin-Yixin II	100,089,000	198,159,835
Guojin-Yixin III	295,000,000	406,113,239
Guangda-Yixin I	169,264,000	293,272,142
Zhongtai-Yixin I	534,296,000	748,183,085
Zhongtai-Yixin II	1,400,307,900	1,610,162,476

The following table sets forth the carrying amount of each tranche of the publicly offered ABSs we had originated and the corresponding amount of finance receivables that we collateralized in securitization transactions as of December 31, 2016.

<u>ABS Plan</u>	<u>As of December 31, 2016</u>	
	<u>Carrying Amounts of ABS</u>	<u>Carrying Amounts of Corresponding Securitized Finance Receivables</u>
	<u>(RMB)</u>	<u>(RMB)</u>
Guojin-Yixin I	159,912,800	235,683,099
Guojin-Yixin II	236,000,000	296,427,940
Guojin-Yixin III	458,000,000	574,999,961
Guangda-Yixin I	316,176,000	415,523,640
Zhongtai-Yixin I	851,032,000	1,003,638,819

As of June 30, 2017, the carrying amount of ABSs offered through private placements was RMB4.4 billion, with their maturity dates ranging from May 2018 to June 2019 and their interest rates primarily ranging from 4.3% to 6.2%, except for an aggregate of RMB505.2 million carrying amount with interest rate ranging from 7.5% to 10.0%, which only accounts for 3.0% of our total borrowings.

We currently do not enter into derivative financial instruments to hedge our interest rate exposure with terms lower than borrowing from banks and financial institutions.

Loans from Bitauto Group

As of June 30, 2017, we had RMB583.8 million of outstanding loans directly or indirectly from Bitauto Group. All these loans are unsecured and payable on demand with more favorable terms than loans obtained from independent third parties. No loans or guarantees provided by, or granted to, Bitauto Group or its associates will be outstanding as of the Listing Date. For discussions of financial support from the Controlling Shareholders, see “Relationship with Our Controlling Shareholders—Independence from Controlling Shareholders—Financial Independence.”

We will repay all such borrowings prior to the Listing.

DATA ANALYTICS CAPABILITIES

Since our inception, we have been focusing on building our data analytics capabilities and have devoted significant capital and other resources. Leveraging our consumer and automobile account

BUSINESS

systems, we are able to analyze a wide range of information pertinent to a consumer's creditworthiness as reflected in his or her profile from a 360-degree view. We enhance our data analytics capabilities by building various models to analyze data and improve algorithms to be tailored to specific tasks under different scenarios. Currently, our data analytics capabilities are primarily applied in our anti-fraud system and credit scoring system to assist the credit assessment procedures.

Our sophisticated anti-fraud system can automatically analyze multi-dimensional consumer information to promptly evaluate fraud exposure. The system checks and processes against various data sources to identify whether the consumer is likely associated with fraudulent or suspicious activities. Additionally, it is regularly updated with past fraud account information and enhanced with rule-based detection technology. We leverage our massive data assets to identify emerging fraudulent schemes, scams, trends, threats, and criminal organizations targeting online financing services.

Our automated credit scoring system also relies on our data analytics capabilities. Our data analytics specialists have been developing and improving the algorithm that runs the credit scoring system. By assigning different weights to multiple variables, the credit scoring system is able to return a score which can be used as one of the factors to assess an applicant.

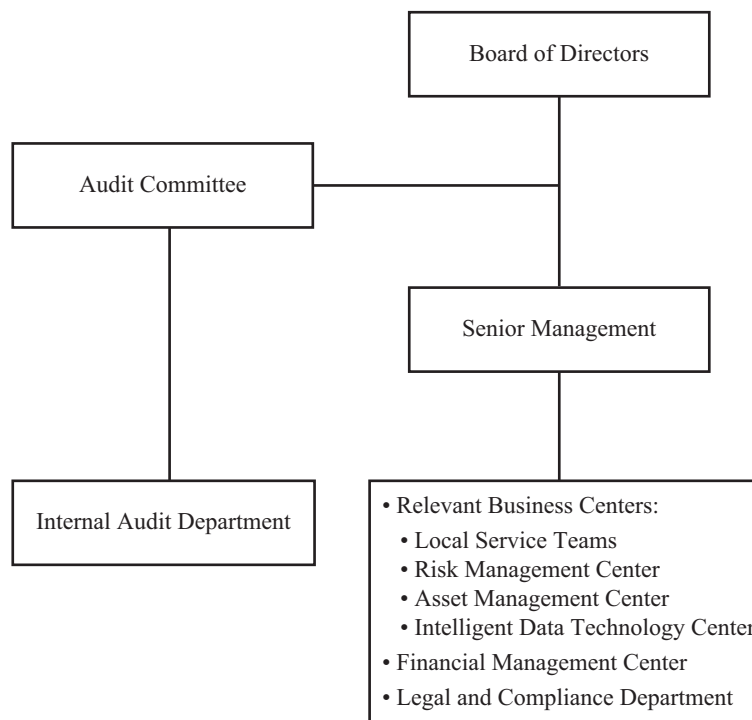
RISK MANAGEMENT AND INTERNAL CONTROL

We have developed comprehensive risk management and internal control systems to address the risks that we are exposed to. We are subject to a variety of risks, primarily liquidity risk, operational risk and credit risk, among which we believe credit risk is our principal exposure. We also continue to monitor and review the operation and performance of our risk management and internal control systems, and adapt to the changes in market conditions, our product and service offerings, and the regulatory environment.

Leveraging our consumer and automobile account systems, our credit assessment system enables us to effectively carry out our self-operated financing business and our loan facilitation services based on the consumer creditworthiness and the subject automobiles. For discussions of our consumer and automobile account system, see “—IT Infrastructure.”

Risk Management and Internal Control Structure

The following chart shows the risk management and internal control structure of the Group.



Board of Directors

The Board of Directors is ultimately responsible for our overall risk management and internal control. It oversees risk management functions directly and also through its audit committee. The Board of Directors will assess the effectiveness of our risk management and internal control system at least once a year and formally report the results of such assessment to shareholders in the corporate governance report.

Audit Committee

The audit committee of the Board of Directors is primarily responsible for monitoring our risk management and internal control through independent internal audit department, overseeing the implementation of our internal control policies and procedures, mandating external auditors, supervising internal investigation, and managing financial reporting and related disclosures. The audit committee reports to and can make recommendations to the Board of Directors. The chairman of the audit committee is Mr. Chester Tun Ho Kwok (郭淳浩), and other two members are Mr. Tin Fan Yuen (袁天凡) and Ms. Lily Li Dong (董莉). For detailed introduction to the members of the audit committee, please see the section headed “Directors and Senior Management.”

Internal Audit Department

Our internal audit department oversees our risk management and internal control system under the supervision of the audit committee by performing independent audit on the effectiveness and completeness of our risk management and internal control system. It operates independently from our business centers and departments. The internal audit department identifies any material risks and

BUSINESS

makes recommendations regarding the improvement and rectification plans and measures. It conducts follow-up audits with regard to the identified issues to ensure the planned remedial measures have been duly implemented. The internal audit department directly reports its audit findings and follow-up status to the audit committee on a quarterly basis.

Senior Management

Our senior management is responsible for the overall implementation of risk management and internal control plans and policies determined by the Board of Directors and managing the risks in connection with all of our business operations. Our senior management identifies, assesses and takes measures against any significant risks that we are facing. Our senior management also reviews our risk assessment report on a quarterly basis and reports to the Board of Directors on a semi-annual basis.

Relevant Business Centers

Local Service Teams

Our service consultants are our first line of defense in our risk management and internal control. In respect of risk management, our service consultants are responsible for face-to-face communications to form preliminary judgment on the creditworthiness of a potential consumer and collecting key information and required documents for further assessment. In respect of operational risks, our sales center conducts comprehensive and periodic training to our service consultants regarding our risk management policies and risk control process to ensure that they are fully aware of, acknowledge and execute our risk management and internal control process rigorously.

Risk Management Center

Our risk management center formulates and implements risk management policies through two separate functions which are risk management and credit assessment to realize the segregation of duties. The risk management center will periodically review policies and processes to make sure they adapt to our business development and the prevailing market environment.

Asset Management Center

Our asset management center is responsible for post-financing management in our self-operated financing business. The asset management center monitors the asset portfolios on a daily basis and takes necessary measures to collect default assets.

Intelligent Data Technology Center

Our intelligent data technology center develops information technology instruments to establish and maintain the internal control procedures, and periodically upgrades our information technology system. The intelligent data technology center also provides information technology solutions for credit risk management, operational risk management and data analysis by leveraging our data analytics capability and tailored risk management process.

Financial Management Center

Our financial management center is responsible for (i) monitoring and maintaining our cash flow at an appropriate level, (ii) analyzing our asset liability structure, liquidity status and changes in

BUSINESS

funding costs, and (iii) executing liquidity risk management procedures. In respect of managing operational risks, the financial management center also ensures that all necessary internal approvals have been obtained prior to the settlement process of each transaction.

Legal and Compliance Department

Our legal and compliance department is responsible for reviewing and drafting the legal documents for our products and transactions, preparing the relevant compliance policies, and handling litigations.

Liquidity Risk Management

Liquidity risk is the risk that cash and cash equivalents are insufficient to meet liabilities as they fall due. We use a broad range of financing instruments such as shareholders equity, bank loans and facilities, and public and private ABSs to maintain diverse and cost-effective funding sources. For discussions of our funding sources, see “—Source of Funds.” We have prudently managed our balance sheet to prevent balance or maturity mismatches of assets and liabilities so as to minimize our exposure to liquidity risk. During the Track Record Period, we have been able to maintain what we believe to be a satisfactory level of matching of our assets and liabilities. For a discussion of our liquidity risk, see “Risk Factors—Risks Relating to Our Business and Industry—Our expansion plans and financial performance will be materially and adversely affected by our level of indebtedness or our inability to match the maturity profile of our assets and liabilities.”

We manage our medium and long-term liquidity risk primarily through the matched funding approach. We aim to identify the possible structural liquidity risk arising from maturity mismatch of our assets and liabilities at an early stage and evaluate the possible countermeasures to ensure our long-term net liquidity. The resulting matched funding profile set forth below shows the financial assets in comparison with the financial liabilities, based on contractual maturities, and our net liquidity gap as of dates indicated:

	<u>Less than 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000
At December 31, 2014			
Financial assets	240,131	—	240,131
Financial liabilities	89,653	—	89,653
Net Liquidity Gap	150,478	—	150,478
At December 31, 2015			
Financial assets	3,282,691	775,439	4,058,130
Financial liabilities	1,072,760	69,583	1,142,343
Net Liquidity Gap	2,209,931	705,856	2,915,787
At December 31, 2016			
Financial assets	12,237,809	9,021,246	21,259,055
Financial liabilities	10,163,837	3,556,607	13,720,444
Net Liquidity Gap	2,073,972	5,464,639	7,538,611
At June 30, 2017			
Financial assets	14,770,437	12,674,552	27,444,989
Financial liabilities	14,470,888	4,975,139	19,446,027
Net Liquidity Gap	299,549	7,699,413	7,998,962

BUSINESS

The Group's Preferred Shares and financial assets at fair value through profit or loss are excluded from the above analysis, as they are managed on a fair value basis rather than by maturity dates.

In addition, we also closely monitor any short term or mid-to-long term payment obligations arising from each of our funding facilities in terms of the size, maturity date and pricing through a treasury management system so that we can prepare in advance for payment arrangements.

As of June 30, 2017, we had net current liabilities of RMB1.5 billion, as compared to the net current assets of RMB525.0 million as of December 31, 2016. It was primarily because we incurred more short-term borrowings to fund the expansion of our financing lease services. As of September 30, 2017, we continued to have net current liabilities of RMB4.2 billion.

Operational Risk Management

Operational risk is the risk resulting from inadequate internal controls and systems, human errors or external events. Our Board of Directors oversees and our senior management manages and controls the operational risk of the Group.

We have implemented the following measures to monitor and control our operational risk and strengthen our operational risk management:

- through our risk management and internal control systems, we identify various related risks, formulate and implement internal control policies, and continuously improve risk control measures;
- through regular and ad hoc internal audits, we check and ensure the established operation procedures are effectively implemented;
- we develop information technology instruments to implement risk management and internal control procedures, and periodically upgrade our information technology system;
- we formulate and adopt standard form business contracts for our operations, and make sure each contract has been properly approved and authorized prior to the signing; and
- we periodically review, evaluate and improve our operational risk management and internal control systems.

Credit Risk Management

Our credit assessment process focuses on a consumer's ability and willingness to pay its financial obligations and we have developed our data-driven credit assessment system, which is tailored to our business model. Our credit assessment and approval policies are similar across our service categories or product lines. While applicants may choose different financing product offerings based on their various financing needs, all applicants go through a similar credit assessment and approval process governed by similar policies and receive credit decisions, regardless of the product lines being applied for. However, most of our financing lease contracts have been outstanding for a relatively short period and are not fully seasoned. See "Risk Factors—Risks Relating to Our Business and Industry—Most of our financing lease contracts have been outstanding for a relatively short period and are not fully seasoned. The asset quality of our self-operated financing business may further deteriorate as the finance receivables season or as our product mix evolves." We implement similar credit risk management measures across our service categories or product lines, by actively monitoring historical past due ratio and continuously improving our data analytics capabilities, as well as

executing post-financing management and loss recovery measures by leveraging the vehicle telematics systems installed on all automobiles financed by us. For discussions of our post-financing management measures, see “—Risk Management and Internal Control—Credit Risk Management—Post Financing Management.” For discussions of our loss recovery measures, see “—Risk Management and Internal Control—Credit Risk Management—Loss Recovery.”

Credit Assessment and Approval Procedures

Our credit assessment and approval procedures include: assessment and approval, request of settlement, and settlement. During the Track Record Period, the overall rejection rate of our assessment and approval process was approximately 30%, which was similar across our service categories or product lines.

Assessment and Approval

We use a holistic approach to implement our assessment and approval procedures, which consist of automatic preliminary assessment, screening, and manual assessment.

When an applicant submits an application through our online channels, we perform automated preliminary assessment based on the applicant’s key information such as ID card and cell phone number through our anti-fraud system and credit scoring system. In the meantime, we will also check the applicant’s credit report through the PBOC Credit Reference Center and investigate any criminal track record from the public security system. The automatic assessment will yield a preliminary result on the creditworthiness of the applicant, based on which we will decide whether further manual assessment process is required. Our anti-fraud system and the credit scoring system collectively encompass over 40 models that analyze massive data including user profile, behavior data, credit data, consumption data and other information relating to the credit worthiness of applicants, as well as the specifics and valuation of the automobiles that the applicant is purchasing and the amount of down payment. Some of these models are jointly developed with our shareholders to leverage our proprietary data to render the applicant’s creditworthiness. For discussions of the anti-fraud system and the credit scoring system, see “—Data Analytics Capabilities.” During the second quarter of 2017, the average rejection rate from our automatic preliminary assessment was approximately 6%.

When an applicant submits an application through our network dealer, a service consultant will meet and communicate with the applicant face to face to form a preliminary judgment on the creditworthiness of the applicant, collect key information and required documents, and submit them to the Risk Management Center for assessment. We would conduct an automatic preliminary assessment based on the information and documents provided, as screening is not a standalone procedure during which we make credit assessment decisions.

After evaluating the results of automatic preliminary assessment, we will decide if additional information is needed to further assess the creditworthiness of the applicant. The information and documents we may need cover (i) information of the automobile, (ii) the credit profile of the applicant or the guarantor(s), if necessary, (iii) the key leasing term including proper down-payment ratio, and (iv) the completeness of the requested supporting documents and certificates. In addition, we may conduct telephone interviews or home visits in the manual assessment process, if necessary. Leveraging our data analytics capabilities, we are able to complete thorough credit assessment and approval within a relatively short period of time to maintain the competitiveness of our risk management. During the second quarter of 2017, the average rejection rate from our screening and manual assessment was approximately 25%.

BUSINESS

Request of settlement

We will not process the request of settlement from an applicant unless each of the following requirements has been fulfilled:

- The automobile purchase agreement must be duly executed by the parties named in the approved application package.
- The invoice must be duly stamped. The transaction amount and the VIN number on the invoice must be consistent with our records in the system.
- A valid repayment account must be available.

Settlement

After a request of settlement that satisfies our requirements has been duly processed, we will initiate the procedures for settlement. We will not settle for an applicant unless each of the following requirements has been fulfilled:

- All the legal documents and agreements must have been duly signed with the witness by our own staff or the staff of the relevant dealership store and a photo of the onsite signing has been uploaded to our system.
- The underlying automobiles have been properly pledged to us, if necessary.
- The required insurance policy and the vehicle telematics systems are in place.

Post-Financing Management

Our post-financing management process includes the following steps:

- Our post-financing management team will make welcome calls to our new consumers within 15 days after the settlement to understand their experience and identify any potential risk of delinquency.
- Our post-financing management team monitors the status of GPSs installed on the subject automobiles on a daily basis.
- For the consumers whose repayments are on schedule, the post financing service team will send reminders via text messages three days prior to the repayment due dates.

If any delinquency arises or we observe any abnormal behavior, we will consider initiating our collection process, which includes the following:

- Our customer service team or outsourced call center team will remind the consumer of the repayment and give a collection notice within 10 days after the due date.
- Our outsourced local collection specialists may conduct an on-site collection if there is any further delay;
- In the case of serious delinquency, based on the terms of the contract, we may investigate, monitor and track the automobile to re-possess the automobile directly and implement other necessary measures within the legal boundaries; and
- Ultimately, we reserve the right to take legal action against the delinquent consumer.

BUSINESS

Loss Recovery

Our asset management center is responsible for repossessing automobiles arising from overdue payments and disposing of such automobile via auction, consignment or re-acquisition. We will recover, minimize or mitigate our losses through such measures.

After our asset management center collects the automobile with the support of outsourced local collection specialists, it will assess the automobile condition and obtain proper third-party appraisal reports with respect to the automobile. We will enter into direct negotiation with the consumer to ascertain the possibility of re-acquisition of the automobile by the consumer. If the consumer waives the re-acquisition or does not respond in time, the asset management center may assess the disposal value based on the relevant materials such as the used automobile appraisal reports. After the licenses and compliance status and the residual lease have been confirmed, the asset management center will initiate bidding for the repossessed automobile.

In the event that the financing receivable is overdue for 180 days, we may consider writing off the relevant transaction according to our leased assets impairment policy. Based on our experience during the Track Record Period, we believe that financing receivables overdue for less than 180 days have viable likelihood of being collected, and we believe it is within industry practice to assess and consider writing off finance receivables that are past due for over 180 days. For the six months ended June 30, 2017, we were able to recover RMB10.0 million of finance receivables, or 51% of the total of RMB19.6 million finance receivables that were past due for more than six months as of December 31, 2016.

Asset Quality Information

The following table provides asset quality information of our Group as of December 31, 2014, 2015, and 2016 and as of June 30, 2017, respectively.

	As of December 31,			As of
	2014	2015	2016	June 30, 2017
	(RMB'000)			
Not past due	—	2,861,480	14,178,815	19,270,909
Past due				
Up to 1 month	—	—	110,032	263,170
1 to 3 months	—	—	40,331	74,925
3 to 6 months	—	—	37,584	54,948
Over 6 months	—	—	19,590	45,209
Finance receivables, net	—	2,861,480	14,386,352	19,709,161

BUSINESS

	As of December 31,			As of
	2014	2015	2016	June 30, 2017
	(RMB'000 except for percentage)			
Finance receivables, net	—	2,861,480	14,386,352	19,709,161
Provision for credit losses	—	—	(22,486)	(30,747)
Provision to net finance receivables ratio ⁽¹⁾	—	—	0.16%	0.16%
30+ days past due net finance receivables ⁽²⁾	—	—	97,505	175,082
90+ days past due net finance receivables ⁽³⁾	—	—	57,174	100,157
180+ days past due net finance receivables ⁽⁴⁾	—	—	19,590	45,209
30+ days past due ratio ⁽⁵⁾	—	—	0.68%	0.89%
90+ days past due ratio ⁽⁶⁾	—	—	0.40%	0.51%
180+ days past due ratio ⁽⁷⁾	—	—	0.14%	0.23%
30+ days past due coverage ratio ⁽⁸⁾	—	—	23.1%	17.6%
90+ days past due coverage ratio ⁽⁹⁾	—	—	39.3%	30.7%
180+ days past due coverage ratio ⁽¹⁰⁾	—	—	114.8%	68.0%

Notes:

- (1) Provision for credit losses divided by net finance receivables.
- (2) Net finance receivables that have been past due for over 30 days, which include those past due for 1 to 3 months, 3 to 6 months, and over 6 months.
- (3) Net finance receivables that have been past due for over 90 days, which include those past due for 3 to 6 months and over 6 months.
- (4) Net finance receivables that have been past due for over 6 months.
- (5) 30+ days past due net finance receivables divided by net finance receivables.
- (6) 90+ days past due net finance receivables divided by net finance receivables.
- (7) 180+ days past due net finance receivables divided by net finance receivables.
- (8) Provision for credit losses divided by 30+ days past due net finance receivables.
- (9) Provision for credit losses divided by 90+ days past due net finance receivables.
- (10) Provision for credit losses divided by 180+ days past due net finance receivables.

As of September 30, 2017, our 30+ days past due ratio, 90+ days past due ratio, and 180+ days past due ratio was 1.10%, 0.47% and 0.17%, respectively, and our 30+ days past due coverage ratio, 90+ days past due coverage ratio, and 180+ days past due coverage ratio was 14.8%, 34.6% and 94.1%, respectively.

For the years ended December 31, 2014, 2015 and 2016, and for the six months ended June 30, 2017, we have written off a total of nil, nil, RMB6.6 million and RMB27.1 million of our net finance receivables.

The following table sets forth our 180+ days past due ratio for our financing lease services, in general and as broken down by service categories, as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
180+ days past due ratio	—	—	0.14%	0.23%
Automobile Purchase Financing for Consumers	—	—	0.17%	0.30%
Collateralized Financing for Consumers	—	—	0.04%	0.04%
Inventory Financing for Auto Dealers	—	—	0.00%	0.00%

RESEARCH AND DEVELOPMENT

Our data analytics capabilities have been supported by our robust research and development teams, which encompass across three functional centers: intelligent data technology center, Internet product center, and IT management center.

BUSINESS

The intelligent data technology center is responsible for the research and development as well as the maintenance and operation of core systems supporting major stages of our self-operated financing lease business and loan facilitation service. The intelligent data technology center also develops management systems for the transaction facilitation services and advertising and subscription services and provides data solutions for managing consumer relationship, products, channels, and transaction settlement. The center also handles daily file and management process optimization and enterprise service bus design. Data analytics is a key function of the intelligent data technology center. It develops and optimizes data-driven anti-fraud system and credit scoring system and serves various internal functional units of our Group in their various operations.

The Internet product center develops the transaction platform interface and underlying infrastructure across mobile apps, mobile sites, websites, and other channels. It manages acquisition and management of user traffic, streamlines the transaction support services for both our employees and consumers, and may also contribute to online promotion and marketing. Leveraging our leading position in the online automobile retail transaction market, the Internet product center continues to provide innovative solutions to support our Internet-based operations.

The IT management center is the gatekeeper of our IT infrastructure. It is responsible for the operation and maintenance of our Group's basic Internet capabilities such as load balancing, Internet protocol services, caching and message transmission.

IT INFRASTRUCTURE

Our IT infrastructure integrates our consumer and automobile account systems, business partner management system, and risk management system and various other resources.

Our consumer and automobile account systems reflect our operating philosophy to follow consumers' automobile transaction cycles and automobiles' life cycles. We identify each unique consumer or each unique automobile based on phone number or the VIN number, respectively. Therefore, we are able to efficiently and logically uncover business opportunities through our accumulating knowledge of our consumers and automobiles over time. The more we interact with consumers or engage in automobile transactions, the more capable we are of building long-term relationship with our consumers.

The business partner management system is our comprehensive business operating system that integrates the sales, risk control, operation, post-financing asset management, and various other functions to coordinate our self-operated financing business operations. The system also provides an external interface for merchants, primarily auto dealers. It covers key stages of the self-operated financing business procedures for various functions to collaborate, while auto dealers and other merchants may use the interface to streamline their business communications with us.

The risk management modules primarily include our anti-fraud system and the credit scoring system. For discussions of our anti-fraud system and the credit scoring system, see “—Data Analytics Capabilities.”

We have been investing heavily in procuring and upgrading our state-of-the-art IT infrastructure. For discussions of our research and development, see “—Research and Development.” A reliable and advanced IT infrastructure helps us deliver superior consumer experience, protect our system, and enhance operation efficiency.

BUSINESS

We have implemented a disaster recovery plan that involves hosting our principal IT infrastructure at multiple separate locations in Shanghai, China and Beijing, China. We maintain system redundancy through a real-time data backup mechanism to ensure the reliability of our IT infrastructure. Our platform adopts modular architecture that consists of multiple connected components, each of which can be separately upgraded and replaced without compromising the functioning of other components. We believe our IT infrastructure is highly stable.

We are committed to maintaining a secure infrastructure for our platform. We have built a firewall that monitors and controls incoming and outgoing traffic and will automatically take reactive measures against any threats. We encrypt our data transmission, especially transmission of user data, to ensure confidentiality. We have adopted and implemented a comprehensive set of rules and policies relating to information system to prevent physical and cyberspace security breach. We perform periodic reviews of our IT infrastructure, identifying and mitigating problems that may undermine our system security.

INTELLECTUAL PROPERTY

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. As of September 30, 2017, we had one registered patent, registered copyrights to 24 pieces of software, 89 registered trademarks, (including “易鑫”), and 284 domain names (including *taoche.com*, and *daiquan.com*).

COMPETITION

The online automobile retail transaction market is large yet competitive. We compete against online automobile transaction platforms that connect consumers with various players across the industry value chain, to facilitate automobile and auto-related transactions and provide financing services. We also compete with online auto information platforms that provide automobile and auto-related contents, and offer advertising and subscription services. Moreover, we also face competition from traditional auto finance companies. We believe the key factors for our success in the industry primarily include the ability to attract traffic, efficiently match supply and demand, and implement our omni-channel strategy.

As competition in China’s online automobile retail transaction market intensifies, we believe that we are well positioned to take advantage of opportunities in this growing industry. For additional details regarding competitive landscape of industries in which we operate, see “Industry Overview.”

CUSTOMERS

Due to diversity in the nature of our businesses, we have various customers for our businesses.

For our transaction platform businesses, our customers primarily include auto dealers for transaction facilitation services, consumers and auto finance partners for loan facilitation services, and automakers, auto dealers, auto finance partners, and insurance companies for advertising and subscription services.

For our financing and leasing businesses, customers primarily include consumers.

BUSINESS

Our largest customer accounted for approximately 11.6%, 14.3%, 15.6% and 6.4% of our revenue for the years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2017, respectively. Our top five customers accounted for approximately 36.8%, 44.2%, 34.2% and 14.9% of our revenue for each of the years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2017, respectively. During the year ended December 31, 2015, our second and fourth largest customers from which we derived 13.4% and 1.9% of our revenues, respectively, were Beijing Bitauto Interactive Advertising Co., Ltd. (北京易車互動廣告有限公司) (“**Beijing Bitauto Interactive**”) and C&I Advertising, both of them are subsidiaries of our Controlling Shareholders. Beijing Bitauto Interactive was also one of our five largest customers during the year ended December 31, 2016, responsible for 3.2% of our revenues. Please refer to the section headed “Connected Transactions—Non-Exempt Continuing Connected Transactions” for further details of the advertising services we anticipate continuing to provide to C&I Advertising and Beijing Bitauto Interactive.

Save for the foregoing, during the Track Record Period, none of our Directors, their associates or any shareholders of our Company (who or which to the knowledge of the Directors owned more than 5% of our Company’s issued share capital) had any interest in any of our top five customers.

SUPPLIERS

Our suppliers primarily include auto dealers, which supply us with automobiles primarily for our self-operated financing business, as well as banks and other financial institutions, which primarily fund our self-operated financing business. To a lesser extent, our suppliers also include online traffic suppliers, data suppliers, hardware vendors, used car valuation service providers, and auto asset management professionals.

We are dedicated to work closely with our top suppliers to strengthen our relationships with them. Purchases from our five largest suppliers excluding banks, financial institutions and ABS holders for the years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2017 accounted for approximately 54.8%, 77.9%, 50.4% and 50.5% of our total purchase amount during those periods, respectively. Our largest supplier for the years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2017 accounted for approximately 33.3%, 62.1%, 23.0% and 15.9% of our total purchase amount during those periods, respectively. During 2015, our two largest suppliers, namely Beijing Bitauto Interactive (北京易車互動) and Beijing Bitauto Internet Information Co., Ltd. (北京易車互聯信息技術有限公司), were subsidiaries of our Controlling Shareholder and accounted for 62.1% and 7.2% of our total purchase amount in 2015, respectively. Both of these associates of our Controlling Shareholders, which provided online traffic, advertising and other related support during the year, have since ceased to be our suppliers.

Save for the foregoing, during the Track Record Period, none of our Directors, their associates or any shareholders of our Company (who or which to the knowledge of the Directors owned more than 5% of the Company’s issued share capital) had any interest in any of our five largest suppliers.

BUSINESS

EMPLOYEES

As of June 30, 2017, we had over 4,600 full-time employees, majority of whom were based in China, primarily at our headquarters in Shanghai, with the rest based in Beijing, Chengdu, Zhengzhou, Shenzhen and various other cities in China. The following table sets forth the number of our employees by function as of June 30, 2017:

<u>Function</u>	<u>Number of Employees</u>	<u>% of Total</u>
Sales and marketing	3,562	77%
Risk management	276	6%
Research and development	529	11%
General administration	266	6%
Total	<u>4,633</u>	<u>100%</u>

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our retention strategy, we offer employees competitive salaries, performance-based cash bonuses and other incentives.

We primarily recruit our employees through recruitment agencies, on-campus job fairs, industry referrals, and online channels. In addition to on-the-job training, we have adopted a training policy, pursuant to which management, technology, regulatory and other training are regularly provided to our employees by internally sourced speakers or externally hired consultants. Our employees may also attend external trainings upon their supervisors' approvals.

As required by PRC laws and regulations, we participate in housing fund and various employee social security plans that are organized by applicable municipal and provincial government authorities, including housing, pension, medical, work-related injury and unemployment benefit plans, under which we make contributions at specified percentages of the salaries of our employees. We also purchase commercial health and accidental insurance coverage for our employees. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business. We have adopted and plan to grant share-based incentive awards to our eligible employees in the future to incentivize their contributions to our growth and development.

Certain of our subsidiaries in China have labor unions and our employees may voluntarily join the relevant labor unions. We believe that we maintain a good working relationship with our employees and we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

INSURANCE

In order to operate an automobile obtained through our financing lease or operating lease, the lessee is required under applicable laws and regulations to obtain mandatory traffic accident insurance. Consistent with such regulatory requirements and standard practice in the industry, we also require under the terms of our leases that our consumers should purchase additional commercial insurance to our satisfaction and name us as first beneficiary. The customers are required to pay all insurance premiums for these coverages.

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC law. We do not maintain key man life insurance, insurance policies covering damages to our network infrastructures or information

BUSINESS

technology systems or any insurance policies for our properties. We also do not maintain insurance policies against risks relating to the Contractual Arrangements.

There can be no assurance that the insurance maintained by our financing lease or operating lease customers will adequately cover us and our assets against all risks, that lessees will at all times comply with their obligations to maintain insurance, that any particular claim will be paid, that financing lease or operating lease customers will be able to obtain adequate insurance coverage at commercially reasonable rates in the future or that our contingent or other insurance policies will adequately cover any areas not adequately covered by our insurance policies.

During the Track Record Period, we did not make any material insurance claims in relation to our business. See “Risk Factors—Risks Relating to Our Business and Industry—We may be subject to product liability claims if people or properties are harmed by the automobiles transacted on our platform.” for details.

PROPERTIES

As of the Latest Practicable Date, we operated our businesses primarily through 116 leased properties in Shanghai, Beijing, Zhengzhou, Shenzhen and various other cities in China. Our leased properties in China serve as our offices, call centers and server centers. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are principally used as office premises for our business operations. We believe that there is sufficient supply of properties in China, and thus we do not rely on existing leases for our business operations.

As of the Latest Practicable Date, our leased properties have a total gross floor area of over 22,000 square meters, and range from a gross floor area of up to 1,500 square meters. The relevant lease agreements have lease expiration dates ranging from September 2017 to June 2023, some of which have renewal options. We are in the process of renewing the lease agreements that are due to in September and October 2017.

As of the Latest Practicable Date, landlords of some of our leased properties in China have not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us. Consequently, these leases may not be valid, and there are risks that we may not be able to continue to use such properties. For discussions of risks relating to property interest defects, see “Risk Factors—Certain of our leased property interests may be defective and we may be forced to relocate operations affected by such defects, which could cause significant disruption to our business and have a negative impact on our operation and financial results.”

Pursuant to the applicable PRC laws and regulations, property lease contracts shall be registered with the relevant local branches of the PRC Ministry of Housing and Urban Development. As of the Latest Practicable Date, we had not completed lease registration for a majority of the properties we leased in China, primarily due to the difficulty of procuring the relevant landlords’ cooperation to register such leases. The registration of such leases will require cooperation of our landlords. We will take all practicable and reasonable steps to ensure that such leases are registered. Our PRC Legal Advisor has advised us that the lack of registration for the lease contracts will not affect the validity of such lease contracts under PRC law, and has also advised us that a maximum penalty of RMB10,000 may be imposed for each incident of noncompliance of lease registration requirement. The estimated total maximum penalty is RMB1,030,000. We are in the process of further liaising with the relevant landlords and will endeavor to register the leases as soon as practicable.

BUSINESS

As of June 30, 2017, each of our property interests had a carrying amount less than 15% of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all our Group's interests in land or buildings.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We do not operate any automobile manufacturing, warehousing, displaying and maintenance and repair facilities. We cooperate with Yixin-branded experience shops and other auto dealer shops owned by Independent Third Parties. Therefore, we are not subject to significant health, work safety, social or environmental risks. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after consultation with our legal advisor, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, work safety, social or environmental regulations.

LEGAL PROCEEDINGS AND COMPLIANCE

We initiate legal proceedings from time-to-time in the ordinary course of our business, primarily to recover amounts owed to us by our customers. During the Track Record Period, we initiated numerous legal proceedings to recover overdue payments from consumers, each for an immaterial amount. During the Track Record Period, we were not involved in any material litigation as the defendant.

Taking into account our experience and track record in handling default payments, we are of the view that these legal proceedings initiated by us do not have any significant impact or pose any material risk to our business. As of the Latest Practicable Date, there are no litigation or arbitration proceedings brought by us, or pending or threatened against us or any of our Directors, that could have a material adverse effect on our financial condition or results of operation.

BUSINESS

LICENSES AND PERMITS

Our PRC Legal Advisor has advised that as of the Latest Practicable Date, we had obtained all requisite licenses, permits, approvals and certificates from the relevant government authorities that are material for our business operations in China, except as disclosed in this prospectus. The following table sets forth details of our material licenses and permits.

<u>License/Permit</u>	<u>Holder</u>	<u>Issuing Authority</u>	<u>Issuance Date</u>	<u>Expiry Date</u>
Telecommunications and Information Service Business Operating License	Beijing Yixin Information Technology Co., Ltd.	Beijing Communications Administration	September 9, 2015	September 9, 2020
Reply of Shanghai Municipal Commission of Commerce to Approve Establishment of Shanghai Yixin Financing Lease Co., Ltd.	Shanghai Yixin Financing Lease Co., Ltd.	Shanghai Municipal Commission of Commerce Administration	August 1, 2014	August 11, 2044
Proof of the Record-Filing for Foreign Investment Enterprise in China (Tianjin) Pilot Free Trade Zone	Tianjin Hengtong Jiahe Financing Lease Co., Ltd.	Commission of Tianjin Port Area of China (Tianjin) Pilot Free Trade Zone	September 1, 2015	May 17, 2045

AWARDS AND RECOGNITION

During the Track Record Period, we have received recognition for our innovation in China's online automobile transaction industry. Some of the significant awards and recognition we have received are set forth below.

<u>Awards/Recognition</u>	<u>Year</u>	<u>Awarding Agency</u>
Outstanding Online Automobile Transaction Platform 2017 (2017卓越互聯網汽車交易平台)	2017	China Asset Management Annual Conference 2017 (2017中國資產管理年會)
China's Most Influential Online Transaction Platform (中國最具影響力互聯網交易平台)	2017	China Financial List (2017) (2017中國金融風雲榜)
Annual Excellent Deal Award (年度優秀交易獎)	2017	China Asset Securitization Forum Annual Meeting (2017) (2017中國資產證券化論壇年會)
China Used Car Finance Innovation Achievement Award (2015-2016) (2015-2016中國二手車金融創新成就獎)	2016	China Automobile Dealers Association (中國汽車流通協會)
China Used Car Convention and First Brand Certified Used Car Show Contribution Award (2016) (2016中國二手車大會暨首屆品牌認證二手車展傑出貢獻獎)	2016	China Automobile Dealers Association (中國汽車流通協會)
Influential Brand in China's Used Car Market (2015-2016) (2015-2016中國二手車市場影響力品牌)	2016	China Automobile Dealers Association (中國汽車流通協會)

CONTRACTUAL ARRANGEMENTS

BACKGROUND TO THE CONTRACTUAL ARRANGEMENTS

Our Company operates an online automobile transaction platform in China and is primarily engaged in providing automobile transaction platform and self-operated automobile financing services, through its online channels, transaction service teams, and auto dealer cooperative network across China. The operation of mobile apps and the provision of online information services (the “**Relevant Businesses**”) are subject to foreign investment restrictions under PRC law.

Our Consolidated Affiliated Entity is Beijing Yixin, which was established under the laws of the PRC. We do not directly own any equity interest in Beijing Yixin, which is currently held by Mr. Bo Han (韓波), Shenzhen Tencent Industry Investment Fund Co., Ltd., (深圳市騰訊產業投資基金有限公司) (“**Shenzhen Tencent**”), Beijing Jiasheng Investment Management Co., Ltd. (北京甲盛投資管理有限公司) (“**Beijing JD**”) as to 55.7%, 26.6% and 17.7%, respectively (the “**Relevant Shareholders**”). Shenzhen Tencent and Beijing JD are both domestic PRC companies and Mr. Han is a PRC national.

Beijing Yixin was established on January 9, 2015. The main business of Beijing Yixin is the provision of Internet information services through mobile-based apps including *Taoche* (淘車), *Yixin Chedai* (易鑫車貸), and website, including *taoche.com* and *daikuan.com*. Beijing Yixin currently holds an ICP License.

In early 2015, we effected a series of changes with a view to consolidating our interest in Beijing Yixin and attract further investments to support our growing business. On January 29, 2015, Yixin HK established Shanghai Techuang, our wholly-owned subsidiary. In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintain effective control over all of our operations, as of April 20, 2015, Shanghai Techuang entered into a series of contractual arrangements with Beijing Yixin and its shareholders, which were subsequently re-signed on June 27, 2017 upon Mr. Bo Han becoming a shareholder of Beijing Yixin in the place of Mr. Bin Li (the “**Old Contractual Arrangements**”). The effect of the Old Contractual Arrangements was to consolidate the operations and the financial results of Beijing Yixin with those of our Group.

As outlined below, since the Relevant Businesses are classified as foreign investment restricted under the applicable PRC laws, regulations or rules and there is no clear guidance or interpretation any applicable qualification requirements we cannot hold any direct interest in Beijing Yixin, which currently holds and will hold certain licenses and permits required for the operation of the Relevant Businesses.

In order to comply with PRC laws and regulations and maintain effective control over all of our operations, we entered into the Contractual Arrangements on August 10, 2017, which superseded the Old Contractual Arrangements. Under the Contractual Arrangements, Beijing KKC has acquired effective control over the financial and operational policies of Beijing Yixin and has become entitled to all the economic benefits derived from their operations. We believe that the Contractual Arrangements are narrowly tailored as they are used to enable the Group to conduct businesses in industries that are subject to foreign investment restrictions in the PRC. Our Directors believe that the Contractual Arrangement are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into between Beijing KKC, Beijing Yixin and shareholders of Beijing Yixin, (ii) by entering into the Exclusive Business Cooperation Agreement with Beijing KKC (which is a PRC subsidiary of the Company) Beijing Yixin will enjoy better economic and technical support from us, as

CONTRACTUAL ARRANGEMENTS

well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTIONS

Restrictions on foreign ownership

Foreign investment activities in the PRC are mainly governed by the Catalog which was promulgated and is amended from time to time jointly by MOFCOM and the NDRC. The Catalog divides industries into four categories in terms of foreign investment, namely “encouraged,” “restricted” and “prohibited,” and all industries not listed under any of these categories are deemed to be “permitted.” The transaction facilitation services and value-added services currently provided by us primarily consist of arranging on-site inspections and test-drives, auto finance solutions, providing pricing referrals and insurance plans, and supplying auto dealers with vehicle telematics systems. These services are not foreign investment restricted or prohibited businesses under the Catalog and are provided by our Company’s PRC subsidiaries.

Both the loan facilitation services, which are provided by our Company to facilitate auto loans offered by auto finance partners to consumers, and the advertising and subscription services, are operated through our Company’s mobile apps, mobile sites and websites and fall within the scope of value-added telecommunications business and are thus “restricted” businesses under the Catalog. Consequently, foreign investors are restricted from holding more than 50% equity interests in companies providing such services. Therefore, these services are provided by Beijing Yixin, our Company’s Consolidated Affiliated Entity. We operate these businesses under the Contractual Arrangements and are of the view that the Contractual Arrangements are narrowly tailored and we have demonstrated genuine efforts to comply with applicable laws and regulations for the following reasons:

1. Beijing Yixin possesses an ICP License needed to carry out the Relevant Business. Beijing Yixin is currently engaged in Internet information services and holds an ICP License.
2. Although ICP Licenses have been granted to sino-foreign equity joint ventures in very limited circumstances in the past, according to our consultation in June 2017 with Beijing Municipal Communications Authority (北京市通信管理局) (the “**Authority**”), which is the department in charge of accepting applications for the operation of Internet information services by a sino-foreign equity joint venture in Beijing in accordance with PRC laws and regulations, applications for ICP Licenses by sino-foreign equity joint ventures established by our Company will not be approved. Our PRC Legal Advisor is of the view that the Authority is the competent authority to give the relevant confirmation and it is unlikely that the confirmation will be challenged by higher government authorities. From the perspective of operating our existing business in a manner that is in compliance with applicable PRC laws and regulations, based on the current policy of the relevant PRC government authorities and as advised by our PRC Legal Advisor, we are currently unable to establish a sino-foreign equity joint venture and obtain an ICP License. In addition, foreign investors will need to demonstrate that they have a track record of good performance and operating experience of value-added telecommunications under the Qualification Requirements. The MIIT, as the ultimate authority to approve operation of Internet information services in the PRC by a sino-foreign equity joint venture and issue ICP Licenses to any such enterprise, has not released any document clarifying the specific

CONTRACTUAL ARRANGEMENTS

requirements for the main foreign investor to fulfill the Qualification Requirements, which remains ultimately subject to substantive examination by the MIIT. In practice, as advised by our PRC Legal Advisor, obtaining such approval and ICP License by a sino-foreign equity joint venture is subject to substantial uncertainties as compared to domestic companies.

For further details of the limitations on foreign ownership in PRC companies conducting value-added telecommunications services and the licensing and approval requirements applicable to the Relevant Businesses under PRC laws and regulations, please see to the section headed “Regulations—Regulations on Value-added Telecommunications Services and Foreign Investment Restrictions.”

Accordingly, we cannot hold a direct controlling interest in Beijing Yixin, which holds the licenses and permits required for the operation of the Relevant Businesses.

QUALIFICATION REQUIREMENTS

In addition to restrictions on foreign ownership, there are also regulatory requirements on the experience and operations of a foreign investor who intends to operate a value-added telecommunications business in the PRC (the “**Qualification Requirements**”).

PRC law currently limits foreign ownership of companies that provide value-added telecommunications services (including Internet information services other than operating E-commerce business) in the PRC up to 50%. Moreover, for a foreign investor to acquire any equity interest in a value-added telecommunications business in China, it must satisfy a number of stringent performance and operational experience requirements, including demonstrating good track records and experience in operating value-added telecommunications business overseas. Foreign investors that meet these requirements must obtain approvals from the Ministry of Industry and Information Technology (the “**MIIT**”) and MOFCOM or their authorized local counterparts, which retain considerable discretion in granting approvals. Pursuant to publicly available information, the PRC government has issued value-added telecommunications business operating licenses to only a limited number of foreign-invested companies. If Beijing Yixin has a foreign investor as its shareholder, such foreign investor must fulfill the aforementioned requirements and Beijing Yixin shall apply a new ICP License from the MIIT. The MIIT will have discretion as to whether to grant the license. None of our Company or any of its offshore subsidiaries currently satisfies the qualification requirement relating to value-added telecommunications businesses.

Plan to comply with the Qualification Requirement

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been gradually building up our track record of overseas value-added telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests in Beijing Yixin when the relevant PRC laws allow foreign investors to invest and to hold a majority interest in value-added telecommunications enterprises in the PRC. We are in the process of expanding our overseas value-added telecommunications business through our overseas subsidiaries. We have taken the following measures to meet the Qualification Requirements:

1. Yixin HK has been incorporated in Hong Kong since November 2014 for the purposes of establishing and expanding our operations overseas;
2. We have applied for, and are in the process of registering trademarks outside the PRC for the promotion of our Relevant Businesses overseas;

CONTRACTUAL ARRANGEMENTS

3. Yixin HK is in the process of setting up an office in Hong Kong for the expansion of our operations overseas;
4. our Company is in the process of constructing its overseas website, www.yixincars.com, which is expected to be completed before the Listing, primarily for introducing our Group's business to users and investor relations purpose. The Company plans to utilize this website to help overseas investors to better understand our products and business, and our website will have links to re-direct the users to our domestic website. Through this overseas website, we can capture and analyze overseas user data in order to provide helpful insights for our overseas expansion plans; and
5. our Company has commenced feasibility studies on the further development of marketing to overseas markets and potential investments or acquisitions in order to optimize its strategic plan for expanding its current businesses to overseas markets.

Subject to the discretion of the competent authority on whether the Group has fulfilled the Qualification Requirement, our PRC Legal Advisor is of the view that the above steps taken by us are reasonable and appropriate for gradually building up a track record to meet the Qualification Requirements as our Company will have experience in providing value-added telecommunications services in overseas markets, which is in accordance with the FITE Regulations.

Our PRC Legal Advisor conducted a consultation with the relevant government authority, being the Beijing Municipal Communications Authority, during which it confirmed that steps such as those taken by us above (e.g. establishing overseas offices, holding overseas domain names and conducting operation of websites and other businesses in relation to value-added telecommunication services) are generally deemed to be one of the factors to prove that the Qualification Requirements are fulfilled, subject to a substantive examination by the MIIT in accordance with the approval procedures under PRC laws and regulations. We will, as applicable and when necessary, disclose the progress of our overseas expansion plans and any updates to the Qualification Requirements in our annual and interim reports to inform Shareholders and other investors after the Listing. We will also make periodic inquiries to relevant PRC authorities to understand any new regulatory development and assess whether our level of overseas experience is sufficient to meet the Qualification Requirements.

Circumstances under which we will unwind the Contractual Arrangements

Our Group will unwind and terminate the Contractual Arrangements as soon as practicable in respect of the operation of our mobile apps, mobile sites, and websites to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if the relevant government authority grants ICP Licenses to sino-foreign equity joint ventures to be established by the Company.

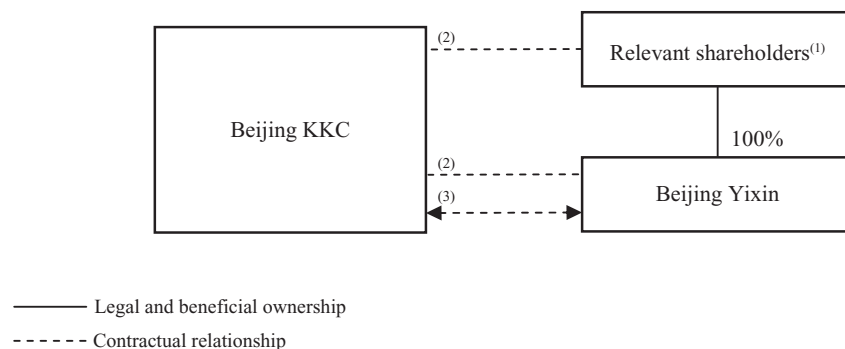
Since foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations outlined above, after consultation with our PRC Legal Advisor, we determined that it was not viable for our Company to hold our Consolidated Affiliated Entity directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions and qualification requirements, the Company would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entity through the Contractual Arrangements between Beijing KKC, the Company's wholly-owned subsidiary in the

CONTRACTUAL ARRANGEMENTS

PRC, on the one hand, and Beijing Yixin and its respective shareholders, on the other hand. The Contractual Arrangements allow the results of operations and assets and liabilities of Beijing Yixin and its subsidiaries to be consolidated into our results of operations and assets and liabilities under IFRS as if they were wholly-owned subsidiaries of our Group.

CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entity to our Group stipulated under the Contractual Arrangements:



Notes:

(1) The Relevant Shareholders of Beijing Yixin are Mr. Bo Han (韓波), Shenzhen Tencent and Beijing JD holding 55.7%, 26.6% and 17.7% of the equity interests in Beijing Yixin, respectively.

(2) The Relevant Shareholders executed powers of attorney in favor of Beijing KKC, to exercise all shareholders' rights in Beijing Yixin. Please refer to "—Summary of the material terms of the Contractual Arrangements—Powers of Attorney" for further details.

The Relevant Shareholders executed exclusive options in favor of Beijing KKC, to acquire all or part of the equity interest in and/or assets of Beijing Yixin. Please refer to "—Summary of the material terms of the Contractual Arrangements—Exclusive Option Agreements" for further details.

The Relevant Shareholders granted first priority security interest in favor of Beijing KKC, over the entire equity interest in Beijing Yixin. Please refer to "—Summary of the material terms of the Contractual Arrangements—Equity Interest Pledge Agreement" for further details.

(3) Beijing Yixin will pay services fees to Beijing KKC in exchange for business support and technical and consulting services. Please refer to "—Summary of the material terms of the Contractual Arrangements—Exclusive Business Cooperation Agreements" for further details.

Summary of the material terms of the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

Exclusive Business Cooperation Agreement

Our Consolidated Affiliated Entity, Beijing Yixin, entered into an exclusive business cooperation agreement with Beijing KKC on August 10, 2017 (the "**Exclusive Business Cooperation Agreement**"). Our Consolidated Affiliated Entity agreed to engage Beijing KKC as its exclusive provider of technical support, consulting services and other services in exchange for a fee. The services to be provided include:

- (i) licensing any software legally owned by Beijing KKC to Beijing Yixin;
- (ii) development, maintenance and updating of software in respect of Beijing Yixin's business;
- (iii) design, installation, daily management, maintenance and updating of network systems, hardware and database design;
- (iv) providing technical support and staff training services;

CONTRACTUAL ARRANGEMENTS

- (v) providing assistance 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);
- (vi) providing business management consultation;
- (vii) providing marketing and promotional services;
- (viii) providing customer order management and customer services;
- (ix) leasing, assignment and disposal of equipment or properties; and
- (x) other services requested by the Consolidated Affiliated Entity from time to time to the extent permitted under PRC law.

Under the Exclusive Business Cooperation Agreement, the service fee shall consist of an amount to be determined by Beijing KKC and Beijing Yixin in writing through negotiation after considering: (i) the complexity and difficulty of the services; (ii) the title and the time spent by employees of Beijing KKC on providing the services; (iii) the contents and value of the services; (iv) the market price of similar type of services; (v) the operation conditions of the Consolidated Affiliated Entity; and (vi) the necessary costs, expenses, taxes and statutory reserves or retaining funds. If Beijing KKC and Beijing Yixin fail to agree upon the amount of service fee, Beijing KKC's decision shall be final and conclusive. If Beijing KKC transfers technology to Beijing Yixin, develops software or other technology as entrusted by Beijing Yixin, or leases equipment or properties to Beijing Yixin, the technology transfer price, development fees or rent shall be determined by Beijing KKC and Beijing Yixin based on the actual situations.

Apart from the service fees, Beijing Yixin shall reimburse all reasonable costs, reimbursed payments and out-of-pocket expenses incurred by Beijing KKC in connection with the performance of the Exclusive Business Cooperation Agreement and provision of services.

In addition, absent the prior written consent of Beijing KKC, during the term of the Exclusive Business Cooperation Agreement, Beijing Yixin shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish similar corporation relationships with any third party. Beijing KKC may appoint other parties, who may enter into certain agreements with Beijing Yixin, to provide Beijing Yixin with the services under the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement also provides that Beijing KKC has the exclusive proprietary rights to all intellectual property rights developed or created by Beijing Yixin during the performance of the Exclusive Business Cooperation Agreement. Beijing KKC or its designee can exercise its option to purchase the assets of Beijing Yixin for minimum price allowed under PRC law in accordance with the relevant procedures stipulated in the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement shall remain effective unless terminated (a) in writing by Beijing KKC; or (b) expiration of the business period if renewal of the expired business period of either Beijing KKC or Beijing Yixin is denied by relevant government authorities.

As of December 31, 2016, the accumulated losses of Beijing Yixin amounted to RMB71 million. Beijing KKC enjoys all the economic benefits derived from the businesses of Beijing Yixin

CONTRACTUAL ARRANGEMENTS

and bears Beijing Yixin' business risks. If Beijing Yixin runs into financial deficit or suffers severe operation difficulties, Beijing KKC will provide financial support to Beijing Yixin.

Exclusive Option Agreements

Beijing Yixin and each of the Relevant Shareholders entered into an exclusive option agreement with Beijing KKC on August 10, 2017 (the “**Exclusive Option Agreements**”), pursuant to which the Relevant Shareholders granted Beijing KKC an irrevocable and exclusive right to purchase, or designate one or more persons (each, a “**designee**”) to purchase the equity interests in Beijing Yixin (the “**Optioned Interest**”) then held by the Relevant Shareholders once or at multiple times at any time in part or in whole at Beijing KKC's sole and absolute discretion to the extent permitted under the applicable laws of China. Where Beijing KKC chooses to purchase the Optioned Interest, the Relevant Shareholders shall cause Beijing Yixin to promptly convene a shareholders' meeting, at which a resolution shall be adopted approving the Relevant Shareholder's transfer of the Optioned Interests to Beijing KKC and/or its designee.

The total purchase price for the purchase by Beijing KKC of all Optioned Interests held by the Relevant Shareholders upon exercise of the option by Beijing KKC shall be RMB50,000,000. If Beijing KKC exercises the option to purchase part of the Optioned Interests held by the respective shareholders in Beijing Yixin, then the purchase price shall be calculated on a pro rata basis. If appraisal is required by the laws of China at the time when Beijing KKC exercises the equity purchase option, the parties shall negotiate in good faith and based on the appraisal result make necessary adjustment to the price so that it complies with any and all then applicable laws of China. Subject to the applicable laws of China, the Relevant Shareholders shall donate the balance of the purchase price received from Beijing KKC, after deducting/withholding the relevant taxes (if any), to Beijing KKC (or its designee) for free within 10 days after the Relevant Shareholders receives the purchase price and pays/withholds the relevant taxes (if any).

Beijing Yixin and the Relevant Shareholders, among other things, have covenanted that:

- (i) without the prior written consent of Beijing KKC, they shall not in any manner supplement, change or amend the articles of association of Beijing Yixin, increase or decrease its registered capital, or change the structure of its registered capital in other manner;
- (ii) without the prior written consent of Beijing KKC, Beijing Yixin shall not, and shall procure its subsidiaries not to sell, transfer, mortgage or dispose of in any manner any assets of more than RMB200,000, business, operation rights, legitimate interest in the income of Beijing Yixin;
- (iii) without the prior written consent of Beijing KKC, they shall not incur, inherit, guarantee or assume any debt, except for debts incurred in the ordinary course of business other than through loans;
- (iv) they shall always operate all of Beijing Yixin's businesses during the ordinary course of business to maintain the asset value of Beijing Yixin and refrain from any action/omission that may adversely affect Beijing Yixin's operating status and asset value;
- (v) without the prior written consent of Beijing KKC, they shall not cause our Consolidated Affiliated Entity to execute any major contract with a value above RMB50,000, except the contracts executed in the ordinary course of business.

CONTRACTUAL ARRANGEMENTS

Further, the Relevant Shareholders, among other things, have each also covenanted that:

- (i) without the prior written consent of Beijing KKC, the Relevant Shareholder shall not sell, transfer, mortgage or dispose of in any other manner any legal or beneficial interest in the equity interests in Beijing Yixin held by such shareholder, or allow the encumbrance thereon, except for the interest placed in accordance with the Contractual Arrangements;
- (ii) the Relevant Shareholder shall appoint any designee of Beijing KKC as the director and senior management of Beijing Yixin, at the request of Beijing KKC;
- (iii) the Relevant Shareholder shall promptly donate any profit, interest, dividend or proceeds of liquidation to Beijing KKC or any other person designated by Beijing KKC to the extent permitted under applicable PRC laws.

The Exclusive Option Agreements shall remain effective unless terminated in the event that the entire equity interests held by the Relevant Shareholders in Beijing Yixin has been transferred to Beijing KKC or its appointee(s), or in the event that Exclusive Option Agreements is terminated by Beijing KKC.

Our PRC Legal Advisor has advised us that the Exclusive Option Agreements are legal, valid and binding on the parties and is enforceable under applicable PRC laws and regulations, except for the provisions that (i) an arbitral body may grant injunctive relief or directly issue liquidation order against Beijing Yixin, and (ii) interim remedies or enforcement order may be granted by overseas courts such as the courts of Hong Kong and the Cayman Islands, which may not be enforceable under PRC laws.

Equity Interest Pledge Agreements

Beijing KKC and each of the Relevant Shareholders of Beijing Yixin entered into equity pledge agreements on August 10, 2017 (the “**Equity Interest Pledge Agreements**”). Under the Equity Interest Pledge Agreements, the Relevant Shareholders of Beijing Yixin agreed to pledge all their respective equity interests in Beijing Yixin that they own, including any interest or dividend paid for the shares, to Beijing KKC as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts of Beijing Yixin and the Relevant Shareholders under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreements and the Powers of Attorney.

The pledge in respect of Beijing Yixin takes effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Relevant Shareholders and Beijing Yixin under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the relevant shareholders and the Consolidated Affiliated Entity under the relevant Contractual Arrangements have been fully paid.

Upon the or discovery of the occurrence of any circumstances or event that may lead to an event of default (as defined in the Equity Interest Pledge Agreements), Beijing KKC shall immediately exercise the pledge and may exercise any remedy measure under applicable PRC laws, the Contractual Arrangements, including but not limited to being paid in priority with the monetary valuation that the Relevant Shareholders’ equity interest is converted into or from the proceeds from auction or sale of the Relevant Shareholders’ equity interest. Beijing KKC is not be liable for any loss incurred by its due exercise of such rights and powers.

We have registered the equity pledge contemplated under the Equity Interest Pledge Agreements with the relevant PRC legal authority pursuant to PRC laws and regulations.

CONTRACTUAL ARRANGEMENTS

Powers of Attorney

Beijing Yixin, each of the Relevant Shareholders and Beijing KKC entered into a power of attorney on August 10, 2017 (the “**Powers of Attorney**”). Under the Powers of Attorney, each shareholder irrevocably appointed Beijing KKC (as well as its successors, including a liquidator, if any, replacing Beijing KKC) or its designee(s) (including its directors) as its sole exclusive agent to exercise on its behalf, certain powers, including without limitation: (i) exercise all shareholder’s rights and shareholder’s voting rights in accordance with law and the constitutional documents of the Consolidated Affiliated Companies, including but not limited to the sale, transfer, pledge or disposal of any or all of the shares in the Consolidated Affiliated Entity, (ii) to attend shareholders’ meetings of the Consolidated Affiliated Entity and to execute any and all written resolutions and meeting minutes in the name and on behalf of such shareholder, and (iii) to file documents with the relevant companies registry.

Further, pursuant to the Powers of Attorney and to ensure the Powers of Attorney does not give rise to a conflict of interest, each of the Relevant Shareholders of the Consolidated Affiliated Entity irrevocably undertakes that:

- (i) unless prior written consent is given by Beijing KKC, each shareholder will not use the information obtained from Beijing KKC to engage in any business which competes or is likely to compete with the business of Beijing Yixin or its affiliated companies;
- (ii) such shareholder will not take any action deviating from the intention and purposes of the Contractual Arrangements, which may lead to any conflict of interests between Beijing KKC and Beijing Yixin or its subsidiaries; and
- (iii) if any conflict of interests occurs during the performance of the Contractual Arrangements by such shareholder, he/she will support the lawful interests of Beijing KKC and perform actions reasonably required by Beijing KKC.

Further, the Relevant Shareholder of the Consolidated Affiliated Entity who is a natural person irrevocably undertakes that such shareholder acknowledges that his/her spouse has been fully aware of the Contractual Arrangements and consented that the shareholder and his/her spouse agrees that the Relevant Shareholder’s equity interest in Beijing Yixin is his/her personal property. His/her spouse agrees that Relevant Shareholder has the right to handle his/her own equity interest in Beijing Yixin without the need for consent of the spouse and has the sole right to enjoy the rights and perform the obligations under the Contractual Arrangements. In the event of a divorce, the equity interest in the Beijing Yixin will be held by the Relevant Shareholder as personal property and the Relevant Shareholder will take measures to ensure the performance of the Contractual Arrangements and will not take any actions in violation of the Contractual Arrangements.

Further, the Powers of Attorney shall remain effective from the date of the signing of the Powers of Attorney during the period that the Relevant Shareholder is a shareholder of Beijing Yixin, unless Beijing KKC has given written instructions to the contrary.

Dispute Resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute relating to the Contractual Arrangements, the Parties shall first try to resolve the dispute through friendly negotiations. In the event the parties fail to reach an agreement on the resolution of such a dispute through negotiations,

CONTRACTUAL ARRANGEMENTS

any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission (“CIETAC”) for arbitration, in accordance with the then effective arbitration rules and procedures. The arbitration shall be conducted in Beijing. The arbitration ruling shall be final and binding on all parties. The dispute resolution provisions also provides that the arbitral tribunal may award remedies over the shares or assets of Beijing Yixin or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of Beijing Yixin; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), PRC and the places where the principal assets of Beijing Yixin are located also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares held by shareholders in Beijing Yixin or properties of Beijing Yixin.

To the extent permitted by PRC laws and where appropriate, the arbitration tribunal may grant any remedies in accordance the relevant agreement and applicable PRC laws, including preliminary and permanent injunctive relief (such as injunction against carrying out business activities, or mandating the transfer of assets), specific performance of contractual obligations, remedies concerning the equity interest or assets of Beijing Yixin and awards directing Beijing Yixin to conduct liquidation.

However, our PRC Legal Advisor has advised that (i) a tribunal normally would not grant such kind of injunctive relief or winding up order of Beijing Yixin under PRC laws; (ii) interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; and (iii) even if the abovementioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

Since PRC arbitral tribunal cannot award legal remedies such as injunctive relief or winding up orders, Beijing KKC can only seek similar but not identical remedies from CIETAC under PRC law, such as cessation of infringements or return of property. Alternatively, Beijing KKC may seek remedies from a PRC court in accordance with PRC law, including interim injunctive relief over the assets or shares of Beijing Yixin and a winding up order against Beijing Yixin.

As a result of the above, in the event that Beijing Yixin or the Relevant Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entity and conduct our business could be materially and adversely affected. Please see the section headed “Risk Factors—Risks Relating to our Relationship with our Shareholders and our Corporate Structure.”

Succession

As advised by our PRC Legal Advisor, the provisions set out in the Contractual Arrangements are also binding on any successors of the shareholder of Beijing Yixin as if the successor was a signing party to the Contractual Arrangements. Although the Contractual Arrangements do not specify the identity of successors to such shareholders, under the succession law of the PRC, statutory successors may include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents, and as such any breach by the successors would be deemed to be a breach of the Contractual Arrangements. In case of a breach, Beijing KKC can enforce its rights against the successors. Pursuant to the Contractual Arrangements, any successor of the shareholders of Beijing Yixin shall assume any and all rights and obligations of such shareholder under the Contractual Arrangements as if the successor was a signing party to such Contractual Arrangements.

CONTRACTUAL ARRANGEMENTS

In addition, the spouse of Mr. Bo Han (韓波) executed an irrevocable undertaking on August 10, 2017, whereby she expressly and irrevocably acknowledged and has undertaken that (i) any equity interests held by Mr. Bo Han (韓波) in Beijing Yixin do not fall within the scope of their communal properties; (ii) she will not have any claim on the interests of Beijing Yixin obtained through the Contractual Arrangements; (iii) she has never participated and will not participate in the operation or management of Beijing Yixin.

Shenzhen Tencent and Beijing JD undertake under their Powers of Attorney that in case they lose corporate status due to merger, division, termination, winding-up dissolution, liquidation or other reasons, or other events that could affect their rights as shareholders of Beijing Yixin occur, their successors, administrators or liquidators shall inherit and manage their rights as shareholders of Beijing Yixin, provided that they shall covenant to comply with the Powers of Attorney.

Our PRC Legal Advisor is of the view that (i) the Contractual Arrangements provide protection to our Group even in the event of death or divorce of any shareholder of the Consolidated Affiliated Entity and (ii) the loss of capacity, death or divorce of such shareholder would not affect the validity of the Contractual Arrangements, and Beijing KKC can enforce its right under the Contractual Arrangements against the successors of such shareholder.

Conflicts of Interests

Each of the Relevant Shareholders of Beijing Yixin has given their irrevocable undertakings in the Powers of Attorney which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. For further details, see “—Summary of the Material Terms of the Contractual Arrangements—Powers of Attorney.”

Loss Sharing

Under the relevant PRC laws and regulations, none of our Company and Beijing KKC is legally required to share the losses of, or provide financial support to, the Consolidated Affiliated Entity. Further, the Consolidated Affiliated Entity is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by them. To ensure that Beijing Yixin meets the requirement of cash flow in daily operation and/or to offset any losses incurred in the process of its operation, whether or not Beijing Yixin actually suffers any such operational losses, Beijing KKC is under the obligation to provide Beijing Yixin with financial support (only to the extent and in a manner permitted by PRC laws). In addition, given that our Group conducts a substantial portion of its business operations in the PRC through the Consolidated Affiliated Entity, which holds the requisite PRC operational licenses and approvals, and that its financial position and results of operations are consolidated into our Group’s financial statements under the applicable accounting principles, our Company’s business, financial position and results of operations would be adversely affected if Beijing Yixin suffer losses.

However, as provided in the Exclusive Option Agreements, without the prior written consent of Beijing KKC, Beijing Yixin shall not, among others, (i) sell, transfer, pledge or dispose of in any manner any of its assets worth more than RMB 200,000; (ii) execute any material contract with a value above RMB 50,000, except those entered into in the ordinary course of business; (iii) provide any loan, credit or guarantees in any form to any third party, or allow any third party create any other security interest on its assets or equity; (iv) incur, inherit, guarantee or allow any debt that is not incurred in the

CONTRACTUAL ARRANGEMENTS

ordinary course of business or not disclosed to and consented by Beijing KKC; (v) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party; and (vi) increase or reduce its registered capital, or alter the structure of the registered capital in any other way. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on Beijing KKC and our Company in the event of any loss suffered from the Consolidated Affiliated Entity can be limited to a certain extent.

Liquidation

Pursuant to the Equity Interest Pledge Agreements, in the event of a mandatory liquidation required by the PRC laws, the shareholders of Beijing Yixin shall, upon the request of Beijing KKC (i) deposit the proceeds into an account designate and supervised by Beijing KKC and used to secure the Beijing Yixin's and the relevant shareholder's obligations under contractual arrangement prior and in preference to make any other payment, or (ii) give the proceeds they received from liquidation as a gift to Beijing KKC or its designee(s) to the extent permitted by the PRC laws.

Accordingly, in a winding up of Beijing Yixin, Beijing KKC is entitled to liquidation proceeds of Beijing Yixin based on the Contractual Arrangements for the benefit of our Company's creditors/shareholders.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our Confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through Beijing Yixin under the Contractual Arrangements.

Legality of the Contractual Arrangements

Based on the above, our PRC Legal Advisor is of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and that upon execution of the Contractual Arrangements:

- (a) each of Beijing KKC and our Consolidated Affiliated Entity is a duly incorporated and validly existing company, and their respective establishment is valid, effective and complies with the relevant PRC laws; each of the Registered Shareholders that is an individual is a natural person with full civil and legal capacity; and each of Beijing KKC, our Consolidated Affiliated Entity and the Registered Shareholders has obtained all necessary board and shareholder approvals and authorizations to execute and perform the Contractual Arrangements;
- (b) parties to each of the agreements are entitled to execute the agreements and perform their respective obligations thereunder. Each of the agreements is binding on the parties thereto and none of them would be deemed as "concealment of illegal intentions with a lawful form" and void under the PRC Contract Law;
- (c) none of the Contractual Arrangements violates any provisions of the articles of association of our Consolidated Affiliated Entity or Beijing KKC;

CONTRACTUAL ARRANGEMENTS

- (d) each of the Contractual Arrangements is binding on the assignees or successors of the parties thereto;
- (e) the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that (i) the pledge under the Equity Interest Pledge Agreements shall be registered with local administration bureau for industry and commerce, and (ii) the Exclusive Option Agreements are subject to approval and/or registration with MOFCOM or its branch, local administration bureau for industry and commerce, and MIIT or its branch upon the exercise by Beijing KKC or its designee of its rights under the Exclusive Option Agreements to acquire all or part of the equity interests in Beijing Yixin. On August 8, 2006, six PRC governmental and regulatory agencies, including MOFCOM and the CSRC, promulgated the M&A Rules, a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and revised on June 22, 2009. Pursuant to the M&A Rules, the acquisition of a PRC domestic enterprise by a Foreign Investor (as defined in the M&A Rules) is subject to approval by, and registration with the relevant PRC regulatory authorities. In the event that our Company exercises of its rights under the Exclusive Option Agreements to acquire all or part of the equity interests in Beijing Yixin, it may be required to obtain the approval of relevant PRC regulatory authorities pursuant to the M&A Rules;
- (f) each of the Contractual Arrangements is valid, legal and binding under PRC laws, except for the dispute resolution provision that provides that any dispute shall be submitted to the CIETAC for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitrator may award interim remedies over the shares or assets of our Consolidated Affiliated Entity or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of our Consolidated Affiliated Entity; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and the PRC (being the place of incorporation of our Consolidated Affiliated Entity) also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of our Consolidated Affiliated Entity. However, our PRC Legal Advisor has advised that the tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our Consolidated Affiliated Entity pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

Further, the Joint Sponsors, our PRC Legal Advisor, the Joint Sponsors' Hong Kong and U.S. law legal advisor and the Joint Sponsors' PRC legal advisor conducted an interview with the Beijing Municipal Communications Administration (北京市通信管理局) on June 14, 2017. During the interview, the Beijing Municipal Communications Administration (北京市通信管理局), being the competent government authorities, provided oral confirmation that the Contractual Arrangements would not be challenged or subject to penalty by Beijing Municipal Communications Administration due to violation of any PRC laws or regulations concerning value-added telecommunications services.

We have been advised by our PRC Legal Advisor, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to the above opinion of our PRC Legal Advisor. We have been

CONTRACTUAL ARRANGEMENTS

further advised by our PRC Legal Advisor that if the PRC government finds that the Contractual Arrangements do not comply with PRC government restrictions on foreign investment in the Relevant Businesses, we could be subject to severe penalties, which could include:

- (a) revoking the business and operating licenses of Beijing KKC and our Consolidated Affiliated Entity;
- (b) restricting or prohibiting related party transactions between Beijing KKC and our Consolidated Affiliated Entity;
- (c) imposing fines or other requirements with which we, Beijing KKC and our Consolidated Affiliated Entity may find difficult or impossible to comply;
- (d) requiring us, Beijing KKC and our Consolidated Affiliated Entity to restructure the relevant ownership structure or operations; and
- (e) restricting or prohibiting the use of any proceeds from the Global Offering to finance our business and operations in the PRC.

The imposition of any of these penalties could have a material adverse effect on our ability to conduct our business. Please refer to the section headed “Risk Factors—Risks Relating to our Relationship with our Shareholders and our Corporate Structure.”

The revenue of Beijing Yixin for the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2017 was nil, RMB96 million, RMB85 million and RMB69 million, respectively with intercompany transactions eliminated.

Development in the PRC Legislation on Foreign Investment

Draft new Foreign Investment Law

MOFCOM published a discussion draft of the proposed Foreign Investment Law (中華人民共和國外國投資法) (the “**Draft FIL**”) in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in the PRC. MOFCOM has solicited comments on this draft and substantial uncertainties exist with respect to its final form, enactment timetable, interpretation and implementation. The Draft FIL, if enacted as proposed, may materially impact the entire legal framework regulating foreign investments in the PRC.

Among other things, the Draft FIL purports to introduce the principle of “actual control” in determining whether a company is considered a foreign invested enterprise, or an foreign invested entity (“**FIE**”). The Draft FIL specifically provides that entities established in the PRC but “controlled” by foreign investors will be treated as FIEs, whereas an entity organized in a foreign jurisdiction, but cleared by the authority in charge of foreign investment as “controlled” by PRC entities and/or citizens, would nonetheless be treated as a PRC domestic entity for investment in the “Catalog of Restrictions” on the “negative list” to be issued, subject to the examination of the relevant authority in charge of foreign investment.

In respect of “actual control,” the Draft FIL looks at the identity of the ultimate natural person or enterprise that controls the FIE. “Actual control” refers to the power or position to control an enterprise through investment arrangements, contractual arrangements or other rights and decision-making arrangements. Article 19 of the Draft FIL defines “actual controllers” as the natural persons or enterprises that directly or indirectly control foreign investors or foreign-invested enterprises. Further details on the definition of “Control” are set out below.

CONTRACTUAL ARRANGEMENTS

If an entity is determined to be an FIE, and its investment amount exceeds certain thresholds or its business operation falls within a “negative list” to be separately issued by the State Council in the future, market entry clearance by the authority in charge of foreign investment would be required.

The “variable interest entity” structure, or VIE structure, has been adopted by many PRC-based companies, including our controlling shareholder Bitauto, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control of our Consolidated Affiliated Entity by Beijing KKC, through which we operate our Relevant Businesses in PRC. Under the Draft FIL, variable interest entities that are controlled via contractual arrangements would also be deemed as FIEs, if they are ultimately “controlled” by foreign investors. For companies with a VIE structure in an industry category that is in the “negative list” it is possible that the existing VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC state-owned enterprises or agencies, 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.

Pursuant to the Draft FIL, as far as the new VIE structures are concerned, if a domestic enterprise under the VIE structure is controlled by Chinese nationals, such domestic enterprise may be treated as a Chinese investor and therefore the VIE structures may be regarded as legal if the domestic enterprise operates in a sector which is in the “restricted category” on the “negative list.” On the contrary, if the domestic enterprise is controlled by foreign investors, such domestic enterprise may be treated as a foreign-investor or foreign-invested enterprise, and therefore the operation of such domestic enterprise through VIE structures may be regarded as illegal if the domestic enterprise operates in a sector which is on the “negative list” and the domestic enterprise does not apply for and obtain the necessary permission.

The Draft FIL stipulates restriction of foreign investment in certain industry sectors. The “negative list” sets out in the Draft FIL classified the relevant prohibited and restricted industries into the “Catalog of Prohibitions” and the “Catalog of Restrictions,” respectively.

Foreign investors are not allowed to invest in any sector set out in the Catalog of Prohibitions. Where any foreign investor directly or indirectly holds shares, equities, properties or other interests or voting rights in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the Catalog of Prohibitions, unless otherwise specified by the State Council.

Foreign investors are allowed to invest in sectors set out in the Catalog of Restrictions, provided that the foreign investors are required to fulfill certain conditions and apply for permission before making such investment.

Notwithstanding that the accompanying explanatory notes to the Draft FIL (the “**Explanatory Notes**”) do not provide a clear direction in dealing with VIE structures existing before the Draft FIL becoming effective, which were still pending for further study as of the Latest Practicable Date, the Explanatory Notes contemplate three possible approaches in dealing with FIEs with existing VIE structures and conducting business in an industry falling in the “negative list”:

- (i) requiring them to make a declaration to the competent authority that the actual control is vested with Chinese investors, after which the VIE structures may be retained;

CONTRACTUAL ARRANGEMENTS

- (ii) requiring them to apply to the competent authority for certification that their actual control is vested with Chinese investors and, upon verification by the competent authority, the VIE structures may be retained; and
- (iii) requiring them to apply to the competent authority for permission to continue to use the VIE structure. The competent authority together with the relevant departments will then make a decision after taking into account the actual control of the FIE and other factors.

Where foreign investors and FIEs circumvent the provisions of the Draft FIL by entrusted holding, trust, multi-level re-investment, leasing, contracting, financing arrangements, protocol control, overseas transaction or otherwise, make investments in sectors specified in the Catalog of Prohibitions, make investments in sectors specified in the Catalog of Restrictions without permission or violate the information reporting obligations specified therein, the penalty shall be imposed in accordance with Article 144, Article 145, Article 147 or Article 148 of the Draft FIL, as the case may be. If foreign investors make investments in the sectors specified in the Catalog of Restrictions without approval or in the sector specified in the Catalog of Prohibitions, the competent authorities for foreign investment in the province, autonomous region and/or municipality where the investments are made shall order them to cease the implementation of the investments, dispose of any equity or other assets within a prescribed time limit, confiscate any illegal gains and impose a fine of not less than RMB100,000 but not more than RMB1 million or of not more than 10% of illegal investments. If foreign investors or FIEs are in violation of the provisions of the Draft FIL, including by way of failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, the competent authorities for foreign investment in the province, autonomous region and/or municipality where the investments are made shall order them to make rectifications within a prescribed time limit; if they fail to make rectifications within the prescribed time limit, or the circumstances are serious, a fine of not less than RMB50,000 but not more than RMB500,000 or of not more than 5% of the investments shall be imposed.

Measures to maintain control from our Consolidated Affiliated Entities

Under the Draft FIL if an entity is organized in a foreign jurisdiction but cleared by the relevant PRC government authority in charge of foreign investment in the PRC as “controlled” by PRC citizens, it would nonetheless be treated as a PRC domestic entity for investment in the “Catalog of Restrictions” on the “negative list” to be issued, subject to the examination of the relevant authority in charge of foreign investment. For these purposes, “control” is broadly defined in the draft law to cover any of the following summarized categories:

- (i) holding directly or indirectly 50% or more of the equity interest, assets, voting rights or similar equity interest of the subject entity;
- (ii) holding directly or indirectly less than 50% of the equity interest, assets, voting rights or similar equity interest of the subject entity but (a) having the power to directly or indirectly appoint or otherwise secure at least 50% of the seats on the board or other equivalent decision making bodies, (b) having the power to secure its nominated person to acquire at least 50% of the seats on the board or other equivalent decision making bodies, or (c) having the voting power to exert material influence over decision-making bodies, such as the shareholders’ meeting or the board; or
- (iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity’s operations, financial, staffing and technology matters.

CONTRACTUAL ARRANGEMENTS

If the Draft FIL is promulgated in the current draft form, our PRC Legal Advisor and the Joint Sponsors' PRC legal advisors are of the view that we are likely to be viewed as being controlled by PRC citizens on the following bases:

- (i) Based on the Contractual Arrangements, Beijing Yixin is controlled by Beijing KKC (PRC incorporated) pursuant to the third limb of the definition of “control” under the Draft FIL (as described above).
- (ii) Given that (a) Beijing KKC is a wholly-owned subsidiary of the Company and (b) the current shareholding structure of the Company and the Voting Proxy Agreement to be entered into among Bitauto, JD.com and Tencent will give Bitauto over 50% of the voting rights in the Company after the Listing, the Company (and therefore Beijing KKC as its wholly-owned subsidiary) will be considered as being controlled by Bitauto pursuant to the first limb of the definition of “control” under the Draft FIL as described above.
- (iii) Through the arrangements in relation to the board of Bitauto (“**Bitauto Board**”) summarized below to ensure that the majority of the Bitauto Board (which is the governing body of Bitauto and makes all material decisions with respect to the Company on behalf of Bitauto) is comprised of PRC nationals, Bitauto is likely to be considered as being ultimately controlled by PRC nationals pursuant to the second and third limbs of the definition of “control” under the Draft FIL as described above.

(a) Nomination Committee and Bitauto Board majority

- Bitauto will control over 50% of the voting rights in the Company, and within Bitauto, it is the Bitauto Board that is the governing body of Bitauto and makes all material decisions with respect to the Company on behalf of Bitauto. Under Bitauto’s constitutional documents, decisions of the Bitauto Board need to be approved by a majority of the directors of the Bitauto Board who attend and vote at a quorate meeting of the Bitauto Board, or alternatively may be approved by way of a written resolution signed unanimously by every director. Currently, a majority of the Bitauto Board (four out of seven members) are PRC nationals.
- The nomination committee of the Bitauto Board is comprised only of PRC nationals (Mr. Bin Li (Chair) and Mr. Erhai Liu). The nomination committee is responsible for recommending nominees to the Bitauto Board for appointment as directors of Bitauto. Under Bitauto’s constitutional documents, a director of Bitauto may only be elected, appointed or removed by (i) shareholders of Bitauto by voting upon the resolutions that have been proposed by a majority of the directors of Bitauto; or (ii) by a majority of the directors of Bitauto. The Bitauto Board is in turn restricted to appointing or proposing to Bitauto shareholders to elect, directors from candidates nominated by the nomination committee (currently comprised of PRC nationals only) in accordance with the charter of the nomination committee (the “**Nomination Committee Charter**”).
- The Nomination Committee Charter also provides that when nominating candidates for directorship, the nomination committee will be bound by a restriction that a majority of the directors on the Bitauto Board must be PRC nationals (subject to their fiduciary duties and compliance with applicable legal and regulatory requirements).

CONTRACTUAL ARRANGEMENTS

- The Bitauto Board has the power to ensure that a majority of the Directors on the Bitauto Board are PRC nationals, as required by the Nomination Committee Charter (as amended by the Proposed Amendment). The shareholders of Bitauto would not have any right to propose either (i) any amendment to the Nomination Committee Charter which has not been proposed by the Bitauto Board, or (ii) the appointment or removal of any persons as directors who have not been proposed by the Bitauto Board (pursuant to the nominations of the nomination committee made in accordance with the revised Nomination Committee Charter).
- There is no requirement under Bitauto's memorandum and articles of association for the directors of Bitauto to retire by rotation at any annual general meeting, or to be subject to re-election at any annual general meeting. The Bitauto Board has the power, from time to time and at any time, to appoint any person as an additional director to the Bitauto Board, subject to the requirement that any director so appointed shall hold office only until the next annual general meeting and shall then be eligible for re-election. If the shareholders of Bitauto did not vote to re-elect any director nominated or appointed by the Bitauto Board, it is in any event within the power of the Bitauto Board to appoint one or more additional directors, subject to the directors being subject to re-election at the next annual general meeting.
- Neither the Cayman Companies Law nor the memorandum and articles of association of Bitauto provides the shareholders of Bitauto with any right to: (a) propose any amendment to the Nomination Committee Charter which has not been proposed by the Bitauto Board, (b) requisition general meetings of Bitauto, or (c) put any proposals (including any proposal to appoint or remove directors) before annual general meetings or extraordinary general meetings. Accordingly, at any general meeting, the shareholders of Bitauto would be entitled to vote only upon the resolutions that have been proposed by the Bitauto Board to be considered and voted upon at such general meeting, and the shareholders of Bitauto would not have any right under the Cayman Companies Law or the memorandum and articles of association of Bitauto to propose the appointment or removal of any persons as directors who have not been proposed by the Bitauto Board (pursuant to the nominations of the nomination committee made in accordance with the revised Nomination Committee Charter).

The Company's legal advisers on Cayman Islands Law, Maples and Calder (Hong Kong) LLP, is of the view that the Bitauto Board has the power to ensure that a majority of the directors of the Bitauto Board are PRC nationals. On this basis, the Company's PRC legal counsel and the Joint Sponsors' PRC legal counsel are of the view that the Company is likely to be considered controlled by PRC nationals based on the definition of "control" set out in the Draft FIL.

(b) Bitauto undertaking

Furthermore, Bitauto has provided an undertaking (the "**Undertaking**") to the Company and the Stock Exchange that:

- for so long as Bitauto remains the Company's Controlling Shareholder, and subject to directors' fiduciary duties and its compliance with applicable laws, regulations and listing rules, it will ensure that the Bitauto Board continues to be comprised of a majority of PRC nationals; and

CONTRACTUAL ARRANGEMENTS

- in the event of any transfer or disposal by Bitauto of a shareholding that may result in the transferee(s) acquiring “control” over the Company (as defined in the Draft FIL or the new Foreign Investment Law (as enacted), as the case may be), and subject to compliance with any rules or laws then applicable to it as a company listed on the NYSE, it will (as may be relevant) (i) procure that the transferee(s) provide an undertaking on substantially the same terms and conditions as the one provided by it to the Company and the Stock Exchange and (ii) demonstrate to the reasonable satisfaction of the Company and the Stock Exchange that the Contractual Arrangements will continue to be viewed as a domestic investment under the Draft FIL or the new Foreign Investment Law (as enacted), as the case may be, to the extent the then current PRC laws, regulations and policies are consistent with the Draft FIL.
- the Undertaking will become effective from the Listing Date and will remain effective until the earlier of the occurrence of the following events: (i) Bitauto ceasing to be a Controlling Shareholder of our Company; (ii) compliance with the relevant requirements under the new Foreign Investment Law or applicable foreign investment laws (together with, if any, all subsequent amendments or updates, as promulgated) as finally enacted is not required and the Stock Exchange has consented to this; (iii) compliance with the Undertaking is no longer required, as advised by the Stock Exchange, or (iv) the Stock Exchange and any applicable Chinese regulatory departments have consented to such termination. To the extent that only part of the Undertaking above is no longer required as a result of the above, the preceding sentence occurring, only such part of the Undertaking that is no longer required shall cease to be effective. To the extent that the Undertaking (or any part thereof) is no longer effective, the Company will issue an announcement as soon as practicable.
- The Undertaking will only cease to become effective for the reasons outline above and any changes to the composition of the shareholders of Bitauto will not result in the Undertaking ceasing to be effective. Furthermore, the Undertaking will be a matter of public record and any party considering acquiring a material interest in Bitauto will know that Bitauto is bound by the Undertaking, that the Undertaking was given in connection with the Company’s application for the Listing, and that failure to abide by the Undertaking may give rise to adverse regulatory consequences to the listing status of the Company. Similarly, when considering any corporate transaction of Bitauto, including any attempt by a non-PRC party to acquire a significant stake in Bitauto, the Bitauto Board will be bound by their fiduciary duties to act in the best interests of Bitauto, and will be required to consider the ability of Bitauto to continue to abide by the Undertaking in light of the significance of the Company to Bitauto as a whole and the potential adverse impact that failing to abide by the Undertaking may have on the Company and Bitauto.

The Company’s PRC Legal Advisor is of the view that the place of incorporation and listing venue of Bitauto (being the Cayman Islands and the NYSE, respectively) do not have any bearing on whether the Group will be viewed as being ultimately controlled by PRC citizens under the Draft FIL.

CONTRACTUAL ARRANGEMENTS

Based on the views of our PRC Legal Advisor and the PRC legal advisors to the Joint Sponsors, our Directors and the Joint Sponsors are of the view that the Contractual Arrangements are likely to be deemed as a domestic investment and to be permitted to continue.

Notwithstanding the above, there may be uncertainties that the above measures to maintain control over and receive the economic benefit from our Consolidated Affiliated Entity alone may not be effective in ensuring compliance with the new Foreign Investment Law together with, if any, all its subsequent amendments or updates, as promulgated (if and when it becomes effective). In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares. Please refer to the section headed “Risk Factors—Risks Relating to our Relationship with our Shareholders and our Corporate Structure.”

Potential impact on our company of the Contractual Arrangements are not treated as domestic investment

If the operation of the Restricted Businesses is on the “negative list” and the Draft FIL as finally enacted is refined or deviates from the current draft, depending on the treatment of existing VIE structures, the Contractual Arrangements may be regarded as invalid and illegal. As a result, we may not be able to operate the Restricted Businesses through the Contractual Arrangements and would lose our rights to receive the economic benefits of our PRC Operating Entities. As a result, the financial results of our Consolidated Affiliated Entity would no longer be consolidated into our Group’s financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing entities engaged in the internet industry and other related industries, some of which (including Bitauto, our Controlling Shareholder) have obtained listing status abroad, are operating under contractual arrangements, our Directors are of the view that it is unlikely, if the Draft FIL is promulgated, that the relevant authorities will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. Our PRC Legal Advisor believes that the PRC government is likely to take a relatively cautious attitude towards the supervision of foreign investments and the enactment of laws and regulations impacting them, and make decisions according to different situations in practice. Our PRC Legal Advisor and the legal advisors to the Joint Sponsors also note that the Draft FIL is still in draft form, does not have any binding force and is not listed in the 2017 Legislative Working Plan of either the Standing Committee of the National Congress of the PRC or the State Council, and thus it unlikely to be enacted in the near future.

However, there are uncertainties as to the definition of control that may be adopted in the Draft FIL as finally enacted and interpretation of the definition of control even if it is the same as adopted in the Draft FIL, and the relevant government authorities will have a broad discretion in interpreting the law and may ultimately take a view that is inconsistent with our PRC Legal Advisor’s understanding. Please refer to the section headed “Risk Factors—Risks Relating to our Relationship with our Shareholders and our Corporate Structure” for further details of the risks we face relating to our Contractual Arrangements. In any event, our Company will take reasonable steps in good faith to seek compliance with the enacted version of the Foreign Investment Law, if and when it comes into force.

If the operation of the Restricted Businesses is no longer on the “negative list” and we can legally operate them under PRC Laws, Beijing KKC will exercise the call option under the Exclusive

CONTRACTUAL ARRANGEMENTS

Option Agreement to acquire the equity interest of Beijing Yixin and unwind the Contractual Arrangements subject to approvals by the relevant authorities. Further, our Group will unwind and terminate the Contractual Arrangements as soon as practicable in respect of the operation of our mobile apps, mobile sites and websites to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if the relevant government authority grants ICP Licenses to sino-foreign equity joint ventures to be established by the Company.

Decision on Amending Four Inbound Investment Laws

On September 3, 2016, the Standing Committee of the National People's Congress of the PRC (全國人大常務委員會) published the Decision of the Standing Committee of the National People's Congress on Revising Four Laws Including the "Law of the People's Republic of China on Wholly Foreign-Owned Enterprises" («全國人大常委會關於修改〈中華人民共和國外資企業法〉等四部法律的決定», the "Decision") which came into effect on October 1, 2016 and seeks to revise the current foreign investment legal regime.

Compliance with the Contractual Arrangements

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

1. major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
2. our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
3. our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports;
4. our Directors undertake to provide periodic updates in our annual reports regarding the qualification requirement as stipulated under the paragraph headed "—Background to the Contractual Arrangements" in this section and the latest development of the Draft FIL as disclosed under the paragraph headed "—Development in the PRC Legislation on Foreign Investment" in this section, including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the qualification requirement; and
5. our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Beijing KKC and our Consolidated Affiliated Entity to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, we believe that our Directors are able to perform their roles in our Group independently and we are capable of managing our business independently after the Listing under the following measures:

1. the decision-making mechanism of the Board as set out in the Articles includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict

CONTRACTUAL ARRANGEMENTS

of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

2. each of our Directors is aware of his or her fiduciary duties as a Director which requires, among other things, that he or she acts for the benefits and in the best interests of our Company;
3. we have appointed three independent non-executive Directors, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and
4. we will disclose in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director and his or her associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

Accounting Aspects of the Contractual Arrangements

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by Beijing KKC, Beijing Yixin will pay service fees to Beijing KKC. The annual service fees consists of a management fee and a fee for services provided. The amount and payment deadline will be determined by Beijing KKC and Beijing Yixin through negotiations after considering (i) the complexity and difficulty of the services provided by Beijing KKC, (ii) the title of and time consumed by employees of Beijing KKC providing the services, (iii) the contents and value of the services provided by Beijing KKC, (iv) the market price of the same type of services, (v) the operation conditions of Beijing Yixin, and (vi) the essential cost, expenses, taxes and statutory reserve or retaining funds. Accordingly, Beijing KKC has the ability, at its sole discretion, to extract substantially all of the economic benefit of Beijing Yixin through the Exclusive Business Cooperation Agreements.

In addition, under the Exclusive Business Cooperation Agreements, Beijing KKC has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of Beijing Yixin as Beijing KKC's prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from Beijing Yixin, the Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to the Company.

As a result of these Contractual Arrangements, our Company has obtained control of Beijing Yixin through Beijing KKC and, at our Company's sole discretion, can receive substantially all of the economic interest returns generated by Beijing Yixin. Accordingly, Beijing Yixin's results of operations, assets and liabilities, and cash flows are consolidated into the Company's financial statements.

In this regard, our Directors consider that the Company can consolidate the financial results of Beijing Yixin into our Group's financial information as if they were our Company's subsidiaries. The basis of consolidating the results of Beijing Yixin is disclosed in Note 2.2.1 to the Accountant's Report set out in Appendix I.

FINANCIAL INFORMATION

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this prospectus, including the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2014, 2015 and 2016 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are the largest online automobile retail transaction platform in China as measured by the volume and the value of automobile retail transactions in 2016, according to the Frost & Sullivan Report. We operate our business in the following two segments:

- *Transaction platform business.* The transaction platform business is comprised of: (i) facilitation and value-added services, which include (a) transaction facilitation services, whereby we primarily earn service fees from consumers or auto dealers that have completed transactions through our platform, (b) loan facilitation services, whereby we primarily earn service fees from consumer borrowers or banks that have extended auto loans to consumers, (c) value-added services, where we primarily generate revenues from auto dealers for sales of vehicle telematics systems, and (ii) advertising and subscription services, whereby we primarily earn advertising fees from automakers, auto dealers, auto finance partners, and insurance companies that have advertised on our platform, service fees from auto dealers for promotional services, and earn subscription fees from those that have subscribed to our membership services.
- *Self-operated financing business.* The self-operated financing business is comprised of (i) financing lease services, whereby we primarily generate interest revenues from consumers, and (ii) operating lease services, whereby we primarily generate rental revenues from consumers. In connection with our self-operated financing business, we also generated significant revenues in 2016 from selling to institutional purchasers, such as auto dealers and leasing companies, automobiles purchased from auto dealers designated by automakers in order to strengthen our relationship with and enjoy preferential purchase terms from such automakers. Along with the increasing scale of our self-operated financing business, revenues from automobile sales decreased significantly in the first half of 2017. For more discussions of revenues generated from automobile sales, see "Business—Self-operated Financing Business—Revenues from Automobile Sales."

FINANCIAL INFORMATION

We have experienced significant growth during the Track Record Period. Our total revenues increased from RMB48.0 million for the year ended December 31, 2014 to RMB271.3 million and RMB1.5 billion for the years ended December 31, 2015 and December 31, 2016, respectively, representing a CAGR of 456.8%. Our total revenues grew by 240.4% from RMB455.8 million for the six months ended June 30, 2016 to RMB1.6 billion for the same period in 2017. For the year ended December 31, 2016, the revenues of our transaction platform business and self-operated financing business were RMB212.2 million and RMB1.3 billion, respectively; and the revenues of these two businesses were RMB321.1 million and RMB1.2 billion for the six months ended June 30, 2017, respectively. Our gross profit increased from RMB41.0 million for the year ended December 31, 2014 to RMB231.3 million and RMB735.0 million for the years ended December 31, 2015 and December 31, 2016, respectively, representing a CAGR of 323.3%. Our gross profit grew by 300.6% from RMB223.1 million for the six months ended June 30, 2016 to RMB893.9 million for the same period in 2017. For the year ended December 31, 2016, the gross profits of our transaction platform business and self-operated financing business were RMB170.2 million and RMB564.8 million, respectively; and the gross profits of these two businesses were RMB248.1 million and RMB645.7 million for the six months ended June 30, 2017, respectively.

Our Adjusted Operating Profit increased from RMB2.1 million for the year ended December 31, 2014 to RMB94.4 million and RMB150.6 million for the years ended December 31, 2015 and December 31, 2016, representing a CAGR of 747.1%. Our Adjusted Operating Profit grew by 413.6% from RMB68.2 million for the six months ended June 30, 2016 to RMB350.2 million for the same period in 2017. Our Adjusted Net Profit increased from RMB3.8 million for the year ended December 31, 2014 to RMB65.6 million and RMB99.7 million for the years ended December 31, 2015 and December 31, 2016, respectively, representing a CAGR of 413.5%. Our Adjusted Net Profit grew by 684.2% from RMB33.3 million for the six months ended June 30, 2016 to RMB261.2 million for the same period in 2017. For discussions of Adjusted Operating Profit and Adjusted Net Profit, see “— Non-IFRS Measures.”

BASIS OF PRESENTATION

Pursuant to the restructuring as more fully explained in the section headed “History and Corporate Structure — Shareholding Changes of our Company,” immediately prior to and after each restructuring, all the businesses that we are currently engaged in were under the control of Bitauto. Accordingly, the restructuring have been accounted for as a business combination under common control and the Historical Financial Information has been prepared on a consolidated basis. The Historical Financial Information presents the consolidated results and financial position of our Group as if the current group structure had been in existence throughout the Track Record Period or since the date when the group companies first came under the control of Bitauto, whichever is a shorter period.

The net assets of the group companies were consolidated using the existing book values from Bitauto’s perspective. No amount is recognized in consideration for goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party’s interest.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on combination.

FINANCIAL INFORMATION

During the Track Record Period, due to regulatory restrictions on foreign ownership in the internet information service industry in the PRC, our business operations were carried out by our Consolidated Affiliated Entity in PRC. Shanghai Techuang, has entered into the then existing contractual arrangements (the “Old Contractual Arrangements”) with, among others, our Consolidated Affiliated Entity and its respective equity holders. The Old Contractual Arrangements enabled Shanghai Techuang to exercise effective control over our Consolidated Affiliated Entity and obtain substantially all economic benefits of them. On August 10, 2017, we entered into the Contractual Arrangements which superseded the Old Contractual Arrangements. Under the Contractual Arrangements, Beijing KKC has acquired effective control over the financial and operational decision-making of our Consolidated Affiliated Entity and has become entitled to all the economic benefits derived from its operations. Accordingly, the financial position and result of operations of our Consolidated Affiliated Entity is consolidated in the Consolidated Financial Statements continuously. Details of the Old Contractual Arrangements and the Contractual Arrangements are disclosed in the section headed “Contractual Arrangements.”

MAJOR FACTORS AFFECTING OUR RESULT OF OPERATIONS

Our result of operations have been, and are expected to continue to be, affected by a number of factors, many of which are outside of our control, including the following:

Our service and product offerings

Our platform connects all players in the automobile retail transaction market together; consumers, automakers, auto dealers, auto finance partners, insurance companies and other aftermarket service providers interact with each other on our platform. We believe that our ability to deliver a one-stop solution and build an end-to-end ecosystem to attract our customers and encourage user loyalty is the key to our historical growth and future success. We therefore continuously endeavor to deliver more comprehensive service and product offerings to our customers.

We started our business by providing advertising and subscription services to automakers and auto dealers to promote their services and products. We commenced our self-operated financing business in June 2015, loan facilitation services in April 2016, transaction facilitation services in November 2016, and value-added services including sales of vehicle telematics systems in the second quarter of 2017, and also gradually expanded our advertising and subscription services to auto finance partners and insurance companies. We have experienced rapid growth in our business and revenues as well as changes in other aspects of our result of operations as we expanded our business lines to offer more services and products. Since different business lines and product and service offerings may have different cost structures and gross profit margins, expansion of our business and changes to our product and service mix impact our overall cost structure and gross profit margin. For example, in 2016, we derived a large amount of revenues from automobile sales, which had significantly lower gross profit margin than other components of our business. Since we record these revenues as a part of revenues from self-operated financing business, the gross profit margin of this segment decreased from 91.0% in 2015 to 44.3% in 2016. Revenues generated from automobile sales, however, decreased by 43.2% in the first half of 2017 compared to the same period in 2016, which contributed to a higher gross margin of 52.5% of this segment for the six months ended June 30, 2017. We expect automobile sales revenues to decrease further over time.

We plan to further explore and monetize transaction opportunities at different stages of the transaction cycle by increasing our product and service offerings going forward, which is expected to

FINANCIAL INFORMATION

contribute to our future revenue growth and also materially affect our result of operations and financial conditions.

Our ability to maintain and expand customer base

We are serving various types of customers throughout the cycle of automobile retail transactions, including individual consumers, automakers, auto dealers, auto finance partners, insurance companies and other aftermarket service providers. Our revenue growth has been largely driven by the expansion of our customer base and the corresponding increase in the number of transactions on our platform.

We primarily earn interest and rental revenues directly from consumers in our self-operated financing business. In addition, for services such as transaction facilitation and loan facilitation where we mainly derive our revenues from auto dealers and auto finance partners, we rely on active consumers to engage in more transactions and obtain loans through our facilitation services to achieve higher revenues. Our consumer base has grown significantly since the inception of our business. As of June 30, 2017, we had an aggregate of over 5 million registered consumer accounts across all of our mobile apps, mobile sites and websites. However, we believe there is still a huge potential to further grow our consumer base, as the ratio of automobile retail transactions via online automobile retail transaction platforms is still low in China. We plan to continue to expand our customer base going forward through our advertising and marketing measures. For details, see “Business—Sales and Marketing—Consumer Marketing.”

We also derive revenues from automakers, auto dealers, auto finance partners and insurance companies for our advertising and subscription, loan facilitation and transaction facilitation services. The increased participation of these business partners in our ecosystem and their transactions on our platform will help to attract more consumers and have a direct positive impact on our result of operations.

Our ability to price competitively

Our result of operations and our profitability largely depend on our ability to price competitively, especially our ability to price our financing services, which is influenced by market interest rates, the pricing strategies of other players on the market, and our own funding costs and risk management capabilities. We offer different interest rates and down payment options for our financing lease products based on our analysis of each category of target consumers. We believe our pricing strategy has been effective as our self-operated financing business has expanded rapidly since we started this business. We believe our ability to price our services competitively will help expand the scale of our self-operated financing business and contribute to our future revenue growth.

Our ability to secure funding and manage our funding costs

Our financing lease and operating lease services are both capital intensive businesses. We have utilized various external funding sources to support the expansion of our self-operated financing business, including issuance of Preferred Shares to pre-IPO investors, borrowings from banks and other financial institutions, borrowings through ABSs and loans from Bitauto Group. We have raised a total of approximately RMB7.1 billion from issuance of Preferred Shares during the Track Record Period. As of June 30, 2017, we had RMB10.0 billion of outstanding borrowings from banks and other financial institutions, some of which are guaranteed by Bitauto Group, RMB7.0 billion of ABS debts and RMB583.8 million of outstanding loans from Bitauto Group. We will repay all outstanding loans

FINANCIAL INFORMATION

from Bitauto Group prior to the Global Offering. During the Track Record Period, the interest payment on our borrowings was RMB516.9 million. Our ongoing ability to secure additional funding at reasonable cost will affect our ability to expand our self-operated financing business and our result of operations. We expect to gain access to additional sources of financing and obtain favorable financing terms after we become a listed company.

For details of our borrowings and loans, see “—Indebtedness.” For discussion of our interest rate risk including an interest rate sensitivity analysis, see Note 3.1(a)(ii) to the Accountant’s Report in Appendix I.

Our ability to integrate and expand the online and offline operation in a cost-efficient way

Omni-channel capability is critical to our operations, and we believe it is one feature that differentiates us from our competitors. The online channels, including various mobile apps, mobile sites and websites, attract prospective consumers and allow us and our business partners to reach out to them efficiently. The local transaction teams and offline auto dealer cooperative network help facilitate and offer consumers a convenient and informative automobile transaction experience. In September 2017, our online channels had approximately 51 million MAUs. As of June 30, 2017, we also maintain a local service teams and auto dealer cooperative network that are comprised of over 3,300 employees and over 15,000 dealer shops across China, including 62 independently operated Yixin-branded experience stores.

This efficient and integrated online and offline operation contributed to the growth of our customer base and the number of transactions on our platform. Our ability to expand and further integrate this online and offline operation in a cost-efficient way affects our profitability. Our marketing and consumer acquisition efforts will impact our sales and marketing expenses, while growth in local transaction teams and our operation expansion will impact our administrative expenses. Our ability to effectively manage the online and offline operation will impact our financial performance.

Our risk management capability

We are subject to a variety of risks, primarily market risk, liquidity risk, operational risk and credit risk. We have developed comprehensive risk management system to address these risks. We also continue to monitor and review the operation and performance of our risk management system, and adapt to the changes in market conditions, our product and service offerings, and the regulatory environment. For discussion on our financial risk management, see Note 3.1 to the Accountant’s Report in Appendix I.

We believe we achieved strong asset quality during the Track Record Period. As of September 30, 2017, our 30+ days, 90+ days and 180+ days past due ratios are 1.10%, 0.47% and 0.17%, respectively. However, since we have only recently entered into the self-operated financing business, our historical past due ratios and other information about our asset quality are not indicative of our future past due ratios and other information about our asset quality in the future. See “Risk Factors—Risks Relating to Our Business and Industry—Most of our financing lease contracts have been outstanding for a relatively short period and are not fully seasoned. The asset quality of our self-operated financing business may further deteriorate as the finance receivables season or as our product mix evolves.”

FINANCIAL INFORMATION

We assess the quality of our finance receivables through past due ratio based on the nature of our business and industry practice. We assess the allowance for the past due finance receivables based on the current performance of our net finance receivables. We believe we have provided adequate allowance for potential credit losses. As of September 30, 2017, our 30+ days, 90+ days and 180+ days past due coverage ratio were 14.8%, 34.6% and 94.1%, respectively. We will continually monitor the changes in the asset quality of our asset portfolio and adjust our allowance level accordingly to reflect the development of our business and asset portfolio.

Relationship with our business partners

We are operating an automobile retail transactions platform, where our business partners transact and interact with consumers in a number of different ways. For example, an auto dealer can be our customer for transaction facilitation services and financing lease services, and at the same time list their auto information on our portals and act as our offline channel or Yixin experience store to help us reach more consumers. Therefore, our ability to continue building a synergetic ecosystem for automobile transaction largely depends on our ability to attract more business partners to participate in transactions on our platform and help them actively interact and transact using our services. We expect to achieve economies of scale and improve operational efficiency as more business partners join our platforms.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operating results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Impairment tests for goodwill

We carry out our annual impairment test on goodwill by comparing the recoverable amounts to carrying amounts. As of December 31, 2016, the impairment test was performed at our Group level. The recoverable amount was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a seven-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the seven-year period.

The key assumptions used by us for value-in-use calculations include (i) average annual revenue growth rate, which is 39.9% for a seven-years period, and (ii) discount rate, which is 16.0%. The estimated growth rate used in the value-in-use calculations for period beyond the seven-year period is 3.0%.

The revenue growth rates applied to us are consistent with those estimated by the industry reports, and do not exceed the long-term average growth rates of the industry we operate. We estimate

FINANCIAL INFORMATION

budgeted gross margin based on past experiences and forecasts of future market developments. The discount rate used by us is the pre-tax interest rate that is able to reflect the risks.

As of December 31, 2016, our directors are of the view that there was no evidence of impairment of goodwill.

We have performed a sensitivity analysis on key assumptions used for 2016 annual impairment test of goodwill. A reasonably possible change in key assumptions used in the impairment test of goodwill would not cause the carrying amount to exceed its recoverable amount as of December 31, 2016.

Our significant accounting policies, which are important for an understanding of our financial condition and result of operations, are set forth in detail in Note 2 to the Accountant's Report in Appendix I. Our other critical accounting estimates and judgments that were used in the preparation of our Consolidated Financial Statements are set forth in Note 4 to the Accountant's Report in Appendix I.

NON-IFRS MEASURES

To supplement our Consolidated Financial Statements, which are presented in accordance with IFRS, we also use Adjusted Operating Profit and Adjusted Net Profit as additional financial measures, which are not required by, or presented in accordance with, IFRS. We present these financial measures because they are used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. We also believe that these non-IFRS measures provide additional information to investors and others in understanding and evaluating our consolidated result of operations in the same manner as they help our management and in comparing financial results across accounting periods and to those of our peer companies.

Adjusted Operating Profit eliminates the effect of certain non-cash items and one-time events, namely fair value gain/(loss) on financial assets, amortization of intangible assets resulting from asset and business acquisitions, share-based compensation expenses, issuance costs of convertible redeemable preferred shares and listing expenses. Adjusted Net Profit in addition eliminates the effect of fair value loss of convertible redeemable preferred shares, and any income tax impact resulting from the abovementioned items. The terms "Adjusted Operating Profit" and "Adjusted Net Profit" are not defined under IFRS. The use of Adjusted Operating Profit and Adjusted Net Profit has material limitations as an analytical tool, as they do not include all items that impact our profit/(loss) for the relevant years/periods. The effect of items eliminated from Adjusted Operating Profit and Adjusted Net Profit is a significant component in understanding and assessing our operating and financial performance.

In light of the foregoing limitations for Adjusted Operating Profit and Adjusted Net Profit, when assessing our operating and financial performance, you should not view Adjusted Operating Profit in isolation or as a substitute for our operating (loss)/profit, nor should you view Adjusted Net Profit in isolation or as a substitute for our profit/(loss) for the year/period or any other operating performance measure that is calculated in accordance with IFRS. In addition, because these non-IFRS measures may not be calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

FINANCIAL INFORMATION

The following table reconciles our Adjusted Operating Profit and Adjusted Net Profit for the years/periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRS:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	(in thousands of RMB)				
Operating (loss)/profit	(1,616)	63,347	95,641	51,020	298,008
Add:					
Fair value (gain)/loss on financial assets	—	(2,126)	17,126	—	(6,829)
Amortization of intangible assets resulting from asset and business acquisitions	—	26,853	32,042	15,345	36,489
Share-based compensation expenses	3,715	6,287	5,813	1,816	16,945
Listing expenses	—	—	—	—	5,571
Adjusted operating profit (unaudited)	<u>2,099</u>	<u>94,361</u>	<u>150,622</u>	<u>68,181</u>	<u>350,184</u>
	(in thousands of RMB)				
	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	(Unaudited)				
Operating (loss)/profit of transaction platform business	(1,616)	37,979	7,322	11,511	87,460
Add:					
Fair value (gain)/loss of financial assets	—	(2,126)	17,126	—	(6,829)
Amortization of intangible assets resulting from asset and business acquisitions	—	20,373	5,729	1,966	10,802
Share-based compensation expenses	3,715	4,654	1,805	232	9,161
Listing expenses	—	—	—	—	1,153
Adjusted operating profit of transaction platform business (unaudited)	<u>2,099</u>	<u>60,880</u>	<u>31,982</u>	<u>13,709</u>	<u>101,747</u>
	(in thousands of RMB)				
	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	(Unaudited)				
Operating profit of self-operated financing business	—	25,368	88,319	39,509	210,548
Add:					
Amortization of intangible assets resulting from asset and business acquisitions	—	6,480	26,313	13,379	25,687
Share-based compensation expenses	—	1,633	4,008	1,584	7,784
Listing expenses	—	—	—	—	4,418
Adjusted operating profit of self-operated financing business (unaudited)	<u>—</u>	<u>33,481</u>	<u>118,640</u>	<u>54,472</u>	<u>248,437</u>
	(in thousands of RMB)				
	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	(Unaudited)				
Profit/(Loss) for the year/period	65	(28,206)	(1,404,338)	(647)	(6,105,059)
Add:					
Fair value loss of convertible redeemable preferred shares	—	53,452	1,428,141	16,789	6,300,470
Fair value (gain)/loss on financial assets, net of tax	—	(2,126)	17,126	—	(5,122)
Amortization of intangible assets resulting from asset and business acquisitions, net of tax	—	26,853	31,704	15,345	35,446
Share-based compensation expenses	3,715	6,287	5,813	1,816	16,945
Issuance costs of convertible redeemable preferred shares, net of tax	—	9,343	21,219	—	14,318
Listing expenses, net of tax	—	—	—	—	4,178
Adjusted net profit (unaudited)	<u>3,780</u>	<u>65,603</u>	<u>99,665</u>	<u>33,303</u>	<u>261,176</u>

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

The following table presents our consolidated income statement items as well as their percentage to the total revenues for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands of RMB, except percentages)									
Revenues	47,990	100.0%	271,275	100.0%	1,487,897	100.0%	455,811	100.0%	1,551,408	100.0%
Transaction platform business	47,990	100.0%	205,814	75.9%	212,152	14.3%	58,397	12.8%	321,141	20.7%
Self-operated financing business	—	—	65,461	24.1%	1,275,745	85.7%	397,414	87.2%	1,230,267	79.3%
Cost of revenues	(6,976)	(14.5)%	(39,998)	(14.7)%	(752,888)	(50.6)%	(232,681)	(51.0)%	(657,546)	(42.4)%
Gross profit	41,014	85.5%	231,277	85.3%	735,009	49.4%	223,130	49.0%	893,862	57.6%
Selling and marketing expenses	(27,723)	(57.8)%	(150,699)	(55.6)%	(360,098)	(24.2)%	(132,818)	(29.1)%	(345,652)	(22.3)%
Administrative expenses	(5,310)	(11.1)%	(20,558)	(7.6)%	(225,330)	(15.2)%	(36,711)	(8.1)%	(182,617)	(11.8)%
Research and development expenses	(8,686)	(18.1)%	(16,112)	(5.9)%	(71,351)	(4.8)%	(14,043)	(3.1)%	(72,423)	(4.7)%
Other (losses)/gain, net	(911)	(1.9)%	19,439	7.2%	17,411	1.2%	11,462	2.5%	4,838	0.3%
Operating (loss)/ profit	(1,616)	(3.4)%	63,347	23.4%	95,641	6.4%	51,020	11.2%	298,008	19.1%
Finance income	787	1.6%	5,283	1.9%	15,755	1.1%	1,071	0.2%	14,918	1.0%
Finance expenses	—	—	(12,210)	(4.5)%	(29,250)	(2.0)%	(5,389)	(1.2)%	(15,605)	(1.0)%
Fair value loss of convertible redeemable preferred shares	—	—	(53,452)	(19.7)%	(1,428,141)	(96.0)%	(16,789)	(3.7)%	(6,300,470)	(406.1)%
(Loss)/Profit before income tax	(829)	(1.8)%	2,968	1.1%	(1,345,995)	(90.5)%	29,913	6.5%	(6,003,149)	(387.0)%
Income tax expense	894	1.9%	(31,174)	(11.5)%	(58,343)	(3.9)%	(30,560)	(6.7)%	(101,910)	(6.6)%
Profit/(Loss) for the year/period	65	0.1%	(28,206)	(10.4)%	(1,404,338)	(94.4)%	(647)	(0.2)%	(6,105,059)	(393.6)%
Adjusted operating profit (unaudited)	2,099	4.4%	94,361	34.8%	150,622	10.1%	68,181	15.0%	350,184	22.6%
Adjusted net profit (unaudited)	3,780	7.9%	65,603	24.2%	99,665	6.7%	33,303	7.3%	261,176	16.8%

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULT OF OPERATIONS

Revenues

We operate the largest online automobile retail transaction platform in China; our operations cover the whole transaction cycle of automobiles and we derive our revenues from two business segments during the Track Record Period, namely transaction platform business and self-operated financing business.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, we generated total revenues of RMB48.0 million, RMB271.3 million,

FINANCIAL INFORMATION

RMB1,487.9 million, RMB455.8 million and RMB1,551.4 million, respectively. The following table sets forth a breakdown of our revenues by business segments both in absolute amount and as a percentage of our total revenues for the periods indicated:

Segment	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(Unaudited)									
	(in thousands of RMB, except percentages)									
revenues:										
Transaction platform business ⁽¹⁾	47,990	100.0%	205,814	75.9%	212,152	14.3%	58,397	12.8%	321,141	20.7%
Self-operated financing business ⁽²⁾	—	—	65,461	24.1%	1,275,745	85.7%	397,414	87.2%	1,230,267	79.3%
Total	47,990	100.0%	271,275	100.0%	1,487,897	100.0%	455,811	100.0%	1,551,408	100.0%

Notes:

- (1) The revenue generated from transaction platform business for 2014, 2015, 2016 and the first half of 2016 and 2017 included revenues from the sales of vehicle telematics systems amounting to nil, nil, nil, nil and RMB81.2 million, respectively; and the promotional services amounting to nil, nil, RMB0.3 million, nil and RMB68.9 million, respectively.
- (2) The revenue generated from self-operated financing platform business for 2014, 2015 and 2016 and the first half of 2016 and 2017 included revenues from automobile sales amounting to nil, nil, RMB 473.0 million, RMB181.8 million and RMB103.3 million, respectively.

Of all our business contracts across our two business segments entered into during the first half of 2017, the revenue attributable to the business contracts under our transaction platform business recognized during the first half of 2017 accounted for 45.2% of the revenue from all such business contracts entered into during the first half of 2017.

The transaction platform business is comprised of: (i) facilitation and value-added services which include (a) transaction facilitation services, whereby we primarily earn service fees from consumers or auto dealers that have completed transactions through our platform, (b) loan facilitation services, whereby we primarily earn service fees from consumer borrowers or banks that have extended auto loans to consumers, (c) value-added services, where we primarily generate revenues from auto dealers for sales of vehicle telematics systems, and (ii) advertising and subscription services, whereby we primarily earn advertising fees from automakers, auto dealers, auto finance partners, and insurance companies that have advertised on our platform, and earn subscription fees from those that have subscribed to our membership services. Please see the section titled “Business—Transaction Platform Business” for further details.

The self-operated financing business is comprised of (i) financing lease services, whereby we primarily generate interest revenues from consumers, and (ii) operating lease services, whereby we primarily generate rental revenues from consumers. In connection with our self-operated financing business, we generated significant revenues in 2016 from selling to institutional purchasers, such as auto dealers and leasing companies, automobiles we purchased from auto dealers designated by automakers in order to strengthen our relationship with, and enjoy preferential purchase terms from, such automakers. However, we expect such activities to decrease significantly over time. Please see the section titled “Business—Self-operated Financing Business” for further details.

FINANCIAL INFORMATION

The following table sets forth the average yield of our net finance receivables for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
Average yield of the net finance receivables ⁽¹⁾	—	7.3%	11.8%	10.8%	13.0%

Note:

(1) Revenues from financing leases divided by quarterly average balance of net finance receivables. As the financing lease services commenced in June 2015, only the balance of last two quarters of 2015 is used to calculate quarterly average balance of net finance receivables.

Cost of revenues

Cost of revenues in our transaction platform business is mainly comprised of employee benefit expenses for the employees operating our transaction platform business and other direct service costs, including bandwidth costs.

Cost of revenues in our self-operated financing business is primarily comprised of funding costs associated with our borrowings used to finance our financing lease services, such as bank loans and ABS, costs associated with automobile sales, and depreciation of the automobiles used in our operating lease services.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our cost of revenues was RMB7.0 million, RMB40.0 million, RMB752.9 million, RMB232.7 million and RMB657.5 million, respectively. We expect our cost of revenues to continue increasing as our business continues to grow.

The following table sets forth the average cost of our interest-bearing liabilities for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
Average cost of the interest-bearing liabilities ⁽¹⁾	—	1.4%	4.3%	3.1%	5.5%

Note:

(1) Sum of funding costs and finance expenses, excluding issuance costs of convertible redeemable preferred shares, divided by quarterly average balance of interest-bearing liabilities. As the interest-bearing liabilities only existed for the last 4 months of 2015, average balance of the last 4 months of 2015 is used to calculate average cost of the interest-bearing liabilities.

For details about our sources of funding, see “Business—Source of Funds.”

FINANCIAL INFORMATION

Gross profit

For the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our gross profit was RMB41.0 million, RMB231.3 million, RMB735.0 million, RMB223.1 million and RMB893.9 million, respectively, and our gross profit margin was 85.5%, 85.3%, 49.4%, 49.0% and 57.6%, respectively. The following table sets forth our gross profit and gross margin by segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(Unaudited)										
(in thousands of RMB, except percentages)										
Segment gross profit and gross margin:										
Transaction platform business	41,014	85.5%	171,722	83.4%	170,218	80.2%	46,617	79.8%	248,149	77.3%
Self-operated financing business ⁽¹⁾	—	—	59,555	91.0%	564,791	44.3%	176,513	44.4%	645,713	52.5%
Total	<u>41,014</u>	<u>85.5%</u>	<u>231,277</u>	<u>85.3%</u>	<u>735,009</u>	<u>49.4%</u>	<u>223,130</u>	<u>49.0%</u>	<u>893,862</u>	<u>57.6%</u>

Note:

(1) Gross profit margin decreased significantly in 2016 because our funding costs relating to the self-operated financing business increased, and the gross profit margin from automobile sales was significantly lower than other components of our self-operated financing business.

Within our two business segments, transaction platform business contributed 100.0%, 74.2%, 23.2%, 20.9% and 27.8% of our total gross profit for the year ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, respectively.

The following table sets forth the net interest spread and net interest margin of our financing leases for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	(Unaudited)				
Net interest spread of financing leases ⁽¹⁾	—	6.0%	7.5%	7.6%	7.5%
Net interest margin of financing leases ⁽²⁾	—	7.2%	8.9%	9.3%	8.1%

Notes:

- (1) Difference between the average yield of the net finance receivables and the average cost of the interest-bearing liabilities.
- (2) Revenues from financing leases minus funding costs divided by quarterly average balance of the net finance receivables. As the financing lease services commenced in June 2015, only the balance of last 2 quarters of 2015 is used to calculate quarterly average balance of net finance receivables.

FINANCIAL INFORMATION

Selling and marketing, administrative, and research and development expenses

The following table sets forth a breakdown of our selling and marketing expenses, administrative expenses and research and development expenses in absolute amounts and as percentages of our total revenues for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(Unaudited)									
	(in thousands of RMB, except percentages)									
Selling and marketing expenses	27,723	57.8%	150,699	55.6%	360,098	24.2%	132,818	29.1%	345,652	22.3%
Administrative expenses	5,310	11.1%	20,558	7.6%	225,330	15.1%	36,711	8.1%	182,617	11.8%
Research and development expenses	8,686	18.1%	16,112	5.9%	71,351	4.8%	14,043	3.1%	72,423	4.7%
Total	<u>41,719</u>	<u>86.9%</u>	<u>187,369</u>	<u>69.1%</u>	<u>656,779</u>	<u>44.1%</u>	<u>183,572</u>	<u>40.3%</u>	<u>600,692</u>	<u>38.7%</u>

Selling and marketing expenses

The following table sets forth a breakdown of our selling and marketing expenses for the periods indicated:

	Year ended December 31,			Six Months Ended June 30,	
	2014	2015	2016	2016	2017
	(Unaudited)				
	(in thousands of RMB)				
Employee benefit expenses	17,160	28,807	170,206	64,559	162,247
Marketing and advertising expenditures	4,249	71,326	107,685	31,139	103,510
Depreciation and amortization charges	76	27,110	33,178	15,942	36,183
Leasing related expenses	—	—	8,052	561	12,281
Office rental and administrative expenses	5,396	15,721	34,343	14,496	27,434
Other expenses	842	7,735	6,634	6,121	3,997
Total	<u>27,723</u>	<u>150,699</u>	<u>360,098</u>	<u>132,818</u>	<u>345,652</u>

Our selling and marketing expenses are primarily comprised of employee benefit expenses of selling and marketing personnel, amortization expenses relating to the Business Cooperation Agreement with Bitauto, and marketing and advertising expenses to promote our services and products. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our selling and marketing expenses were RMB27.7 million, RMB150.7 million, RMB360.1 million, RMB132.8 million and RMB345.7 million, respectively. We expect our selling and marketing expenses to continue to increase as we continue to acquire new customers and expand our business. In May 2017, we entered into the Business Cooperation Agreement in relation to the traffic support from Bitauto. This agreement will lead to the recognition of a large amount of intangible assets on our balance sheets, which will in turn result in material amortization expenses during the estimated useful life of intangible assets in the future. For discussion of the traffic support from Bitauto, see “Relationship with Our Controlling Shareholders—Independence from Controlling Shareholders—Operational Independence—Business Cooperation Agreement.”

FINANCIAL INFORMATION

Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,			Six Months Ended June 30,	
	2014	2015	2016	2016	2017
	(in thousands of RMB)			(Unaudited)	
Employee benefit expenses	4,788	11,737	40,618	8,570	49,635
Depreciation and amortization charges	57	578	3,688	1,524	3,622
Leasing related expenses	—	—	52,326	13,307	26,435
Office rental and administrative expenses	261	3,834	27,238	9,360	20,737
Provision for credit losses of finance receivables	—	—	29,052	—	35,368
Provision for impairment of trade and other receivables	204	572	37,557	—	18,653
Listing expenses	—	—	—	—	5,571
Auditors' remuneration	—	—	2,065	—	1,823
Other expenses	—	3,837	32,786	3,950	20,773
Total	<u>5,310</u>	<u>20,558</u>	<u>225,330</u>	<u>36,711</u>	<u>182,617</u>

Our administrative expenses are primarily comprised of employee benefit expenses of administrative personnel, provision for credit losses of finance receivables, leasing related expenses and office rental and administrative expenses associated with the expansion of our administrative function. From 2016, provisions for impairment of trade and other receivables and provision for credit losses of finance receivables also became important components of our administrative expenses as we continue to grow our businesses. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our administrative expenses were RMB5.3 million, RMB20.6 million, RMB225.3 million, RMB36.7 million and RMB182.6 million, respectively.

Research and development expenses

The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	Year ended December 31,			Six Months Ended June 30,	
	2014	2015	2016	2016	2017
	(in thousands of RMB)			(Unaudited)	
Employee benefit expenses	8,465	15,728	66,687	13,595	58,890
Depreciation and amortization charges	86	144	245	88	439
Office rental and administrative expenses	1	240	1,513	360	3,268
Other expenses	134	—	2,906	—	9,826
Total	<u>8,686</u>	<u>16,112</u>	<u>71,351</u>	<u>14,043</u>	<u>72,423</u>

Our research and development expenses are primarily comprised of employee benefit expenses of research and development personnel. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our research and development expenses were RMB8.7 million, RMB16.1 million, RMB71.4 million, RMB14.0 million and RMB72.4 million, respectively.

FINANCIAL INFORMATION

Other (losses)/gains, net

The following table sets forth a breakdown of our other gains or losses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	(Unaudited)				
	(in thousands of RMB)				
Government grants	—	179	18,294	6,503	2,585
Fair value gains/(loss) on financial assets	—	2,126	(17,126)	—	6,829
Foreign exchange (losses)/gains, net	(908)	17,222	9,082	3,496	(211)
(Loss)/gain on disposal of property and equipment	—	—	(44)	2	(222)
Others, net	(3)	(88)	7,205	1,461	(4,143)
Total	<u>(911)</u>	<u>19,439</u>	<u>17,411</u>	<u>11,462</u>	<u>4,838</u>

Fair value gain and loss on financial assets are all related to our investments in certain private companies. The government grants are incentives provided by the Shanghai local government to encourage investments in certain industries and the amount we receive each year is determined by the Shanghai local government based on our contribution to the local economy in the previous year. Foreign exchange gains and losses result from the settlement of foreign currency transaction, which are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured, and from the translation at year-end exchange rates of the monetary assets and liabilities denominated in foreign currencies. Our foreign exchange (losses)/gains for the year ended December 31, 2016 and six months ended June 30, 2017 mainly related to the cash injected by our shareholders which are denominated in US dollars. All foreign exchange gains and losses are presented within other gains or losses, other than foreign exchange gains and losses that relate to borrowing, which are presented within finance income or expenses.

FINANCIAL INFORMATION

Operating (loss)/profit and adjusted operating profit

For the year ended December 31, 2014, our operating loss was RMB1.6 million. For the years ended December 31, 2015, 2016 and the six months ended June 30, 2016 and 2017, our operating profit was RMB63.3 million, RMB95.6 million, RMB51.0 million and RMB298.0 million, respectively, and our operating profit margin was (3.4%), 23.4%, 6.4%, 11.2% and 19.1%, respectively. For the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our adjusted operating profit was RMB2.1 million, RMB94.4 million, RMB150.6 million, RMB68.2 million and RMB350.2 million, respectively, and our adjusted operating profit margin was 4.4%, 34.8%, 10.1%, 15.0% and 22.6%, respectively. The following table sets forth our adjusted operating profit and adjusted operating margin by segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands of RMB, except percentages)									
Segment adjusted operating profit and adjusted operating profit margin (unaudited):										
Transaction platform business	2,099	4.4%	60,880	29.6%	31,982	15.1%	13,709	23.5%	101,747	31.7%
Self-operated financing business	—	—	33,481	51.1%	118,640	9.3%	54,472	13.7%	248,437	20.2%
Total	<u>2,099</u>	<u>4.4%</u>	<u>94,361</u>	<u>34.8%</u>	<u>150,622</u>	<u>10.1%</u>	<u>68,181</u>	<u>15.0%</u>	<u>350,184</u>	<u>22.6%</u>

Within our two business segments, transaction platform business contributed 100.0%, 64.5%, 21.2%, 20.1% and 29.1% of our total adjusted operating profit for the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, respectively.

Finance income

Finance income is primarily comprised of interest income from our bank deposits. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our finance income was RMB0.8 million, RMB5.3 million, RMB15.8 million, RMB1.1 million and RMB14.9 million, respectively.

Finance expenses

Finance expenses are primarily comprised of interest expenses arising from loans from Bitauto Group to support our general operations and the issuance costs of our Preferred Shares. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our finance expenses was nil, RMB12.2 million, RMB29.3 million, RMB5.4 million and RMB15.6 million, respectively.

Interests arising from borrowings for our working capital and general corporate purposes are recorded as interest expenses, while interests arising from borrowings used to finance our self-operated financing business are recorded as cost of revenues in our consolidated income statements.

FINANCIAL INFORMATION

Fair value loss of convertible redeemable preferred shares

Fair value loss of convertible redeemable preferred shares represents changes in fair value of the Preferred Shares issued by us. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our fair value loss of convertible redeemable preferred shares was nil, RMB53.5 million, RMB1,428.1 million, RMB16.8 million and RMB6,300.5 million, respectively. Such loss had increased significantly since the second half of 2016 because our business continued to grow at a fast pace and we were approaching our initial public offering. Assuming the completion of the Global Offering in the year ending December 31, 2017 with the indicative Offer Price ranging from HK\$6.60 to HK\$7.70, the estimated total fair value loss to be recorded in relation to the Preferred Shares in the year ending December 31, 2017 will be between RMB12.9 billion and RMB16.9 billion. Prior to the Global Offering, the Preferred Shares are not traded in an active market and the fair value at respective reporting dates is determined using valuation techniques. Please refer to Note 27 to the Accountant's Report included in Appendix I for details of the key assumptions of the valuations of the Preferred Shares during the Track Record Period. On the Listing Date, all our Preferred Shares will be automatically converted into our ordinary shares. The fair value of each Preferred Share will then be equivalent to the fair value of each of our ordinary shares on the conversion date, which is the Offer Price in the Global offering.

We designate the Preferred Shares as financial liabilities at fair value through profit and loss. Any changes in the fair value of the Preferred Shares are recorded as "fair value loss of convertible redeemable preferred shares" in the consolidated income statements.

Profit/(Loss) and adjusted net profit

For the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our profit/(loss) was RMB0.1 million, RMB(28.2) million, RMB(1,404.3) million, RMB(0.6) million and RMB(6,105.1) million, respectively. For the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our adjusted net profit was RMB3.8 million, RMB65.6 million, RMB99.7 million, RMB33.3 million and RMB261.2 million, respectively, and our adjusted net profit margin was 7.9%, 24.2%, 6.7%, 7.3% and 16.8%, respectively.

TAXATION

Cayman Islands

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and accordingly is not subject to income tax.

Hong Kong

Hong Kong profits tax rate is 16.5%. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

China

Under the PRC Enterprise Income Tax Law effective from January 1, 2008, our PRC subsidiaries, and our Consolidated Affiliated Entity and its subsidiaries are subject to the statutory rate of 25%, subject to preferential tax treatments available to qualified enterprises in certain encouraged sectors of the economy. Companies qualified as "software enterprises" will be exempted from

FINANCIAL INFORMATION

enterprise income tax for two years and subject to a preferential income tax rate of 12.5% for the following three years, starting from the first profit-making year. We acquired Shanghai Lanshu in April 2017, and it has completed the registration process for software enterprise application. It will be eligible for enterprise income tax exemption for each of the years ending December 31, 2017 and 2018, and a preferential tax rate of 12.5% for each of the years ending December 31, 2019, 2020 and 2021, respectively.

The effective tax rates were 107.8%, 1,050.3%, (4.3%) and (1.7%) for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, respectively. The table below sets forth the detailed calculation.

	Year Ended December 31,			Six Months Ended June 30,
	2014	2015	2016	2017
	(RMB'000)			
(Loss)/Profit Before Income Tax	(829)	2,968	(1,345,995)	(6,003,149)
Tax calculated at PRC statutory income tax rate of 25%	(207)	742	(336,499)	(1,500,787)
Tax effects of:				
—Differential income tax rates applicable to certain entities comprising the Group ⁽¹⁾	283	21,580	370,307	1,585,412
—Income not subject to tax	—	(665)	—	—
—Tax effect of preferential tax treatments	—	—	—	(15,716)
—Expenses not deductible for tax purposes	4,870	4,822	29,251	25,510
—Tax losses and temporary differences for which no deferred income tax asset was recognized	—	4,370	—	3,593
—Utilization of previously unrecognized tax losses and temporary differences	—	—	(4,370)	—
—Recognition of deferred income tax assets previously unrecognized	(5,840)	—	—	—
—Others	—	325	(346)	3,898
Income tax expense	<u>(894)</u>	<u>31,174</u>	<u>58,343</u>	<u>101,910</u>
Effective tax rate (income tax expense/profit before income tax)	<u>107.8%</u>	<u>1,050.3%</u>	<u>(4.3%)</u>	<u>(1.7%)</u>

Note:

(1) The “tax effects of differential income tax rates applicable to certain entities comprising the Group” is mainly due to the income tax rate difference related to us, between the applicable income tax rate of 0% in Cayman Islands and the PRC statutory income tax rate of 25%, and multiplied by our loss before tax. Our loss before tax during the Track Record Period was mainly associated with our fair value loss of the convertible redeemable preferred shares.

The Company’s effective tax rate had fluctuated significantly during the Track Record Period and deviated from the PRC statutory income tax rate of 25% because (i) its Cayman holding company is not subject to Cayman Islands income tax, and therefore its operating results, including the large amount of fair value loss of the Preferred Shares during the Track Record Period, are not subject to any income tax; and (ii) certain expenses such as share-based compensation is not deductible for tax purposes.

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from China effective from January 1, 2008. The withholding tax rate may be lowered to a minimum of 5% if there is a tax arrangement between China and the jurisdiction of the foreign investors. During the Track Record Period, we did not have any plan to require our PRC subsidiaries to distribute their retained earnings and intended to retain them to operate and expand our business in China.

FINANCIAL INFORMATION

PERIOD TO PERIOD COMPARISON OF RESULT OF OPERATIONS

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Revenues

Our revenues increased significantly from RMB455.8 million for the six months ended June 30, 2016 to RMB1,551.4 million for the six months ended June 30, 2017.

Revenues derived from our transaction platform business increased significantly from RMB58.4 million for the six months ended June 30, 2016 to RMB321.1 million for the six months ended June 30, 2017. This increase was primarily due to the introduction of our facilitation and value-added services and the rapid growth of our advertising and subscription services, especially after we launched sales of vehicle telematics systems and further expanded our promotional service. Sales of vehicle telematics systems and promotional service recorded revenues of RMB81.2 million and RMB68.9 million, respectively, for the six months ended June 30, 2017.

Revenues derived from our self-operated financing business increased significantly from RMB397.4 million for the six months ended June 30, 2016 to RMB1,230.3 million for the six months ended June 30, 2017, due to the continuous expansion of self-operated financing business, particularly our financing lease business as well as our operating lease business after we launched the Kaizouba service line in February 2017. Within all revenues derived from self-operated financing business for the six months ended June 30, 2017, RMB1,115.6 million was from our financing lease and operating lease services. The remaining RMB114.7 million of the revenues were mainly derived from automobile sales, which we expect to decrease significantly over time.

Average yield of our net finance receivables increased from 10.8% in the first half of 2016 to 13.0% in the first half of 2017, as the portion of finance receivables related to inventory financing to auto dealers continued to drop from 2016 to 2017 and the average yield of inventory financing to auto dealers is comparatively lower than the average yield of financing lease to consumers.

Cost of revenues

Cost of revenues increased significantly from RMB232.7 million for the six months ended June 30, 2016 to RMB657.5 million for the same period in 2017.

Cost of revenues of our transaction platform business increased rapidly from RMB11.8 million for the six months ended June 30, 2016 to RMB73.0 million for the same period in 2017, primarily due to (i) an increase of RMB30.6 million in cost of vehicle telematics devices sold as a result of the commencement of the sales of vehicle telematics systems in the second quarter of 2017 and (ii) an increase of RMB7.0 million in employee benefit expenses mainly as a result of expansion of this business segment.

Cost of revenues of our self-operated financing business increased significantly from RMB220.9 million for the six months ended June 30, 2016 to RMB584.6 million for the same period in 2017, primarily because (i) our funding costs relating to the self-operated financing business increased from RMB27.2 million to RMB409.2 million, as a result of the rapid expansion of this business segment; partially offset by (ii) the decrease of RMB77.8 million in cost of automobiles that were later sold. Funding costs increased significantly mainly because we continued to switch to external funding sources in 2017 to fund our self-operated financing business. The average cost of our

FINANCIAL INFORMATION

interest-bearing liabilities increased from 3.1% in the first half of 2016 to 5.5% in the same period in 2017 due to a larger portion of funding from external sources and general rise of cost of funds in the market.

Gross profit and gross margin

As a result of the foregoing, our total gross profit increased from RMB223.1 million for the six months ended June 30, 2016 to RMB893.9 million for the same period in 2017, and our overall gross profit margin increased from 49.0% for the six months ended June 30, 2016 to 57.6% for same period in 2017.

Gross profit of our transaction platform business was RMB46.6 million and RMB248.1 million for the first half of 2016 and 2017, respectively. Gross profit margin of this segment slightly decreased from 79.8% for the first half of 2016 to 77.3% for the same period in 2017, because our further expanded promotional service and the newly launched sales of vehicle telematics system had comparably lower gross margin than the rest of transaction platform business.

Gross profit of our self-operated financing business increased significantly from RMB176.5 million for first half of 2016 to RMB645.7 million for the same period in 2017. Gross profit margin of this segment increased from 44.4% for first half of 2016 to 52.5% for the same period in 2017. The improvement of gross margin was primarily due to a significant decrease of revenues derived from the low-margin automobile sales as a part of the revenues from self-operated financing business, which overrode the impact of rising funding costs. We expect revenues derived in automobile sales to continue to decrease over time.

Due to the increase in the average yield of our finance receivables and the average cost of our interest-bearing liabilities, the net interest spread of our financing leases decreased from 7.6% in the first half of 2016 to 7.5% for the same period in 2017 and the net interest margin of our financing leases decreased from 9.3% to 8.1% during the same period, respectively.

Selling and marketing expenses

Our selling and marketing expenses increased by 160.2% from RMB132.8 million for the six months ended June 30, 2016 to RMB345.7 million for the same period in 2017, primarily due to (i) an increase of employee benefit expenses of RMB97.7 million, as the headcount of our selling and marketing department increased from 1,058 as of June 30, 2016 to 3,562 as of June 30, 2017; (ii) a growth in marketing and advertising expenditures of RMB72.4 million as we invested more in promoting our services in 2017; and (iii) an increase of RMB20.2 million in depreciation and amortization charges. Our intangible assets increased significantly in the first half of 2017 after we entered into the Business Cooperation Agreement in our reorganization in 2017. This growth of intangible assets led to an increase of amortization charges for the six months ended June 30, 2017.

Between our two business segments, the selling and marketing expenses for our transaction platform business increased in the first half of 2017 as compared to the same period in 2016 mainly because we started facilitation services in the second half of 2016 and further expanded promotional services in the second quarter of 2017, respectively, which both required a large selling and marketing team to support the new businesses.

The selling and marketing expenses for our self-operated financing business increased significantly because we (i) employed additional selling and marketing personnel related to consumer

FINANCIAL INFORMATION

acquisition, transaction conversion and facilitation; and (ii) increased our spending on marketing and advertising activities as our self-operated financing business grew in 2017.

Administrative expenses

Our administrative expenses increased significantly from RMB36.7 million for the six months ended June 30, 2016 to RMB182.6 million for the same period in 2017, primarily due to (i) an increase of RMB41.1 million in employee benefit expenses, as the headcount of our administration department increased from 77 as of June 30, 2016 to 266 as of June 30, 2017, which was mainly the result of increasing administrative personnel related to our self-operated financing business, (ii) an increase of RMB35.4 million in provision for credit losses of finance receivables, which accompanied the rapid growth of our financing lease services, (iii) an increase of RMB13.1 million in leasing related expenses including collection agency fees and credit enquiry fees, as we had significantly expanded our financing lease and operating lease services since the second half of 2016.

Research and development

Our research and development expenses increased significantly from RMB14.0 million for the six months ended June 30, 2016 to RMB72.4 million for the same period in 2017, primarily due to the increase of RMB45.3 million in employee benefit expenses arising from the expansion of our research and development department from 260 team members as of June 30, 2016 to 529 as of June 30, 2017. We expanded our research and development team to upgrade features and functions of websites and mobile apps in the first half of 2017.

Other (losses)/gains, net

Other net gains decreased by 57.8% from RMB11.5 million for the six months ended June 30, 2016 to RMB4.8 million for the same period in 2017. The decrease was primarily attributable to (i) a decrease of RMB3.9 million in government grants and (ii) a foreign exchange loss of RMB0.2 million for the six months ended June 30, 2017 as compared to a foreign exchange gain of RMB3.5 million for the same period in 2016.

Operating profit and adjusted operating profit

As a result of the foregoing, our operating profit increased significantly from RMB51.0 million for the six months ended June 30, 2016 to RMB298.0 million for the same period in 2017. Our adjusted operating profit also increased rapidly from RMB68.2 million for the six months ended June 30, 2016 to RMB350.2 million for the same period in 2017, and our adjusted operating profit margin improved from 15.0% to 22.6% during the same period.

Finance income

Our finance income increased significantly from RMB1.1 million for the six months ended June 30, 2016 to RMB14.9 million for the same period in 2017, due to the increased interest income associated with our increased balance of restricted cash as well as cash and cash equivalents.

Finance expenses

Our finance expenses increased by 189.6% from RMB5.4 million for the six months ended June 30, 2016 to RMB15.6 million for the same period in 2017, due to an increase of RMB14.3 million

FINANCIAL INFORMATION

in costs associated with the issuance of Preferred Shares, including fees paid to professional advisors, partially offset by the decrease of interest expenses in relation to loans from Bitauto Group which we had been gradually repaying.

Fair value loss of convertible redeemable preferred shares

Fair value loss of convertible redeemable preferred shares for the six months ended June 30, 2016 and 2017 was RMB16.8 million and RMB6.3 billion, respectively. We used discounted cash flow method to determine the underlying share value and adopted equity allocation model to determine the fair value of the Preferred Shares as at the dates of issuance and at the end of each reporting period. Please refer to Note 27 to the Accountant's Report included in Appendix I for details of the key assumptions of the valuations.

Income tax expense

Our income tax expenses increased from RMB30.6 million for the six months ended June 30, 2016 to RMB101.9 million for the same period in 2017. The increase was primarily attributable to the increase of taxable profit of some of our subsidiaries in China.

Loss for the period and adjusted net profit

As a result of the foregoing, our loss was RMB0.6 million and RMB6.1 billion for the six months ended June 30, 2016 and 2017, respectively. Our adjusted net profit was RMB33.3 million and RMB261.2 million for the six months ended June 30, 2016 and 2017, respectively, and our adjusted net profit margin increased from 7.3% for the six months ended June 30, 2016 to 16.8% for the same period in 2017.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenues

Our revenues increased significantly from RMB271.3 million for the year ended December 31, 2015 to RMB1,487.9 million for the year ended December 31, 2016. This increase was primarily the result of the rapid expansion of our self-operated financing business.

Revenues derived from our transaction platform business increased by 3.1% from RMB205.8 million for the year ended December 31, 2015 to RMB212.2 million for the year ended December 31, 2016. This increase was primarily because we commenced loan facilitation services and the transaction facilitation services in April 2016 and in November 2016, respectively, while we only had the advertising and subscription services business in 2015.

Revenues derived from our self-operated financing business increased significantly from RMB65.5 million for the year ended December 31, 2015 to RMB1,275.7 million for the year ended December 31, 2016. We started the financing lease services in June 2015, which expanded rapidly in 2016. We generated RMB779.5 million of the revenues from self-operated financing business from our financing lease and operating lease services in 2016. The remaining RMB496.2 million of revenues from this segment were mainly derived from automobile sales, which we expect to decrease significantly over time.

FINANCIAL INFORMATION

Average yield of our net finance receivables increased from 7.3% in 2015 to 11.8% in 2016, as the portion of finance receivables related to inventory financing to auto dealers significantly dropped from 2015 to 2016 and the average yield of inventory financing to auto dealers is comparatively lower than the yield of financing lease to consumers.

Cost of revenues

Cost of revenues increased significantly from RMB40.0 million for the year ended December 31, 2015 to RMB752.9 million for the year ended December 31, 2016.

Cost of revenues of our transaction platform business increased by 23.0% from RMB34.1 million in 2015 to RMB41.9 million in 2016, primarily due to an increase of RMB8.0 million in employee benefits expenses as a result of the commencement of our loan facilitation services and transaction facilitation services in April 2016 and in November 2016, respectively.

Cost of revenues of our self-operated financing business increased significantly from RMB5.9 million in 2015 to RMB711.0 million in 2016, primarily because (i) our funding costs relating to the self-operated financing business increased from RMB0.6 million to RMB187.2 million, as a result of the rapid expansion of this business segment; and (ii) we recorded costs amounting to RMB471.7 million in relation to the purchase of automobiles that were later sold. Funding costs increased significantly in 2016 because we primarily relied on our internal funding sources to fund our self-operated financing services in 2015, while we started to utilize external funding sources in 2016, including borrowings from banks and other financial institutions, issuance of ABSs and loans from Bitauto Group. The average cost of our interest-bearing liabilities increased from 1.4% in 2015 to 4.3% in 2016 due to a larger portion of funding from external sources.

Gross profit and gross margin

As a result of the foregoing, our total gross profit increased from RMB231.3 million for the year ended December 31, 2015 to RMB735.0 million for the year ended December 31, 2016, and our overall gross profit margin decreased from 85.3% for the year ended December 31, 2015 to 49.4% for the year ended December 31, 2016.

Gross profit of our transaction platform business was RMB171.7 million and RMB170.2 million for 2015 and 2016, respectively. Gross profit margin of this segment decreased slightly from 83.4% for the year ended December 31, 2015 to 80.2% for the year ended December 31, 2016.

Gross profit of our self-operated financing business increased significantly from RMB59.6 million for the year ended December 31, 2015 to RMB564.8 million for the year ended December 31, 2016. Gross profit margin of this segment decreased from 91.0% for the year ended December 31, 2015 to 44.3% for the year ended December 31, 2016. The gross margin decreased significantly because our funding costs relating to the self-operated financing business increased, and we recorded revenues derived from the low-margin automobile sales as a part of the revenues from self-operated financing business in 2016. We expect revenues derived in this manner to decrease significantly over time.

Due to changes in the average yield of our finance receivables and the average cost of our interest-bearing liabilities as discussed above, our net interest spread of financing leases increased from

FINANCIAL INFORMATION

6.0% in 2015 to 7.5% in 2016, and our net interest margin of financing leases increased from 7.2% in 2015 to 8.9% in 2016.

Selling and marketing expenses

Our selling and marketing expenses increased by 139.0% from RMB150.7 million for the year ended December 31, 2015 to RMB360.1 million for the year ended December 31, 2016, primarily due to (i) an increase of employee benefit expenses of RMB141.4 million, as the headcount of our selling and marketing department increased from 648 as of December 31, 2015 to 2,705 as of December 31, 2016; and (ii) a growth in marketing and advertising expenditures of RMB36.4 million as we invested more in promoting our services in 2016.

Between our two business segments, the selling and marketing expenses for our transaction platform business decreased in 2016. We incurred comparably higher selling and marketing expenses in 2015 to promote our rapidly growing advertising services. In 2016, the need to incur marketing and advertising expenses decreased as our platform has been widely recognized in China and we started to attract more users to our platform.

The selling and marketing expenses for our self-operated financing business increased significantly because we (i) employed additional selling and marketing personnel related to consumer acquisition and transaction conversion and facilitation; and (ii) increased our spending on marketing and advertising activities as our self-operated financing business grew in 2016.

Administrative expenses

Our administrative expenses increased significantly from RMB20.6 million for the year ended December 31, 2015 to RMB225.3 million for the year ended December 31, 2016, primarily due to (i) an increase of RMB37.0 million in provision for impairment of trade and other receivables, primarily arising from our risk assessment with respect to certain categories of advertising customers; (ii) an increase of RMB29.1 million in provision for credit losses of finance receivables, which accompanied the rapid growth of our financing lease services; (iii) an increase of RMB28.9 million in employee benefit expenses, as the headcount of our administration department increased from 27 as of December 31, 2015 to 203 as of December 31, 2016, which was mainly the result of increasing administrative personnel related to our self-operated financing business; and (iv) an increase of RMB52.3 million in leasing related expenses including collection agency fees and credit enquiry fees, as we significantly grew our financing lease and operating lease services in 2016.

Research and development

Our research and development expenses increased significantly from RMB16.1 million for the year ended December 31, 2015 to RMB71.4 million for the year ended December 31, 2016, primarily due to the increase of RMB51.0 million in employee benefit expenses, mainly due to increased headcount of our research and development department from 166 as of December 31, 2015 to 352 as of December 31, 2016.

Other (losses)/gains, net

Other net gains decreased by 10.4% from RMB19.4 million for the year ended December 31, 2015 to RMB17.4 million for the year ended December 31, 2016. The decrease was primarily

FINANCIAL INFORMATION

attributable to (i) a fair value loss on financial assets of RMB17.1 million as a result of a decline in the fair value of our investment in certain private investee companies, and (ii) a decrease of net foreign exchange gains of RMB8.1 million in 2016, which was partially offset by an increase of RMB18.1 million of local government grants. The increase of government grants in 2016 was the result of our growing contribution to Shanghai local economy as our business grew in 2015 as compared to 2014.

Operating profit and adjusted operating profit

As a result of the foregoing, our operating profit was RMB95.6 million for 2016, as compared to RMB63.3 million for 2015. Our adjusted operating profit was RMB150.6 million for 2016, as compared to RMB94.4 million for 2015, representing an increase of 59.6%. Our adjusted operating profit margin decreased from 34.8% for 2015 to 10.1% for 2016.

Finance income

Our finance income increased by 198.2% from RMB5.3 million for the year ended December 31, 2015 to RMB15.8 million for the year ended December 31, 2016, due to the increased interest income associated with our increased balance of restricted cash, cash and cash equivalents.

Finance expenses

Our finance expenses increased by 139.6% from RMB12.2 million for the year ended December 31, 2015 to RMB29.3 million for the year ended December 31, 2016, due to an increase of RMB5.2 million in interest expenses in relation to loans from Bitauto Group and an increase of RMB11.9 million in cost associated with the issuance of Preferred Shares, including fees paid to professional advisors.

Income tax expense

Our income tax expenses increased from RMB31.2 million for the year ended December 31, 2015 to RMB58.3 million for the year ended December 31, 2016. The increase was primarily attributable to the increase of taxable profit of some of our subsidiaries and Consolidated Affiliated Entity in China.

Fair value loss of convertible redeemable preferred shares

Fair value loss of convertible redeemable preferred shares for the years ended December 31, 2015 and 2016 was RMB53.5 million and RMB1,428.1 million, respectively. We used discounted cash flow method to determine the underlying share value and adopted equity allocation model to determine the fair value of the Preferred Shares as at the dates of issuance and at the end of each reporting period. Please refer to Note 27 to the Accountant's Report included in Appendix I for details of the key assumptions of the valuations.

Loss for the year and adjusted net profit

As a result of the foregoing, our loss was RMB1,404.3 million for the year ended December 31, 2016, as compared to RMB28.2 million for the year ended December 31, 2015. Our adjusted net profit was RMB99.7 million for the year ended December 31, 2016, as compared to RMB65.6 million for the

FINANCIAL INFORMATION

year ended December 31, 2015, representing an increase of 51.9%. Our adjusted net profit margin decreased from 24.2% for the year ended December 31, 2015 to 6.7% for the year ended December 31, 2016.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenues

Our revenues increased significantly from RMB48.0 million for the year ended December 31, 2014 to RMB271.3 million for the year ended December 31, 2015. This increase was primarily the result of the expansion of our transaction platform business and the commencement of self-operated financing business in 2015.

Revenues derived from our transaction platform business increased by 328.9% from RMB48.0 million for the year ended December 31, 2014 to RMB205.8 million for the year ended December 31, 2015. This increase was primarily due to the growth of our advertising services.

We commenced our self-operated financing business in June 2015, and recorded revenues of RMB65.5 million for the first year.

Cost of revenues

Cost of revenues increased significantly from RMB7.0 million for the year ended December 31, 2014 to RMB40.0 million for the year ended December 31, 2015, largely in line with the revenue growth.

Cost of revenues of our transaction platform business increased by 388.7% from RMB7.0 million in 2014 to RMB34.1 million in 2015, primarily because of the increase in costs of promotional activities related to the expansion of our advertising and subscription services and the increase in employee benefit expenses arising from the expansion of our transaction platform business in 2015.

We commenced our self-operated financing business in June 2015, and recorded a cost of revenues of RMB5.9 million for the first year.

Gross profit and gross margin

As a result of the foregoing, our total gross profit increased from RMB41.0 million for the year ended December 31, 2014 to RMB231.3 million for the year ended December 31, 2015, and our overall gross profit margin stayed largely stable, changing from 85.5% in 2014 to 85.3% in 2015.

Gross profit of our transaction platform business was RMB41.0 million and RMB171.7 million for 2014 and 2015, respectively. Gross profit margin of this segment stayed largely stable, and was 85.5% and 83.4% for 2014 and 2015, respectively.

We commenced our self-operated financing business in June 2015, and recorded a gross profit of RMB59.6 million and gross margin of 91.0% for the first year.

Selling and marketing expenses

Our selling and marketing expenses increased significantly from RMB27.7 million for the year ended December 31, 2014 to RMB150.7 million for the year ended December 31, 2015, primarily due

FINANCIAL INFORMATION

to (i) a growth of RMB67.1 million in marketing and advertising expenditures as our self-operated financing business kicked off in June 2015 and we incurred additional marketing expenses to promote it; (ii) an increase of RMB26.9 million in amortization expenses for the traffic support arrangement with Bitauto, which we entered into in February 2015; and (iii) an increase of employee benefit expenses of RMB11.6 million, as the headcount of our selling and marketing department increased from 151 as of December 31, 2014 to 648 as of December 31, 2015.

Administrative expenses

Our administrative expenses increased from RMB5.3 million for the year ended December 31, 2014 to RMB20.6 million for the year ended December 31, 2015, primarily due to (i) an increase of RMB6.9 million in employee benefit expenses, as the headcount of our administration department increased from 9 as of December 31, 2014 to 27 as of December 31, 2015; and (ii) an increase of RMB3.6 million in office rental and administrative expenses associated with the expansion of our administrative function as the result of the growth of our business.

Research and development

Our research and development expenses increased significantly from RMB8.7 million for the year ended December 31, 2014 to RMB16.1 million for the year ended December 31, 2015, primarily due to the increase of RMB7.3 million in employee benefit expenses, which resulted from increased headcount of our research and development department from 46 as of December 31, 2014 to 166 as of December 31, 2015.

Other (losses)/gains, net

We recorded a net other gain of RMB19.4 million in 2015, compared to a net other loss of RMB0.9 million in 2014. This change was primarily due to an increase of foreign exchange gains of RMB18.1 million, as the proceeds received from the issuance of Preferred Shares were all in US dollars and hence foreign exchange gains arose from the appreciation of US dollar against Renminbi in 2015.

Operating (loss)/profit and adjusted operating profit

As a result of the foregoing, our operating profit was RMB63.3 million for the year ended December 31, 2015, as compared to loss of RMB1.6 million for the year ended December 31, 2014. Our adjusted operating profit was RMB94.4 million for the year ended December 31, 2015, as compared to RMB2.1 million for the year ended December 31, 2014. Our adjusted operating profit margin increased from 4.4% for the year ended December 31, 2014 to 34.8% for the year ended December 31, 2015.

Finance income

Our finance income increased from RMB0.8 million for the year ended December 31, 2014 to RMB5.3 million for the year ended December 31, 2015, due to the growth of interest income associated with the increase in bank deposits.

Finance expenses

Our finance expenses increased from nil for the year ended December 31, 2014 to RMB12.2 million for the year ended December 31, 2015, due to an increase of RMB2.9 million in

FINANCIAL INFORMATION

interest expenses as we incurred more borrowings from Bitauto Group to finance our working capital and for general corporate purposes, and an increase of RMB9.3 million in cost associated with the issuance of Preferred Shares, including fees paid to professional advisors.

Income tax expense

Our income tax expenses were RMB31.2 million in 2015, compared to an income tax benefit of RMB0.9 million in 2014. This change was primarily because none of our group companies recorded taxable profit in 2014 while certain of our subsidiaries and Consolidated Affiliated Entity in China recorded taxable profit and incurred tax expenses accordingly in 2015.

Fair value loss of convertible redeemable preferred shares

Fair value loss of convertible redeemable preferred shares for the years ended December 31, 2014 and 2015 was nil and RMB53.5 million, respectively. We used discounted cash flow method to determine the underlying share value and adopted equity allocation model to determine the fair value of the Preferred Shares as at the dates of issuance and at the end of each reporting period. Please refer to Note 27 to the Accountant's Report included in Appendix I for details of the key assumptions of the valuations.

Profit/(Loss) for the year and adjusted net profit

As a result of the foregoing, we recorded a loss of RMB28.2 million for the year ended December 31, 2015, compared to a profit of RMB65,000 for the year ended December 31, 2014. Our adjusted net profit was RMB65.6 million for the year ended December 31, 2015, compared to RMB3.8 million for the year ended December 31, 2014, representing an increase of 1,635.5%. Our adjusted net profit margin increased from 7.9% for the year ended December 31, 2014 to 24.2% for the year ended December 31, 2015.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The table below sets forth selected information from our consolidated balance sheets as of the dates indicated, which have been extracted from our audited consolidated financial statements included in Appendix I:

	As of December 31,			As of
	2014	2015	2016	June 30, 2017
	(in thousands of RMB)			
Total non-current assets	5,449	784,452	9,491,664	16,097,902
Total current assets	240,353	3,081,502	10,559,715	12,634,477
Total assets	<u>245,802</u>	<u>3,865,954</u>	<u>20,051,379</u>	<u>28,732,379</u>
Total non-current liabilities	—	2,617,971	11,401,179	22,186,259
Total current liabilities	96,252	1,117,624	10,034,675	14,177,931
Total liabilities	<u>96,252</u>	<u>3,735,595</u>	<u>21,435,854</u>	<u>36,364,190</u>
Accumulated losses	(44,445)	(74,884)	(1,491,133)	(7,590,508)
Total equity	<u>149,550</u>	<u>130,359</u>	<u>(1,384,475)</u>	<u>(7,631,811)</u>

FINANCIAL INFORMATION

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2014	2015	2016	June 30, 2017	September 30, 2017
	(in thousands of RMB)				
Current assets					(Unaudited)
Finance receivables	—	2,172,475	6,086,662	8,049,350	10,276,618
Trade receivables	10,216	127,784	180,145	308,913	533,949
Prepayments, deposits and other assets	38,628	70,850	604,425	546,309	695,495
Cash and cash equivalents	191,509	710,393	660,852	1,168,416	857,567
Restricted cash	—	—	3,027,631	2,561,489	2,030,402
Total current assets	<u>240,353</u>	<u>3,081,502</u>	<u>10,559,715</u>	<u>12,634,477</u>	<u>14,394,031</u>
Current liabilities					
Trade payables	2,049	97,452	508,385	469,650	785,598
Other payables and accruals	94,203	999,073	1,375,071	1,198,128	1,517,214
Current income tax liabilities	—	21,099	45,426	68,201	53,710
Borrowings	—	—	8,105,793	12,441,952	16,195,322
Total current liabilities	<u>96,252</u>	<u>1,117,624</u>	<u>10,034,675</u>	<u>14,177,931</u>	<u>18,551,844</u>
Net current assets (liabilities)	<u>144,101</u>	<u>1,963,878</u>	<u>525,040</u>	<u>(1,543,454)</u>	<u>(4,157,813)</u>

Our net current assets increased from RMB144.1 million as of December 31, 2014, to RMB1,963.9 million as of December 31, 2015, then decreased to RMB525.0 million as of December 31, 2016. We had net current liabilities of RMB1,543.5 million as of June 30, 2017, and we continued to have net current liabilities of RMB4.2 billion as of September 30, 2017.

The increase of net current assets from December 31, 2014 to December 31, 2015 was because we raised RMB2,389.6 million through issuance of Preferred Shares in 2015 and used a large portion of the proceeds in our financing lease services. This led to a big increase in cash and cash equivalents as well as current portion of finance receivables.

The decrease of net current assets from December 31, 2015 to December 31, 2016 was because we sought external funding sources to fund the expansion of our financing lease services. A large portion of the borrowings we received in 2016 were short-term borrowings which resulted in a rapid increase in current liabilities. Additionally, as our financing lease contracts generally have terms ranging from one year to three years, relatively more finance receivables were classified as non-current assets. This altogether led to the decrease of net current assets as of December 31, 2016 compared to that as of December 31, 2015. For the similar reasons, we had net current liabilities of RMB1,543.5 million as of June 30, 2017, compared to net current assets of RMB525.0 million as of December 31, 2016.

We raised RMB2.6 billion through securitization transactions in August 2017, which have improved our working capital position. We expect to further improve our working capital position by reducing the percentage of short-term borrowings in our total borrowings and generating more cash flows from our operations as our business scale increases.

FINANCIAL INFORMATION

Intangible assets

Our intangible assets are comprised of goodwill, trademarks and licenses, customer relationships, domain names, computer software and technology, and the business cooperation agreements. The following table sets forth our intangible assets as of the dates indicated.

	As of December 31,			As of
	2014	2015	2016	June 30, 2017
	RMB'000			
Cost	79	92,836	304,253	2,575,405
Accumulated amortization	(16)	(26,941)	(61,457)	(99,841)
Net book amount	63	65,895	242,796	2,475,564

The business cooperation agreements comprise of Bitauto Group's direction of all online enquiries regarding automobile financing lease and automobile financing services and products arising from Bitauto Group's websites to our Group (the "**2015 Traffic Support Services**"), free traffic support from Bitauto Group in relation to automobile financing services and used automobile-related business (the "**2017 Traffic Support Services**"), Bitauto Group's non-compete undertakings ("**Non-compete Undertakings**") in relation to the used automobile-related business, and free access to Bitauto Group's automobile model database ("**Automobile Model Database**") for 20 years. The amortization charges are included in the "selling and marketing expenses" of the consolidated income statements.

The 2015 Traffic Support Services is comprised of automobile financing services traffic support. The automobile financing services traffic support refers to all enquiries regarding automobile related financing, leasing, and/or insurance services and products arising from Bitauto Group, and will be directed from Bitauto Group to our Group. It is recognized at its fair value, which is established using the cost saving method. The cost saving is estimated by (i) the forecasted number of transaction leads that will be referred to the Group, multiplied by (ii) the expected unit price of the leads, which is determined from a market participant perspective by referencing to a number of comparable transactions. The Group applied a discount rate of 16.2% for valuing the 2015 Traffic Support Services. The intangible asset is amortized on a straight-line basis over three years up to February 16, 2018, which is the term stipulated in the 2015 Traffic Support Services.

The 2017 Traffic Support Services is comprised of automobile financing services traffic support and used automobile-related business traffic support. The automobile financing services traffic support refers to all enquiries regarding automobile related financing, leasing, and/or insurance services and products arising from Bitauto Group, and will be directed from Bitauto Group to the Group commencing on February 17, 2018, that is, upon the expiry of the 2015 Traffic Support Services. The used automobile-related business traffic support refers to all enquiries regarding used automobile-related business arising from Bitauto Group, and is directed from Bitauto Group to us commencing on May 26, 2017. Such used automobile-related business traffic support was not included in the 2015 Traffic Support Services.

The 2017 Traffic Support Services is recognized at its fair value, which is established using the cost saving method. The cost saving is estimated by (i) the number of transaction leads that will be referred to the Group, which is agreed upon in the 2017 Traffic Support Services, multiplied by (ii) the expected unit price of the leads, which is determined from a market participant perspective by referencing to a number of comparable transactions. The Group further applied a discount rate of 14%

FINANCIAL INFORMATION

to the estimated cost saving for each year to determine the fair value. As there is a commitment on the number of transaction leads, the 2017 Traffic Support Services is/will be amortized on an actual usage basis, i.e. based on the actual number of transaction leads directed to the Group by Bitauto Group during the year or period. Unlike the 2015 Traffic Support Services where there was not a commitment on the number of transaction leads during the contractual period and therefore the straight-line amortization method was applied, we apply the actual usage amortization method for the 2017 Traffic Support Services because (i) the consumption of future economic benefits is through the referral of transaction leads, (ii) there was a commitment in relation to the number of transaction leads to be provided, and (iii) we believe we have established appropriate system functionality to reliably measure such usage for each reporting period.

The Non-compete Undertakings is recognized at its fair value, which is established using the with and without method. The Group applied a discount rate of 16% for valuing the Non-compete Undertakings. The intangible asset is amortized on a straight-line basis over 15 years.

The Automobile Model Database is recognized at its fair value, which is established using the cost saving method. The Group applied a discount rate of 14% for valuing the Automobile Model Database. The intangible asset is amortized on a straight-line basis over 20 years which is the term stipulated in the Business Cooperation Agreement.

A summary of intangible assets recorded as part of 2017 Reorganization is as follows:

	<u>RMB'000</u>
2017 Traffic Support Services:	
Automobile Financing Service Traffic Support	459,654
Used Automobile-Related Business Traffic Support	872,582
Non-Compete Undertakings	309,686
Automobile Model Database	610,374
	<u>2,252,296</u>

In accordance with IAS 36 “Impairment of Assets,” our intangible assets are amortized over the respective estimated useful lives and an impairment assessment is only required if there are any events or changes in circumstances which would indicate that the carrying amount of the intangible assets may not be recoverable. Our intangible assets that are not yet in use and with indefinite useful lives are tested at each year end for impairment. As of June 30, 2017, our management did not identify any impairment indicators given (a) it has been only one month since the date of acquisition of the Business Cooperation Agreement in our reorganization in 2017; (b) since the date of the acquisition, our management is not aware of any negative factors that could potentially impact the businesses, the way the intangible assets are being used, or the key assumptions utilized in the fair value assessment of the intangible assets on the date of acquisition, and accordingly, no impairment assessment was considered necessary. As the factors underlying the assumptions for the fair value assessment of intangible assets may change, we may incur impairment charges on our intangible assets in the future.

FINANCIAL INFORMATION

Finance receivables

We provide financing lease services in our self-operated financing business segment. Customers pay us interest and principal on a monthly basis. The following table sets forth our finance receivables as of the dates indicated:

	As of December 31,			As of
	2014	2015	2016	June 30, 2017
	(in thousands of RMB)			
Finance receivables, gross	—	3,161,600	16,741,372	22,814,124
Unearned finance income	—	(300,120)	(2,355,020)	(3,104,963)
Finance receivables, net	—	2,861,480	14,386,352	19,709,161
Less: provision for credit losses	—	—	(22,486)	(30,747)
Carrying amount of finance receivables	—	2,861,480	14,363,866	19,678,414

The gross finance receivables include both interests and principal amounts we expect to receive from our customers under financing lease contracts. It arrives at the net finance receivables after deducting interest payments, which are also the revenues to be recognized over the lease period, and provision for credit losses. We generally require our customers to make down payments under the financing lease agreements. As of June 30, 2017, the down-payment ratio of our automobile purchase financing for consumers was 32.6%, and the average loan-to-value ratio of our collateralized financing for consumers was 73.2%.

Our carrying amount of finance receivables increased significantly from RMB2.9 billion as of December 31, 2015 to RMB14.4 billion as of December 31, 2016 and further to RMB19.7 billion as of June 30, 2017, primarily due to the rapid expansion of our financing lease services in 2016 and 2017. We did not have finance receivables as of December 31, 2014 because we only started the financing lease services in June 2015.

Our financing lease contracts generally have terms ranging from one year to three years. The table below sets out the breakdown of terms of all our finance receivables.

	As of December 31,			As of
	2014	2015	2016	June 30, 2017
	(in thousands of RMB)			
Within one year	—	2,172,475	6,095,478	8,061,245
After one year but not more than five years	—	689,005	8,290,874	11,647,916
Finance receivables, net	—	2,861,480	14,386,352	19,709,161

The proportion of finance receivables with terms longer than one year as of December 31, 2016 was significantly larger than that of December 31, 2015 because when we first started our financing lease services, our main customers were auto dealers, with whom we generally had shorter leasing terms compared with individual consumers. As of December 31, 2015, 62.5% of our total finance receivables were from auto dealers while this percentage dropped to 1.3% as of June 30, 2017 as we switched to increasingly target individual consumers.

FINANCIAL INFORMATION

Quality of finance receivables

The following table sets forth an aging analysis of our net finance receivables as of the dates indicated:

	As of December 31,			As of
	2014	2015	2016	June 30, 2017
	(in thousands of RMB)			
Not past due	—	2,861,480	14,178,815	19,270,909
Past due				
Up to 1 month	—	—	110,032	263,170
1 to 3 months	—	—	40,331	74,925
3 to 6 months	—	—	37,584	54,948
Over 6 months	—	—	19,590	45,209
Total past due	—	—	207,537	438,252
Finance receivables, net	—	2,861,480	14,386,352	19,709,161

We assess the quality of our finance receivables through past due ratio based on the nature of our business and industry practice. We assess the provision for the past due finance receivables based on estimates of the respective loss probability derived from our historical experience. Although our provision for credit losses did not cover all finance receivables past due over six months as of June 30, 2017, we believe we have provided adequate provision for potential credit losses given historically we have been able to effectively recover through continuous collection and disposal of collateral assets even long after finance receivables became past due. For the six months ended June 30, 2017, we were able to recover RMB10.0 million of finance receivables, or 51.0% of the total of RMB19.6 million finance receivables that were past due for more than six months as of December 31, 2016. We will continually monitor the changes in asset quality of our asset portfolio and adjust our provision level accordingly to reflect the development of our business and asset portfolio.

The following table sets forth our net finance receivables, the amount of net finance receivables that are past due for 30 days, 90 days or 180 days and the corresponding past due ratios, and the amount of provision for credit losses and the corresponding coverage ratios as of the dates indicated:

	As of December 31,			As of
	2014	2015	2016	June 30, 2017
	(in thousands of RMB, except for percentage)			
Finance receivables, net	—	2,861,480	14,386,352	19,709,161
Provision for credit losses	—	—	(22,486)	(30,747)
Provision to net finance receivables ratio ⁽¹⁾	—	—	0.16%	0.16%
30+ days past due net finance receivables ⁽²⁾	—	—	97,505	175,082
90+ days past due net finance receivables ⁽³⁾	—	—	57,174	100,157
180+ days past due net finance receivables ⁽⁴⁾	—	—	19,590	45,209
30+ days past due ratio ⁽⁵⁾	—	—	0.68%	0.89%
90+ days past due ratio ⁽⁶⁾	—	—	0.40%	0.51%
180+ days past due ratio ⁽⁷⁾	—	—	0.14%	0.23%
30+ days past due coverage ratio ⁽⁸⁾	—	—	23.1%	17.6%
90+ days past due coverage ratio ⁽⁹⁾	—	—	39.3%	30.7%
180+ days past due coverage ratio ⁽¹⁰⁾	—	—	114.8%	68.0%

Notes:

(1) Provision for credit losses divided by net finance receivables.

(2) Net finance receivables that have been past due for over 30 days, which include those past due for 1 to 3 months, 3 to 6 months and over 6 months.

FINANCIAL INFORMATION

- (3) Net finance receivables that have been past due for over 90 days, which include those past due for 3 to 6 months and over 6 months.
- (4) Net finance receivables that have been past due for over 6 months.
- (5) 30+ days past due net finance receivables divided by net finance receivables.
- (6) 90+ days past due net finance receivables divided by net finance receivables.
- (7) 180+ days past due net finance receivables divided by net finance receivables.
- (8) Provision for credit losses divided by 30+ days past due net finance receivables.
- (9) Provision for credit losses divided by 90+ days past due net finance receivables.
- (10) Provision for credit losses divided by 180+ days past due net finance receivables.

As of September 30, 2017, our 30+ days past due ratio, 90+ days past due ratio, and 180+ days past due ratio was 1.10%, 0.47% and 0.17%, respectively, and our 30+ days past due coverage ratio, 90+ days past due coverage ratio, and 180+ days past due coverage ratio was 14.8%, 34.6% and 94.1%, respectively.

Since we have only recently entered into the self-operated financing business, our historical past due ratios and other information about our asset quality are not indicative of our future past due ratios and our other asset quality information in the future.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, we had written off nil, nil, RMB6.6 million and RMB27.1 million of our net finance receivables, respectively.

Trade receivables

We record the amount we expect to receive from the provision of our products and services, other than financing lease services as trade receivables on our balance sheet, including service fees, advertising fees and rental fees we expect to receive from transaction facilitation services, loan facilitation services, advertising services and operating lease services as well as sales revenue we expect to receive by selling vehicle telematics systems. Our trade receivables are inclusive of the revenues we earn and the corresponding VAT that we collect from our customers.

During the Track Record Period, most of the trade receivables are from advertising business and operating lease services. Customers are expected to pay us on a monthly basis for the operating lease services, while the payment schedule for advertisers varies.

The following table sets forth our trade receivables as of the dates indicated:

	As of December 31,			As of
	2014	2015	2016	June 30, 2017
	(in thousands of RMB)			
Trade receivables	11,180	129,320	216,632	354,351
Less: provision for impairment	(964)	(1,536)	(36,487)	(45,438)
Trade receivables, net	<u>10,216</u>	<u>127,784</u>	<u>180,145</u>	<u>308,913</u>

Our net trade receivables increased by 71.5% from RMB180.1 million as of December 31, 2016 to RMB308.9 million as of June 30, 2017. We significantly expanded our promotional service and started selling vehicle telematics systems to auto dealers in the second quarter of 2017. Trade receivables of RMB168.0 million was generated by providing these services in the second quarter of 2017, and a large portion of these trade receivables had not been collected as of June 30, 2017.

Our net trade receivables increased by 41.0% from RMB127.8 million as of December 31, 2015 to RMB180.1 million as of December 31, 2016, primarily due to the expansion of our operating

FINANCIAL INFORMATION

lease services in 2016 and as a result of the growth in revenues from advertising services in 2015. We were still in the process of collecting advertising fees as of December 31, 2016.

Our net trade receivables increased significantly from RMB10.2 million as of December 31, 2014 to RMB127.8 million as of December 31, 2015, mainly because our advertising services grew significantly in 2015.

The turnover days of trade receivables for 2014, 2015, 2016 and the first half of 2017 were 70, 125, 88, and 111, respectively. We calculate turnover days of trade receivables by dividing the average of the opening and closing balance of our gross trade receivables of the indicated period by our revenues for such period and multiplied by the number of days in such period, being 365 days for a full-year period. For the purpose of this calculation, our revenues generated from the financing services are excluded, as receivables there are recorded as financing receivables. The turnover days of trade receivables increased from 2014 to 2015 due to the expansion of our advertising services. The turnover days of trade receivable decreased from 2015 to 2016 due to changes in our revenue mix, including revenues derived from automobile sales in 2016 and increased revenues from transaction platform business. The turnover days of trade receivable increased in the first half of 2017 because we significantly expanded our promotional services and started selling vehicle telematics systems to auto dealers in the second quarter of 2017, which led to a rapid increase of closing balance of trade receivables. We expect to be able to collect receivables from customers in these new services in the second half of 2017.

When we provide advertising services and sell vehicle telematics systems, we generally grant our customers credit terms up to three months. For our operating lease services, the customers have to make required payments in accordance with the contractual payment dates. The following table sets forth an analysis of our trade receivables by nature, net of provision for impairment as of the dates indicated:

	As of December 31,			As of
	2014	2015	2016	June 30, 2017
	RMB'000			
Advertising and other services	10,216	127,784	174,885	205,891
Sales of vehicle telematics systems	—	—	—	95,000
Operating lease services	—	—	5,260	8,022
Total trade receivables, net of provision for impairment	<u>10,216</u>	<u>127,784</u>	<u>180,145</u>	<u>308,913</u>

The following table sets forth an aging analysis of our trade receivables, net of provision for impairment as of the dates indicated:

	As of December 31,			As of
	2014	2015	2016	June 30, 2017
	RMB'000			
Not past due	2,867	49,802	68,584	167,987
Past due:				
Up to 6 months	4,745	67,347	33,628	67,663
6 to 12 months	2,034	7,558	23,590	20,767
12 to 18 months	202	2,041	24,243	19,117
Over 18 months	368	1,036	30,100	33,379
Total	<u>10,216</u>	<u>127,784</u>	<u>180,145</u>	<u>308,913</u>

FINANCIAL INFORMATION

During the Track Record Period, our trade receivables generated from the sales of vehicle telematics systems and the provision of operating lease services have not become past due and no provision for impairment has been recorded. The past due trade receivables were mainly related to our transaction platform business, in which we provide advertising services to automakers, auto dealers, auto finance partners and insurance companies. Due to the lengthy payment approval process commonly implemented by customers in the auto and finance industry, it generally takes us long to collect these receivables. We evaluate the likelihood of collection based on each customer's situation and ability to pay in full. We have a client service team to follow up on the collection on a regular basis and make provisions when loss is probable. We assess specific evidences that indicate troubled collection, such as the accounts aging, financial conditions of the customer and industry trend. Particularly, any balance that is past due for more than 18 months is considered a prolonged period based on our experiences and understanding of the industry, as such balance for a prolonged period would likely be uncollectible. In such cases, we will make provisions against them unless there is convincing evidence indicating that the collection is probable, such as written agreements with customers to confirm settlement plan, or collections occurred subsequent to the balance sheet date.

We evaluated the recoverability of the trade receivable balances that were past due for more than 18 months as of June 30, 2017. Specifically, among our top ten debtors with balances that were past due for more than 18 months, eight of them are established insurance companies and auto finance companies, which accounted for approximately RMB11.3 million of the balances, and we believe that these customers are able to make payments. Also, for the remainder of RMB22.0 million of the balances that were past due for more than 18 months, we have obtained written confirmation from these debtors to make payments within the next six months. After considering the written confirmation, the customers' profiles, ongoing business relationship, and the settlement subsequent to June 30, 2017, we determined that such balances are not impaired. As of the Latest Practicable Date, we further collected a total of RMB13.2 million of trade receivables that were past due for more than 18 months as of June 30, 2017, which accounted for 39.5% of the balance as of June 30, 2017.

The portion of net trade receivables past due for more than six months as of December 31, 2016 was much larger than those as of December 31, 2015 and 2014 because we expanded our customer pool in the advertising business in 2015 and it took longer than we expected to collect trade receivables from certain customers. The RMB35.0 million increase in provision for impairment of trade receivables in 2016 was due to the fact that we ceased to cooperate with certain category of advertising customers that we considered to be of high credit risk and made provision for impairment in relation to all trade receivables associated with these customers. We have made another RMB13.0 million provision in the first half of 2017 as we evaluated probability of collection of our receivables based on our policy and recorded provision accordingly.

We have continued to strengthen our collection efforts as we develop our business. For our trade receivables as of June 30, 2017, we have subsequently collected a total of RMB86.2 million through the Latest Practicable Date, RMB19.1 million of which relates to balances that were past due for more than six months as of June 30, 2017.

FINANCIAL INFORMATION

Prepayments, deposits and other assets

The following table sets forth the breakdown of our prepayments, deposits and other assets included in non-current assets and current assets as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Included in non-current assets:				
Automobiles purchased for future leases	—	—	250,151	510,119
Prepayment for automobiles	—	—	191,360	379,299
Other prepayments and deposits	—	1,591	120,685	225,803
	<u>—</u>	<u>1,591</u>	<u>562,196</u>	<u>1,115,221</u>
Included in current assets:				
Other receivables due from related parties	38,377	54,802	332,806	46,532
Prepaid taxes	100	8,050	124,217	213,119
Prepayments	123	3,773	52,546	84,062
Advances to used car dealers	—	—	14,131	55,535
Operational advance to employees	—	173	35,987	47,491
Others	28	4,052	47,344	104,662
	<u>38,628</u>	<u>70,850</u>	<u>607,031</u>	<u>551,401</u>
Less: provision for impairment	—	—	(2,606)	(5,092)
	<u>38,628</u>	<u>70,850</u>	<u>604,425</u>	<u>546,309</u>
Total	<u>38,628</u>	<u>72,441</u>	<u>1,166,621</u>	<u>1,661,530</u>

Automobiles purchased for future leases and prepayment for automobiles comprises the largest components of our prepayments, deposits and other assets included in non-current assets. Both components are related to our self-operated financing business. We generally make prepayments to automakers and auto dealers to procure automobiles. These prepayments are recorded as prepayments for automobiles before we obtain titles and all necessary documents. After all documents are received, prepayments for automobiles will be reclassified as automobiles purchased for future leases, and then as finance receivables or property and equipment depending on whether these automobiles are used for financing lease or operating lease services. These two components increased significantly from nil and nil as of December 31, 2015 to RMB510.1 million and RMB379.3 million as of June 30, 2017, respectively, reflecting our initial ramp up expenditures and the rapid expansion of our self-operated financing business since 2016, especially after we launched the Kaizouba service line. We expect the prepayment for automobiles to continue to increase due to our continuous business expansion and expected demand for operating leases, especially during the second half of 2017.

Prepaid taxes primarily relate to value added taxes arising from our purchase of automobiles to be used in our self-operated financing business. The rapid growth of prepaid taxes as of June 30, 2017 compared to that as of December 31, 2015 was related to the increase in volume of automobiles we purchased since 2016.

We also provided various services and products to certain related parties, including Bitauto and a few companies under significant influence of our shareholders. Certain receivables from them are recorded as other receivables due from related parties, which also is included in this prepayments, deposits and other assets category. Please see the section “— Material Related Party Transactions” below for detailed information.

FINANCIAL INFORMATION

Trade payables

We record the amount we expect to pay for goods or services that have been acquired in the ordinary course of business from suppliers as trade payables on our balance sheet, mainly comprising of payables to purchase automobiles, vehicle telematics systems and commissions payable to auto dealers in relation to our financing lease services.

Our trade payables increased substantially during the Track Record Period as a result of the growth of our self-operated financing business. The following table sets forth our trade payables as of the dates indicated:

	As of December 31,			As of
	2014	2015	2016	June 30, 2017
	(in thousands of RMB)			
Trade payables	2,049	97,452	508,385	469,650

We do not assess the turnover days of our trade payables. The turnover days for a period is calculated by dividing the average of the opening and closing balance of trade payables by the cost of revenues for the same period and multiplied by the number of days in that period, being 365 days for a full-year period. As the majority of the changes in our trade payables are not associated with our cost of revenues, we believe turnover days of our trade payables would not be a meaningful ratio.

The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of
	2014	2015	2016	June 30, 2017
	(in thousands of RMB)			
Up to 3 months	1,171	93,660	446,185	419,939
3 to 6 months	—	2,293	23,625	24,442
6 months to 1 year	102	7	37,077	22,360
Over 1 year	776	1,492	1,498	2,909
Total	<u>2,049</u>	<u>97,452</u>	<u>508,385</u>	<u>469,650</u>

Other payables and accruals

The following table sets forth the breakdown of other payables and accruals as of the dates indicated:

	As of December 31,			As of
	2014	2015	2016	June 30, 2017
	(in thousands of RMB)			
Loans payable to Bitauto Group	—	832,349	628,853	583,808
Other payables to related parties for goods and services	86,846	112,297	435,355	88,845
Deposits payables	—	18,683	72,007	180,143
Advance from customers	3,898	10,216	59,869	109,408
Interest payables	—	—	42,364	72,156
Staff costs and welfare accruals	1,361	6,228	54,621	43,547
Others	2,098	19,300	82,002	120,221
Total	<u>94,203</u>	<u>999,073</u>	<u>1,375,071</u>	<u>1,198,128</u>

FINANCIAL INFORMATION

Deposits payables are primarily deposits we received from customers in our financing lease services. Customers in some financing lease contracts are required to pay deposits to us on or before we deliver automobiles to them; we will then use the deposits to offset the last installment payment by customers or return the deposit to them after the contracts are fully performed. The amount as of June 30, 2017 was larger than that as of December 31, 2015 and 2016 due to the rapid expansion of our financing lease services.

Customers of our subscription services generally pay us upfront. These upfront payments are recognized on a straight-line basis over the whole subscription or listing period. The amount received upfront but not yet recognized as revenues are recorded as advance from customers on our consolidated balance sheet. In addition, we also receive payments from our customers sometimes in direct leases before agreements become effective. These payments are also recorded as advance from customers. The advance from customers increased significantly from RMB3.9 million as of December 31, 2014 to RMB10.2 million as of December 31, 2015, RMB59.9 million as of December 31, 2016 and further to RMB109.4 million as of June 30, 2017. The increase from 2014 year end to 2015 year end was due to the expansion of our subscription services and the commencement of our financing lease services in June 2015. The increase between December 31, 2015 to June 30, 2017 was because of the rapid expansion of our financing lease services.

We did not have interest payables as of December 31, 2014 and 2015, but had RMB42.4 million and RMB72.2 million in interest payables as of December 31, 2016 and June 30, 2017, respectively, on our consolidated balance sheets because we primarily relied on our own internal sources to fund the financing lease services in 2015, while we started to increase external funding in 2016 and therefore accrued more interest payables.

The staff costs and welfare accruals increased significantly during our Track Record Period, as our headcount increased significantly together with the expansion of our operations. Our total employees increased from 206 as of December 31, 2014 to 889 as of December 31, 2015, 3,464 as of December 31, 2016, and further to 4,633 as of June 30, 2017.

The others in other payables and accruals mainly comprised of our payables of VAT and other taxes and surcharges, advances from customers for our subscription services and other accrued expenses.

We had business with Bitauto and other shareholders, and had certain amount due to these related parties as of December 31, 2014, 2015, and 2016 and as of June 30, 2017. Bitauto Group also extended loans to us to finance our daily operations, and we had loans payable to Bitauto Group outstanding as of December 31, 2015 and 2016 and June 30, 2017. Please see “— Material Related Party Transactions” below for further details.

KEY FINANCIAL RATIOS

	As of December 31,			As of
	2014	2015	2016	June 30, 2017
Current ratio (times) ⁽¹⁾	2.50	2.76	1.05	0.89
Gearing ratio (%) ⁽²⁾	—	48%	121%	226%

Notes:

(1) Current ratio is our current assets divided by our current liabilities at the end of each financial period.

(2) Gearing ratio is net debt divided by total capital at the end of each financial period. Net debt equals our total borrowings plus loans payable to Bitauto Group, less our cash and cash equivalents and restricted cash. Total capital is calculated as total equity plus net debt.

FINANCIAL INFORMATION

Analysis of Key Financial Ratios

Current ratio

Our current ratio increased from 2.50 as of December 31, 2014 to 2.76 as of December 31, 2015, as we raised RMB2.4 billion through issuance of Preferred Shares in 2015 and used a large portion of the proceeds in our financing lease services. Our current ratio decreased from 2.76 as of December 31, 2015 to 1.05 as of December 31, 2016 and further to 0.89 as of June 30, 2017. We started to seek external borrowings to fund our financing lease services in 2016, a large portion of which is short-term. Given our financing leases generally have terms from one year to three years, the majority of our finance receivables are classified as non-current assets. As a result, our current ratio as of June 30, 2017 and December 31, 2016 was lower than that as of December 31, 2015.

Gearing ratio

Our gearing ratio increased from 48% as of December 31, 2015 to 121% as of December 31, 2016 mainly due to (i) the increase of total borrowings and loans from RMB0.8 billion as of December 31, 2015 to RMB11.9 billion as of December 31, 2016 as we started to incur borrowings in 2016 to finance the expansion of our financing lease and operating lease services, partially offset by the increase in cash, cash equivalents and restricted cash from RMB0.7 billion as of December 31, 2015 to RMB3.8 billion as of December 31, 2016; and (ii) the decrease of total equity from RMB130.4 million to negative equity of RMB1.4 billion as a result of our net loss of RMB1.4 billion for 2016 was mainly a result of the RMB1.4 billion of fair value loss in convertible redeemable preferred shares.

Our gearing ratio increased from 121% as of December 31, 2016 to 226% as of June 30, 2017 mainly due to (i) the increase of total borrowings and loans from RMB11.9 billion as of December 31, 2016 to RMB17.6 billion as of June 30, 2017 as we continued to incur borrowings in 2017 to finance the expansion of our financing lease and operating lease services, and (ii) the change from negative equity of RMB1.4 billion as of December 31, 2016 to negative equity of RMB7.6 billion as of June 30, 2017 as a result of our loss of RMB6.1 billion for the six months ended June 30, 2017, which in turn was largely attributable to a fair value loss of convertible redeemable preferred shares of RMB6.3 billion during the first half of 2017.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally from our operations, issuance of ordinary shares and Preferred Shares, borrowings from banks and other financial institutions, securitization transactions and loans from Bitauto Group. As of the Latest Practicable Date, we had RMB5.2 billion of unutilized loan facilities from banks and other independent financial institutions. We have primarily used cash to fund our self-operated financing business and on capital expenditures for our business expansion. We had cash and cash equivalents of RMB191.5 million, RMB710.4 million, RMB660.9 million and RMB1,168.4 million as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively. We had restricted cash of nil, nil, RMB3,177.6 million and RMB2,711.5 million as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively. We generally deposit our excess cash in interest-bearing bank accounts and current accounts.

FINANCIAL INFORMATION

Cash flow

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

	Year ended December 31,			Six months ended June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Net cash used in operating activities	(1,065)	(2,761,135)	(11,301,509)	(5,906,488)
Net cash generated from/(used in) investing activities	293	(22,906)	(3,244,258)	305,759
Net cash generated from financing activities	184,477	3,261,364	14,449,297	6,108,316
Net increase/(decrease) in cash and cash equivalents	183,705	477,323	(96,470)	507,587
Cash and cash equivalents at the beginning of the reporting period	8,711	191,509	710,393	660,852
Exchange (losses)/gains on cash and cash equivalents	(907)	41,561	46,929	(23)
Cash and cash equivalents at end of the reporting period	<u>191,509</u>	<u>710,393</u>	<u>660,852</u>	<u>1,168,416</u>

Net cash used in operating activities

We generate cash from our various services and products, primarily including service fees for our transaction facilitation and loan facilitation services, advertising and subscription fees, interest revenues from our financing leases and rental fees from operating leases.

For the six months ended June 30, 2017, net cash used in operating activities was RMB5,906.5 million, within which RMB5,822.3 million were used in operations and RMB84.2 million were income tax payments. The difference between our loss before income tax of RMB6,003.1 million and the net cash used in operations of RMB5,822.3 million was primarily due to (i) an increase of RMB5,349.9 million in finance receivables, (ii) an increase of RMB576.8 million in prepayments, deposits and other assets, and (iii) an increase of RMB467.3 million in automobiles for operating leases, partially offset by an adjustment of RMB6,300.5 million in fair value loss of convertible redeemable preferred shares. The significant increase in finance receivables was due to the continuous expansion of our financing lease services in 2017. The increase in automobiles for operating leases was due to the rapid growth of our operating lease business after we launched the Kaizouba service line in February 2017. The increase of prepayments, deposits and other assets was due to reasons set out above in “— Discussion of Certain Key Balance Sheet Items.”

For the year ended December 31, 2016, net cash used in operating activities was RMB11,301.5 million, within which RMB11,251.4 million were used in operations and RMB50.1 million were income tax payments. The difference between our loss before income tax of RMB1,346.0 million and the net cash used in operations of RMB11,251.4 million was primarily due to (i) an increase of RMB11,531.4 million in finance receivables, and (ii) an increase of RMB914.9 million in prepayments, deposits and other assets, partially offset by (i) an adjustment of RMB1,428.1 million in fair value loss of convertible redeemable preferred shares, (ii) an increase of RMB469.1 million in other payables and accruals and (iii) an increase of RMB410.8 million in trade payables. The significant increase in finance receivables was due to the rapid expansion of our financing lease services in 2016. The increase in trade payables was due to the increase in our payables to purchase automobiles from auto dealers and automakers on behalf of the financing lease customers and the increase of our payables relating to vehicle telematics systems and auto insurances for the financing leases. The increase of prepayments, deposits and other assets and other payables and accruals was due to reasons set out above in “— Discussion of Certain Key Balance Sheet Items.”

FINANCIAL INFORMATION

For the year ended December 31, 2015, net cash used in operating activities was RMB2,761.1 million, within which RMB2,755.6 million were used in operations and RMB5.5 million were income tax payments. The difference between our profit before income tax of RMB3.0 million and the net cash used in operations of RMB2,755.6 million was primarily due to (i) an increase of RMB2,861.5 million in finance receivables, (ii) an increase of RMB118.1 million in trade receivables, and (iii) an increase of RMB54.8 million in prepayments, deposits and other assets, partially offset by (i) an increase of RMB95.4 million in trade payables, (ii) an increase of RMB74.4 million in other payables and accruals and (iii) an adjustment of RMB53.5 million in fair value loss of convertible redeemable preferred shares. The increase in finance receivables was because we commenced our financing lease services in June 2015. The increase in trade receivables was because of the expansion of advertising business. The reasons behind the changes in prepayments, deposits and other assets as well as other payables and accruals are set out above in “— Discussion of Certain Key Balance Sheet Items.”

For the year ended December 31, 2014, net cash used in operating activities was RMB1.1 million, primarily attributable to an increase in prepayments, deposits and other assets, partially offset by an increase in other payable and accruals.

Net cash generated/(used in) from investing activities

Our expenditures for investing activities were primarily for placements of restricted cash, investments in financial assets, purchase of intangible assets and purchase of property and equipment. We also generate cash through interest income and disposal of assets.

For the six months ended June 30, 2017, net cash generated from investing activities was RMB305.8 million, which was primarily attributable to RMB2,173.7 million received from maturity of restricted cash after relevant bank loans are repaid, partially offset by RMB1,777.4 million used in placement of restricted cash which was used or pledged as security for our bank loans.

For the year ended December 31, 2016, net cash used in investing activities was RMB3,244.3 million, which was primarily attributable to (i) RMB3,999.7 million used in placement of restricted cash which was used or pledged as security for our bank loans, (ii) RMB150.0 million used in investments in financial assets, partially offset by (i) RMB919.9 million received from maturity of restricted cash after the relevant bank loans are repaid, and (ii) RMB39.4 million acquired from the acquisition of a subsidiary.

For the year ended December 31, 2015, net cash used in investing activities was RMB22.9 million, which was primarily attributable to (i) RMB15.0 million used in investments in financial assets and (ii) RMB12.5 million used in purchase of property and equipment, partially offset by RMB5.3 million of interest received.

For the year ended December 31, 2014, net cash generated from investing activities was RMB0.3 million, which was primarily attributable to RMB0.8 million received from interest income, partially offset by RMB0.4 million used in purchase of property and equipment.

Net cash generated from financing activities

For the six months ended June 30, 2017, net cash generated from financing activities was RMB6.1 billion, which was primarily attributable to (i) RMB13.3 billion received from borrowings,

FINANCIAL INFORMATION

and (ii) RMB1.1 billion received from the issuance of Preferred Shares, partially offset by (i) RMB7.5 billion used in repayment of borrowings, and (ii) RMB375.2 million used in interest payment.

For the year ended December 31, 2016, net cash generated from financing activities was RMB14.4 billion, which was primarily attributable to (i) RMB13.7 billion received from borrowings, and (ii) RMB3.7 billion received from the issuance of Preferred Shares, partially offset by (i) RMB2.4 billion used in repayment of borrowings, and (ii) RMB969.1 million used in repayment of loans from Bitauto Group.

For the year ended December 31, 2015, net cash generated from financing activities was RMB3.3 billion, which was primarily attributable to (i) RMB2.4 billion received from the issuance of Preferred Shares and (ii) RMB816.1 million received from our loans from Bitauto Group.

For the year ended December 31, 2014, net cash generated from financing activities was RMB184.5 million, which all came from capital contribution from Bitauto into our subsidiaries.

Working capital

We intend to continue to finance our working capital with cash generated from our operations, external borrowings, the net proceeds from the Global Offering, funds obtained from securitization transactions and other funds raised from capital markets from time to time. We will closely monitor the level of our working capital, particularly in view of our strategy to continue expanding our product and service offerings and trying to reach more customers.

Our future working capital requirements will depend on a number of factors, including, but not limited to, our operating income and our ability to secure external borrowings.

WORKING CAPITAL SUFFICIENCY STATEMENT

The Directors are of the opinion that, taking into account the financial resources available to the Group, including internally generated funds and the estimated net proceeds from the Listing, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the expected date of this prospectus.

FINANCIAL INFORMATION

INDEBTEDNESS

Borrowings

Our total borrowings are comprised of bank loans as well as borrowings from other sources. The following table sets forth our borrowings as of the dates indicated:

	As of December 31,			As of	As of
	2014	2015	2016	June 30, 2017	September 30, 2017
	(in thousands of RMB)				
Non-current					
Pledge borrowings	—	—	150,000	100,000	75,000
Asset-backed securitization debt	—	—	1,630,663	1,983,411	3,021,550
Other secured borrowings	—	—	1,432,971	2,418,218	2,814,244
Unsecured borrowings	—	—	—	57,320	134,832
Total	—	—	3,213,634	4,558,949	6,045,626
Current					
Pledge borrowings	—	—	2,736,400	2,341,237	1,791,612
Borrowings guaranteed by Bitauto	—	—	1,770,401	1,696,689	718,736
Asset-backed securitization debt	—	—	2,799,958	4,974,032	6,592,893
Other secured borrowings	—	—	799,034	3,101,314	6,587,066
Unsecured borrowings	—	—	—	328,680	505,015
Total	—	—	8,105,793	12,441,952	16,195,322
Carrying amount repayable of long-term borrowings:					
Within 1 year	—	—	8,105,793	12,441,952	16,195,322
Between 1 and 2 years	—	—	2,787,424	3,962,082	5,064,219
Between 2 and 5 years	—	—	426,210	596,867	981,407
Total	—	—	11,319,427	17,000,901	22,240,948

Pledge borrowings represent bank loans, where we normally use our bank deposits or our finance receivables as security. Asset-backed securitization debt represents our liabilities related to the ABSs we originated, which are collateralized by our finance receivables as underlying assets. Other secured borrowings are from financial institutions other than banks, where we also use our finance receivables or automobiles as security. Our borrowings in the Track Record Period were used to finance our self-operated financing business.

The interest rates vary among our borrowings from different channels. As of June 30, 2017, the applicable interest rates per annum on bank loans and borrowings from independent financial institutions were primarily from 3.9% to 7.3%, except for two borrowings with the total balance of RMB395.0 million that have the interest rate per annum of 11.2%, accounting for 2.3% of our total borrowings. As of June 30, 2017, the interest rates of our publicly offered ABSs range from 3.8% to 6.8%. As of the same date, the interest rates of the ABSs offered through private placements primarily ranged from 4.3% to 6.2%, except for an aggregate of RMB505.2 million carrying amount with interest rates ranging from 7.5% to 10.0%, accounting for 3.0% of our total borrowings.

Substantially all of our borrowings during the Track Record Period were secured or guaranteed. Certain of our borrowings are guaranteed by Bitauto Group, and a borrowing amounting to RMB100.0 million is jointly guaranteed by Mr. Andy Xuan Zhang, our executive Director as of June 30, 2017. We plan to either repay such borrowings or replace Bitauto Group and Mr. Zhang with an entity in our Group as guarantor of such borrowings prior to the completion of the Global Offering.

FINANCIAL INFORMATION

We actively seek external funding to finance the expansion of our self-operated financing business, particularly financing lease services, because we generally can charge our customers in the financing lease services with interests rates higher than our funding costs.

Loans from Bitauto Group

We also received loans from Bitauto, one of our Controlling Shareholders, and its subsidiaries and consolidated affiliated entities to finance our general working capital and business needs. As of December 31, 2014, 2015, and 2016, June 30, 2017 and September 30, 2017, the loans from Bitauto Group were nil, RMB832.3 million, RMB628.9 million, RMB583.8 million and RMB584.1 million, respectively. All loans from Bitauto Group are unsecured and payable on demand, with the applicable interest rate per annum ranging from nil, 1.50% to 4.36% and 1.00% to 4.36% for the years ended December 31, 2014, 2015 and 2016, respectively. We will repay all outstanding loans to Bitauto Group prior to the completion of Global Offering.

Preferred Shares

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the Preferred Shares had fair values of nil, RMB2.6 billion, RMB8.1 billion and RMB17.5 billion, respectively. For further information regarding the Preferred Shares, see Note 27 to the Accountant's Report in Appendix I to this prospectus. Since June 30, 2017 and up to September 30, 2017, we had not issued or repurchased any Preferred Shares.

CONTINGENT LIABILITIES

As of June 30, 2017, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since June 30, 2017.

Except as aforesaid and apart from intra-group liabilities, as of June 30, 2017, we did not have any other loan issued and outstanding or any loan agreed to be issued, bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits (other than normal trade-related bills), debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES AND INVESTMENT

The following table sets forth the breakdown of our capital expenditures for the periods indicated:

	Year ended December 31,			Six months ended June 30, 2017
	2014	2015	2016	
	(in thousands of RMB)			
Property and equipment	335	10,938	21,161	11,541
Intangible assets	8	690	31,647	14,777
Investments in financial assets at fair value through profit or loss	—	15,000	150,000	—
Investments in associates in the form of ordinary shares	100	—	—	5,933
Total	<u>443</u>	<u>26,628</u>	<u>202,808</u>	<u>32,251</u>

Our historical capital expenditures primarily included investments in private companies, expenditures on automobiles for operating lease, purchase of office equipment and expenditures on trademarks, licenses and domain names that are important to our business. We had funded our capital expenditure requirements during the Track Record Period mainly with capital contributions from shareholders, issuance of Preferred Shares in private placement transactions and through securitization transactions.

Among our total capital expenditures, certain funds were used for investments in private companies, with a carrying amount of RMB162.8 million as of June 30, 2017. We carefully select investment opportunities that we consider complementary to our business, and we have a stringent internal policy that sets out in detail the process to implement an investment and its post investment management. The below table lists details of our investments in private companies as of June 30, 2017. Going forward, we plan to continue making investments and acquisitions that are complementary to our business across the automobile value chain, including businesses that (i) increase our consumer base; (ii) expand our auto dealer cooperative network and strengthen relationships with our business partners; (iii) provide services that may create synergy to our existing business operations; (iv) possess advanced data analytics and technological capabilities; or (v) hold licenses or permits in particular sectors that might be of interest and synergetic to us.

Investee companies	Carrying amounts of investment (in thousands of RMB)	Types of securities held by us in the investee companies	Background
Shanghai Eclicks Network Co., Ltd.	156,829	ordinary shares with preferential rights	Automobile-related app developer
Beijing Meibang Insurance Brokerage Co., Ltd.	5,933	ordinary shares	Insurance brokerage

Our capital expenditure is expected to be between RMB150.0 million to RMB170.0 million for the year ended December 31, 2017, and between RMB145.0 million to RMB170.0 million for the year ended December 31, 2018. We plan to fund our planned capital expenditure using cash flows generated from our operating activities and the net proceeds received from the Global Offering.

FINANCIAL INFORMATION

CONTRACTUAL OBLIGATIONS

Capital Commitments

Capital commitments contracted for at the end of the year/period but not yet incurred is as follows:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Automobiles for future leases	—	—	499,822	335,073

Operating Lease Commitments

During the Track Record Period, we leased all of our offices under operating lease agreements. A majority of these lease agreements are renewable at the end of the lease at market rates. The following table sets forth our operating lease commitments by lease term as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
No later than 1 year	696	10,073	18,040	18,195
Later than 1 year and no later than 5 years	—	36,162	39,274	39,186
Later than 5 years	—	3,682	—	2,606
	<u>696</u>	<u>49,917</u>	<u>57,314</u>	<u>59,987</u>

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, the Group does not have any material off-balance sheet commitments or arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

Historically we entered into transactions with our related parties from time to time. There are mainly two groups of related parties that we had transacted with during the Track Record Period; one group is Bitauto and Bitauto HK, our Controlling Shareholders, and their subsidiaries or entities under their significant influence, and the other group is Beijing Jingdong Century Information Technology Co., Ltd. and Beijing Zhengdong Jinkong Information Service Co., Ltd., each a subsidiary of a shareholder that has significant influence on us. We refer to the first group of related parties as Bitauto Related Parties for short here.

Transactions with Related Parties

We transacted with Bitauto Related Parties in several different fashions during the Track Record Period. We provided transaction services and financing services to them, and we purchased advertising services, traffic support services, used automobile transactions services, automobiles from these entities. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, we recognized revenues of RMB1.6 million, RMB119.5 million, RMB131.7 million, RMB31.9 million and RMB69.6 million, respectively, from our provision of various services to Bitauto Related Parties; and purchased various services and products of nil, RMB73.4 million, RMB178.0 million, RMB110.0 million and RMB37.0 million, respectively, from Bitauto Related Parties. In addition, Bitauto also provided guaranteed for loans of RMB1,696.7 million which we borrowed from external sources as of June 30, 2017.

FINANCIAL INFORMATION

Historically, certain services were provided by affiliates of our shareholders free of charge. Going forward, we will be charged fees by our shareholders for these services after the Listing. See “Connected Transactions.”

Amounts due from Related Parties

As of December 31, 2014, 2015, and 2016 and June 30, 2017, the amount due from Bitauto Related Parties was RMB39.3 million, RMB1,654.0 million, RMB713.5 million and RMB298.3 million, respectively.

Amount due to Related Parties

As of December 31, 2014, 2015, and 2016 and June 30, 2017, the amount due to Bitauto Related Parties was RMB86.8 million, RMB188.0 million, RMB474.0 million and RMB93.7 million, respectively.

Other balances with Related Parties

In addition, the amount of prepayments made to Bitauto Related Parties and Beijing Jingdong Century Information Technology Co., Ltd. was RMB28.9 million and RMB3.8 million respectively as of December 31, 2016, and RMB178.6 million and RMB3.1 million, respectively, as of June 30, 2017.

We also had advance of RMB0.5 million from Bitauto Related Parties as of December 31, 2015.

Loans from Bitauto Group

As of December 31, 2014, 2015, and 2016 and June 30, 2017, the loans from Bitauto Group were nil, RMB832.3 million, RMB628.9 million and RMB583.8 million, respectively. For more details on loans from Bitauto Group, see “– Indebtedness – Loans from Bitauto Group.”

For more details about our related party transactions, see Note 35 to the Accountant’s Report included in Appendix I and the section titled “Connected Transactions” for more details of our historical transactions with related parties and the types of connected transaction we plan to continue after this Global Offering.

Our Directors confirm that our transactions with related parties during the Track Record Period were conducted on an arm’s length basis, and they did not distort our result of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk, which are set forth in detail in Notes 3 to the Accountant’s Report in Appendix I to this prospectus. We regularly monitor our exposure to these risks. As of the Latest Practicable Date, we did not hedge or consider it was necessary to hedge any of these risks.

DIVIDEND

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our Consolidated Affiliated Entity, which

FINANCIAL INFORMATION

are incorporated in the PRC. Our Consolidated Affiliated Entity must comply with its constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, our subsidiaries and our Consolidated Affiliated Entity must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include a general reserve and a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. Historically, our PRC subsidiaries have not paid dividends to us, and they will not be able to pay dividends until they generate accumulated profits. Our Cayman holding company Yixin Group Limited had a negative equity of RMB7.6 billion as of June 30, 2017 on its consolidated balance sheet. As advised by the Company's legal advisers on Cayman Islands Law, Maples and Calder (Hong Kong) LLP, the existence of negative equity, however, does not necessarily restrict us from declaring and paying dividends to our Shareholders, as under Cayman Islands law our Company may pay a dividend out of either our profit or our share premium account, provided that this would not result in the Company being unable to pay its debts as they fall due in the ordinary course of business.

Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

Historically we have not declared or paid any dividend to our Shareholders, and there is no assurance that dividends of any amount will be declared or be distributed in any year. Currently we do not have a formal dividend policy or a fixed dividend distribution ratio.

DISTRIBUTABLE RESERVES

As of June 30, 2017, we did not have any distributable reserves.

LISTING EXPENSES

The Group expects to incur listing expenses of approximately RMB223.9 million (assuming an Offer Price of HK\$7.15, being the mid-point of the indicative Offer Price range between HK\$6.60 and HK\$7.70, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which RMB32.1 million (including RMB5.6 million recognized for the six months ended June 30, 2017) is expected to be charged to our consolidated income statement for the year ending December 31, 2017 and RMB191.8 million is directly attributable to the issue of the Shares to the public and to be capitalized. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions but excluding discretionary bonus. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted consolidated net tangible assets is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as of June 30, 2017 as if the Global Offering had taken place on that date.

Our unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of June 30, 2017 or at any future dates following the Global Offering. It is prepared based on our audited consolidated net tangible assets as of June 30, 2017 as set out in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below. No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to June 30, 2017:

	Audited Consolidated Net Tangible Liabilities of the Group Attributable to Owners of the Company as of June 30, 2017 (Note 1)	Estimated Net Proceeds from the Global Offering (Note 2)	Estimated Impact to the Net Assets upon the Conversion of the Preferred Shares (Note 3)	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Attributable to Owners of the Company	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets per Share (Note 4)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$6.60 per Share	<u>(10,107,375)</u>	<u>4,736,675</u>	<u>17,516,756</u>	<u>12,146,056</u>	<u>1.94</u>	<u>2.27</u>
Based on an Offer Price of HK\$7.70 per Share	<u>(10,107,375)</u>	<u>5,531,226</u>	<u>17,516,756</u>	<u>12,940,607</u>	<u>2.06</u>	<u>2.42</u>

Notes:

- (1) The audited consolidated net tangible liabilities attributable to the owners of the Company as of June 30, 2017 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net liabilities of the Group attributable to the owners of the Company as of June 30, 2017 of RMB7,631,811,000 with an adjustment for the intangible assets as of June 30, 2017 of RMB2,475,564,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$6.60 and HK\$7.70 per Share after deduction of the underwriting commissions, incentive fees and other related expenses payable by the Company.
- (3) On the Listing Date, all of the Preferred Shares will be automatically converted into Shares pursuant to the respective share subscription agreements. Prior to the conversion, the Preferred Shares were accounted for as a liability to the Company. Accordingly, for the purpose of the unaudited pro forma adjusted consolidated net tangible assets, the unaudited pro forma adjusted consolidated net tangible assets attributable to Owners of the Company will be increased by RMB17,516,756,000, being the carrying amounts of the Preferred Shares as of June 30, 2017.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 6,276,322,474 Shares were in issue immediately upon completion of the Global Offering (including the options granted under the Pre-IPO Share Option Scheme exercised on October 12, 2017, the completion of the conversion of the Preferred Shares into Shares and the Capitalization Issue to be effected upon Listing), which is assumed to be on June 30, 2017 for the purpose of this unaudited pro forma financial information, and assuming the options granted under the Pre-IPO Share Option Scheme that remained unexercised immediately following the completion of the Global Offering are not exercised, no Shares are granted under the First Share Award Scheme and the Over-allotment Option is not exercised.

Apart from the options in respect of 15,957,262 Shares (adjusted to 111,700,834 Shares as a result of the Capitalization Issue) granted under the Pre-IPO Share Option Scheme exercised on October 12, 2017 mentioned above, no other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by us subsequent to June 30, 2017.

For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.1738. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2017 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since June 30, 2017 which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report in Appendix I.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised, the options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Global Offering are not exercised, and no Shares are granted under the First Share Award Scheme), Bitauto and Bitauto HK will together be legally and beneficially interested in approximately 44.40% of our issued share capital. Pursuant to the Voting Proxy Agreement, they will be able to control an additional 10% of our issued Shares. They will therefore remain as our Controlling Shareholders.

Bitauto is principally engaged in the provision of internet content & marketing services, and transaction services in China's automobile industry. Bitauto manages its businesses in three segments: its advertising and subscription business, its transaction services business and its digital marketing solutions business. Bitauto manages its transaction services business primarily through our Company. Bitauto is a company currently listed on the New York Stock Exchange (NYSE: BITA). Following the Listing, our Company will be spun-off from Bitauto and our Company and Bitauto will continue to operate under separate brands and platforms, and have separate businesses and teams.

Our Company is currently a subsidiary of Bitauto and is expected to remain so immediately upon completion of the Global Offering. Our Group operates independently as an autonomous business unit within Bitauto and is an independent operating arm of Bitauto focused on transaction services in China's automobile industry. Apart from their interests in our Company, neither Bitauto nor Bitauto HK currently has any interest in a business that competes or is likely to compete, either directly or indirectly, with our Group's business.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and its close associates after the Listing.

Management Independence

Our Directors consider that our Board and senior management will function independently from our Controlling Shareholders because:

(a) Board structure and senior management

Our Board comprises nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. Even though our executive Director and Chief Executive Officer, Mr. Andy Xuan Zhang, is also a director and the president of Bitauto, none of the other Directors, including Mr. Dong Jiang (姜東), an executive Director, who form the majority of our Board, have a role with Bitauto or any of its associates.

If any potential conflict of interests arises due to Mr. Andy Xuan Zhang's position with Bitauto, including in relation to any connected transactions with Bitauto, he will report such conflict to the Board and will refrain from acting upon the conflict unless and until the Board has given its written consent. Mr. Andy Xuan Zhang will also refrain from voting on or approving such matter in his capacity as a director of the Company at the relevant board meeting or resolution (as the case may be)

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

unless the Board has duly considered the potential conflict and determined that it would not be a breach of his duty to avoid conflicts of interest to do so. Further, Mr. Andy Xuan Zhang has confirmed to the Company that he intends to spend at least two-thirds of his normal hours of work in discharging his duties as the Chief Executive Officer of the Company and accordingly, will be able to devote sufficient time to the management of the affairs of the Company.

Furthermore, our independent non-executive Directors have extensive experience in corporate management and development, including in listed companies. Our independent non-executive Directors are appointed to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions.

Our Directors believe that the balanced mix of Directors with different professional backgrounds and expertise will provide us with balanced views and opinions, which are in the interests of the Company and our Shareholders as a whole. Our Board acts collectively and makes decisions in accordance with the Articles and applicable laws and regulations, so no single Director or Controlling Shareholder is able to make any decisions unless authorized by our Board.

Apart from Mr. Andy Xuan Zhang, none of the other senior management of our Group have a role including any directorships, with Bitauto or any of its associates after the Listing. Our senior management have undertaken senior management supervisory responsibilities in our business. The responsibilities of the senior management team of our Group include dealing with operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategies of our Group. This ensures the independence of the daily management and operations of our Group from those of the Bitauto Group. Further, during the Track Record Period, the management responsibilities for the Group were vested in Mr. Andy Xuan Zhang, who was, and continues to be, assisted by two key members of the Group's senior management team, Mr. Wei Li (李威) and Mr. Chang Chen (陳昶). Together, they have been part of the core senior management team and continue to be the key driving force behind the Group's business operations.

Further details are set out in the section headed "Directors and Senior Management."

(b) *Disclosure of interests, conflicts of interest and abstention from voting*

According to the Articles, a Director who to his or her knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his or her interest at the meeting of our Board at which the question of entering into the contract or arrangement is first considered, if he or she knows his or her interest then exists, or in any other case at the first meeting of our Board after he or she knows that he or she is or has become so interested. In addition, a Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or any other proposal in which he or she or any of his or her close associates (as defined in the Articles) is materially interested except for certain circumstances as set out in the Articles. For details, see the section headed "Summary of the Constitution of the Company and Cayman Companies Law" in Appendix III.

(c) *Participation and voting in our Board meeting*

According to the Articles, questions arising at our Board meetings shall be determined by a majority of votes. In the case of any equality of votes, the chairman of the meeting shall have an additional or casting vote. As noted above, the majority of our Board is represented by Directors who

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

do not represent or have any role with our Controlling Shareholders or any of its associates, and therefore we are of the view that our Board is capable of making corporate decisions independently from our Controlling Shareholders.

Operational Independence

Save as disclosed in the sections headed “Business—Properties,” “Business—Licenses and Permits” and “—Independence from Controlling Shareholders—Operational Independence—Trademark licensing agreement and trademark power of attorney” our Group holds all relevant licenses and owns all relevant intellectual properties needed to carry on our business. We have sufficient capital, research and development capabilities and employees to operate our business independently from Bitauto. We also have independent access to our customers and suppliers and an independent management team to operate our business. With the exception of the provision of limited services and certain strategic and mutually beneficial cooperation arrangements by Bitauto and its associates (described below), our business will, upon Listing, operate independently of and separately from the businesses of Bitauto.

(a) *Clear delineation of business activities between our Group and Bitauto Group*

The table below sets out the principal basis for delineation between the Group and our Controlling Shareholders:

Delineation	Our Company	Our Controlling Shareholders
Operational Headquarters	Shanghai	Beijing
Business Segments	<ul style="list-style-type: none"> ● Transaction platform business ● Self-operated financing business 	<ul style="list-style-type: none"> ● Advertising and subscription business ● Transaction services business ● Digital marketing solutions business
Business Natures and Focuses	<ul style="list-style-type: none"> ● Transaction-focused omni-channel services 	<ul style="list-style-type: none"> ● Content-focused online services
Platforms	<ul style="list-style-type: none"> ● Taoche app ● Yixin Chedai app ● <i>taoche.com</i> ● <i>daikuan.com</i> ● Auto dealer Cooperative network 	<ul style="list-style-type: none"> ● Bitauto app ● Auto Quote app ● <i>bitauto.com</i>

Delineation of business segmentation

Bitauto operates its businesses in three segments: advertising and subscription business, transaction services business, and digital marketing solutions business. Bitauto’s advertising and subscription business partly includes our advertising and subscription services. Bitauto’s transaction services business is comprised of our businesses. Bitauto’s digital marketing solutions business doesn’t include any of our businesses.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In contrast, we operate businesses in two segments: transaction platform business, which includes facilitation and value-added services as well as advertising and subscription services, and self-operated financing business. As we do not operate digital marketing solutions business, while Bitauto does not directly operate its transaction services business and only indirectly operates such business through us, the business segments contributing the majority of our revenues during the year ended December 31, 2016 and the six months ended June 30, 2017 do not overlap with the businesses of Bitauto outside of our Group.

Delineation of business natures and focuses

Bitauto's mobile apps, mobile sites and websites primarily provide content-focused online services. These services focus on providing editorial and user-generated contents about automobiles online.

In contrast, we primarily provide transaction-focused omni-channel services integrating online and offline resources. We focus on developing an online automobile retail transaction platform and an ecosystem to serve consumers, automakers, auto dealers, auto finance partners and aftermarket service providers and facilitate their automobile transactions and auto-related transactions.

Delineation of platforms

Bitauto primarily operates through its own mobile apps, mobile sites and websites, which include Bitauto app, Auto Quote app and *bitauto.com*.

We primarily operate through our own mobile apps, mobile sites and websites, which include Taoche app, Yixin Chedai app, *taoche.com* and *daikuan.com*, and our auto dealer cooperative network. Our online platforms are distinct and run independently from those of Bitauto.

Delineation of advertising and subscription services

Some advertising customers may choose to advertise both on Bitauto's and our platforms. However, the advertising services of Bitauto and our Group have different value propositions and target audiences. Bitauto's advertising customers are mainly automakers focused on new automobile advertising on Bitauto's own platform while our advertising customers primarily include automakers, auto dealers, auto finance partners, and insurance company for both new and used automobile advertising on own platform. Even though there may be potential overlapping advertising customers of Bitauto and our Group, we do not believe such overlap is material. For the six months ended June 30, 2017, the revenues from our Group's advertising and subscription services represented 12.1% of our total revenues.

We believe the customer base of Bitauto's subscription service generally does not overlap with that of ours. The customers of Bitauto's subscription service primarily consist of auto dealers that sell new automobiles. In contrast, the customers of our subscription service primarily consist of auto dealers that sell used automobiles.

(b) Non-compete

The Business Cooperation Agreement provides that unless otherwise agreed by us, until (1) Bitauto and its subsidiaries hold less than 10% equity interest in our Company, and (2) Bitauto is

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

no longer entitled to nominate directors to our Board under our Articles, Bitauto shall not, and shall cause its subsidiaries to not, directly or indirectly, invest in, own, manage, operate, or control any company, other than our Company, whose primary business is in direct competition with our principal business including various financing and leasing, and/or insurance related services and products and/or various used automobile related businesses (a “**Competing Business**”) provided, however, that these restrictions shall not apply to a proposed joint venture in the PRC in the business of insurance technology between Bitauto and a PRC insurance company or Bitauto’s investment in any insurance company in the PRC with less than 50% shareholding or voting power.

Furthermore, subject to the above and unless otherwise agreed by the Company, in the event that an entity (the “**Investee**”) that Bitauto or its subsidiary has invested in, owns, manages, operates, or controls proposes to participate, engage or invest in any Competing Business, for as long as Bitauto or its subsidiary has a board seat in such Investee, Bitauto shall, or shall cause its subsidiary, to procure its nominated director(s) to vote against the proposal, provided that such vote will not breach the director’s fiduciary duty to the Investee. Without prejudice to the foregoing, if such Investee participates, engages or invests in any Competing Business and Bitauto or its subsidiary decides to sell its shares in the Investee, our Company shall have the first right of refusal to purchase all the shares held by Bitauto or its subsidiary in the Investee on the same terms as those that will be offered to or by other potential purchasers, and Bitauto or its subsidiary may not sell the shares held in the Investee to any person unless our Company has declined to purchase such sale shares at the price proposed to be paid by the third party purchaser.

(c) Business Cooperation Agreement

In connection with the Series A investment round, we entered into a traffic support letter (the “**Traffic Support Letter**”) with Bitauto, among others, on January 13, 2015. The Traffic Support Letter will expire on February 16, 2018. In connection with the Series C investment round, we entered into the Business Cooperation Agreement with Bitauto on May 11, 2017. The Business Cooperation Agreement, extended and supplemented the Traffic Support Letter. Pursuant to the Business Cooperation Agreement, Bitauto agreed to, and to cause its relevant subsidiaries to:

- (a) direct all enquiries regarding various automobile related financing, leasing, and/or insurance services and products arising from Bitauto to us free of charge for a period of three years commencing on February 17, 2018 (when the existing arrangement expires), automatically renewable for a further period of two years unless we notify Bitauto in writing in advance (the “**Financial Services Traffic Support**”);
- (b) direct all enquiries regarding various used automobile-related business to us free of charge for a period of three years commencing on May 26, 2017 and automatically renewable for a further period of two years unless we notify Bitauto in writing in advance (the “**Used Automobile Traffic Support**”); and
- (c) provide its automobile model database to us free of charge and on a non-exclusive basis for 20 years.

The support described above does not impact our operational independence as our business remains distinct from that of Bitauto. In 2016, traffic from Bitauto contributed less than 5% of the total automobile transactions in 2016 and we expect such contribution to further decline in the future. Further details of the Business Cooperation Agreement can be found in the section headed “Connected

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Transactions—Fully-Exempt Continuing Connected Transactions—Traffic support pursuant to the Business Cooperation Agreement.”

(d) Cooperation with Dalian Rongxin

We have and we will enter into certain loan facilitation services arrangements involving various banks (where relevant), our Group and Dalian Rongxin, an associate of Bitauto. Pursuant to these arrangements, our Group introduces customers who apply for auto financing (the “customers”) and Dalian Rongxin agrees to provide guarantee services to the customers.

Dalian Rongxin is a licensed guarantee company which provides guarantee services to the customers and we believe that these agreements would save us the time and administrative costs that would otherwise be incurred from negotiating with other similar service providers. Further, these agreements are entered into in the ordinary and usual course of business on normal commercial terms (or terms that are better to us). We believe that we would be able to find suitable alternative Independent Third Parties to provide the same services as Dalian Rongxin if needed without substantial undue delay, inconvenience or costs or material interruption to our business operations. Furthermore, the agreements do not restrict our ability to engage other similar service providers.

The cooperation and arrangements described above do not impact our operational independence as our business remains distinct from that of Bitauto. Further details of the Business Cooperation Agreement can be found in the section headed “Connected Transactions—Fully-Exempt Continuing Connected Transactions—Customer loan facilitation services arrangements.”

(e) Sharing of office space

We currently share certain premises with Bitauto (and/or its associates) as office space. Bitauto (and/or its associates) leases the premises directly from the owner of the premises and shares part of the premises to certain subsidiaries within our Group for free. Our Directors believe that this would save us the time and administrative costs that would otherwise be incurred from negotiating directly and entering into a separate lease agreements with the owner of the premises and facilities.

We believe that in the event that Bitauto and/or its associates ceases to share the premises and facilities with us, we would be able to find suitable alternative premises from Independent Third Parties, in the same area, if needed, without substantial undue delay, inconvenience or costs or material interruption to our business operations. We do not lease any office space, equipment or other facilities from Bitauto (and/or its associates) as the owner of the premises and are not reliant on Bitauto (and/or its associates) in this respect. In addition, the agreements do not contain any provisions that would restrict our ability to lease similar properties from Independent Third Parties.

The office sharing arrangements described above do not impact our operational independence as our business remains distinct from that of Bitauto.

(f) Trademark licensing agreement and trademark power of attorney

On January 1, 2017, Beijing Bitauto Information Technology Co., Ltd (北京易車信息科技有限公司) (“**Bitauto Information Technology**”), a subsidiary of Bitauto, executed a power of attorney in favor of Xince Investment, pursuant to which we are permitted to use a trademark owned by Bitauto, for free, until December 31, 2019. The trademark granted for our use under the power of attorney is not material to our business operations.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

On May 19, 2017, we entered into a trademark licensing agreement (“**Trademark Licensing Agreement**”) with Bitauto Information Technology, pursuant to which our Group is permitted to use certain trademarks owned by Bitauto, for free, until either (i) both parties mutually agree to terminate the Trademark Licensing Agreement, or (ii) the trademark registrations expire. The trademarks that are licensed to us under the Trademark Licensing Agreement are not material to our business operations.

Bitauto is an established internet content & marketing services, and transaction services provider in the automobile industry in China and has been listed on the New York Stock Exchange since November 2010. The right to use Bitauto’s trademarks allows us to leverage the brand image and credibility associated with the Bitauto brand. Our Directors believe there are strategic benefits from using the Bitauto brand to promote the market positioning of our Group. In addition, our Directors believe that in the early stages of our Company’s development, we were also able to take advantage of the brand recognition of Bitauto among potential investors and business partners to assist our domestic expansion and potential future business alliances and capital raisings, and obtain business opportunities that may not have been otherwise available to us.

We do not, however, rely on the intellectual property rights of Bitauto for our principal operations and brand marketing. The trademarks that are associated with the majority of our products and services related to our Group companies, are owned by us independently. For further details of our material intellectual property rights, please see the section headed “Statutory and General Information—Further Information about our Business—Intellectual Property Rights” in Appendix IV.

The Trademark Licensing Agreement described above does not impact our operational independence as our business remains distinct from that of Bitauto. Further details of the sub-licensing arrangements can be found in the section headed “Connected Transactions—Fully-Exempt Continuing Connected Transactions—Trademark licensing agreement and trademark power of attorney with Bitauto.”

(g) Advertising services, used auto services and automobile leasing agreements

From time to time, we enter into certain service agreement with associates of Bitauto for certain services relating to our business. In particular, we have entered into the following framework agreements with Bitauto and its associates including (i) the provision of advertising services to C&I Advertising, (ii) the advertising services agreements pursuant to which C&I Advertising and Beijing Chehui Interactive Advertising Co., Ltd. (北京車慧互動廣告有限公司) (“**Chehui Interactive**”) agrees to provide advertising services to us, (iii) the used auto services agreements with Beijing Jingzhengu Information Technology Co., Ltd. (北京精真估信息技術有限公司) (“**Jingzhengu**”) and Shanghai You Yue Information Technology Co., Ltd. Beijing Branch (上海優約信息技術有限公司北京分公司) pursuant to which we receive used auto inspection and valuation services, (iv) the automobile leasing framework agreement with Beijing Bitauto Interactive Advertising Co., Ltd. (北京易車互動廣告有限公司) (“**Beijing Bitauto Interactive**”) pursuant to which Beijing Bitauto Interactive leases our automobiles and (v) cooperation framework agreements with Beijing Bitauto Advertising Co., Ltd. (北京易車廣告有限公司) (“**Beijing Bitauto**”) and its associates pursuant to which we provide Beijing Bitauto and its associates online calculator software, data analytics services and promotion services.

The advertising services, used auto services and automobile leases that the Controlling Shareholders and we provide to each other are in the normal and ordinary course of business. The Group also obtains similar services from independent third parties and we do not solely rely on our

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Controlling Shareholders or their associates for our advertising and used autosupport services needs. Further, we also provide our advertising services to other independent third parties. Our Company is still and will be open to all forms of cooperation with other business partners that are independent of our Controlling Shareholders. Our Directors believe that these transactions will not cause any business dependence or reliance issue between our Company and our Controlling Shareholders.

Further details of the arrangements can be found in the section headed “Connected Transactions.”

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on Bitauto.

No loans or guarantees provided by, or granted to, our Controlling Shareholders or their associates will be outstanding as of the Listing Date.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance, on our Controlling Shareholders and its close associates after the Listing.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders’ interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- (a) our company has implemented a policy whereby in the event that any potential conflict of interests arises due to Mr. Andy Xuan Zhang’s position with Bitauto, including in relation to any connected transactions with Bitauto, he will report such conflict to the Board and will refrain from acting upon the conflict unless and until the Board has given its written consent. For further details, see section headed “— Independence from Controlling Shareholders—Management Independence;”
- (b) under the Articles, where a Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their associates has a material interest, the relevant Controlling Shareholders or associate will not vote on the relevant resolutions;
- (c) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;
- (d) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Controlling Shareholders (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (e) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;
- (f) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (g) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;
- (h) we have appointed Somerley Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (i) we have established the Audit Committee, Remuneration Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules. All of the members of our Audit Committee, including the chairman, are independent non-executive Directors.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

CONNECTED TRANSACTIONS

We have entered into a number of agreements with our connected persons as set out more particularly below. The transactions disclosed in this section will constitute our continuing connected transactions under Chapter 14A of the Listing Rules upon the Listing.

CONNECTED PERSONS

The table below sets forth parties who will become our connected persons upon Listing and the nature of their connection with us:

Name	Connected relationship
Bitauto	a substantial shareholder and Controlling Shareholder of our Company
Bitauto HK	a substantial shareholder and Controlling Shareholder of our Company
associates of Bitauto	associates of Bitauto as defined under Rule 14A.07(4) of the Listing Rules
Tencent	a substantial shareholder of our Company
associates of Tencent	associates of Tencent as defined under Rule 14A.07(4) of the Listing Rules
JD.com	a substantial shareholder of our Company
associates of JD.com	associates of JD.com as defined under Rule 14A.07(4) of the Listing Rules

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

	Transaction	Applicable Listing Rule	Waiver sought	Proposed annual cap for the years ending December 31, (RMB)		
				2017	2018	2019
<i>A</i>	<i>Fully-exempt continuing connected transactions</i>					
1.	Credit information services provided by Tencent and/or its associates to us	Rule 14A.76(1)	N/A	N/A	N/A	N/A
2.	Data services cooperation agreement between JD.com and/or its associates and us	Rule 14A.76(1)	N/A	N/A	N/A	N/A
3.	Traffic support pursuant to the Business Cooperation Agreement between Bitauto and our Company	Rule 14A.76(1)	N/A	N/A	N/A	N/A
4.	Customer loan facilitation services arrangements between Bitauto and/or its associates and us	Rule 14A.76(1)	N/A	N/A	N/A	N/A
5.	Trademark licensing agreement and trademark power of attorney between Bitauto and/or its associates and us	Rule 14A.76(1)	N/A	N/A	N/A	N/A

CONNECTED TRANSACTIONS

	Transaction	Applicable Listing Rule	Waiver sought	Proposed annual cap for the years ending December 31, (RMB)		
				2017	2018	2019
6.	Trademark licensing agreement between Tencent and/or its associates and us	Rule 14A.76(1)	N/A	N/A	N/A	N/A
7.	Trademark licensing agreement between JD.com and/or its associates and us	Rule 14A.76(1)	N/A	N/A	N/A	N/A
8.	Payment channel services provided by Tencent and/or its associates to us	Rule 14A.76(1)	N/A	N/A	N/A	N/A
9.	Payment channel services provided by JD.com and/or its associates to us	Rule 14A.76(1)	N/A	N/A	N/A	N/A
10.	Administration services provided by Tencent and/or its associates to us	Rule 14A.76(1)	N/A	N/A	N/A	N/A
11.	Entrusted loan agreement between JD.com and/or its associates and us	Rule 14A.76(1)	N/A	N/A	N/A	N/A
<i>B Partially-exempt continuing connected transactions</i>						
1.	Data services and traffic leads provided by JD.com and/or its associates to us	Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	13,680,000	21,993,000	34,220,000
2.	Cloud data management framework agreement between Tencent and/or its associates and us	Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	1,200,000	4,000,000	5,000,000
3.	Procurement of prepaid cards from JD.com and/or its associates by us	Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	39,000,000	45,000,000	51,000,000
4.	Used auto services agreements between Bitauto and/or its associates and us	Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	26,800,000	57,120,000	72,120,000
5.	Automobile leasing agreement between Bitauto and/or its associates and us	Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	15,000,000	18,000,000	21,600,000
<i>C Non-exempt continuing connected transactions</i>						
1.	Advertising services agreement between Bitauto and/or its associates and us	Rule 14A.52 Rule 14A.53 Rule 14A.105	Announcement and independent shareholders' approval, annual cap	85,600,000	N/A	N/A

CONNECTED TRANSACTIONS

Transaction	Applicable Listing Rule	Waiver sought	Proposed annual cap for the years ending December 31, (RMB)		
			2017	2018	2019
2. Provision of advertising and data services agreements between Bitauto and/or its associates and us	Rule 14A.52 Rule 14A.53 Rule 14A.105	Announcement and independent shareholders' approval, annual cap, limiting the term to three years	142,200,000	164,000,000	182,000,000
3. Contractual Arrangements	Rule 14A.52 Rule 14A.53 Rule 14A.105	Announcement and independent shareholders' approval, annual cap, limiting the term to three years	N/A	N/A	N/A

A. FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions of our Group which are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Credit information services provided by Tencent

On January 9, 2017, Shanghai Yixin and Tencent Credit Bureau Co., Ltd. (騰訊征信有限公司) (“**Tencent Credit**,” an associate of Tencent) entered into a credit information services agreement whereby Tencent Credit provides credit information services, on a non-exclusive basis, to Shanghai Yixin for free for the first year. After the first year, we will negotiate whether the agreement will be extended for a second year and the fee applicable for the credit information services. We anticipate that we will continue to enter into further standard agreements of a similar nature with Tencent Credit after the Listing.

These transactions are conducted in the ordinary and usual course of business on normal commercial terms (or terms that are better to us), and our Directors currently expect that each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will not exceed 0.1%. Pursuant to Rule 14A.76(1) of the Listing Rules, the relevant transactions will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Data services cooperation agreement with JD.com

On September 19, 2016, Beijing Yixin and Shanghai Hefeng Yongxun Financial Information Services Co., Ltd. (上海和豐永訊金融信息服務有限公司) (“**Hefeng Yongxun**,” an associate of JD.com) entered into a cooperation agreement pursuant to which both parties agreed to cooperate, on a non-exclusive basis, subject to applicable laws and regulations, by (i) sharing resources, (ii) sharing data analytical results for the purposes of organizing target marketing events, and (iii) working together to develop new products relevant for both parties. There have historically been no fees paid by either party pursuant to the cooperation agreement. Pursuant to the cooperation agreement, either party may

CONNECTED TRANSACTIONS

request that the other party pay fees for services under the cooperation agreement. The fees payable will be determined with reference to fees that would be charged by independent third parties. The initial term of the cooperation agreement is three years commencing on the date the agreement is entered into, and will be extended for an additional year unless otherwise determined by either party.

These transactions are conducted in the ordinary and usual course of business on normal commercial terms (or terms that are better to us), and our Directors currently expect that each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will not exceed 0.1%. Pursuant to Rule 14A.76(1) of the Listing Rules, the relevant transactions will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Traffic support pursuant to the Business Cooperation Agreement

On May 11, 2017, Bitauto and our Company entered into the Business Cooperation Agreement whereby Bitauto shall, and shall cause its relevant subsidiaries to, continuously and exclusively direct all enquiries and leads regarding various automobile-related financing, leasing and/or insurance services, products and various used automobile-related business (the "**Leads**") arising from Bitauto to our Group. Bitauto shall provide (i) financial services traffic support for free for a term of three years commencing on February 17, 2018, and (ii) used automobile traffic support for free for a term of three years commencing on May 26, 2017. At the end of the relevant three year period, the agreement shall be automatically extended for another two years unless our Company otherwise notifies Bitauto. During the term of the Business Cooperation Agreement, if Bitauto generates a number of Leads above a certain threshold, Bitauto and our Company will agree upon a fee payable by our Company based on the market rate.

The traffic support has been recorded as an intangible asset on our balance sheet and will be amortized based on the actual number of transaction leads directed to the Group by Bitauto Group.

These transactions are conducted in the ordinary and usual course of business on normal commercial terms (or terms that are better to us), and our Directors currently expect that each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will not exceed 0.1%. Pursuant to Rule 14A.76(1) of the Listing Rules, the relevant transactions will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules. Where Bitauto generates a number of Leads above a certain threshold, we will agree on the fees payable and fulfill any requirements under Chapter 14A of the Listing Rules.

4. Customer loan facilitation services arrangements

We have entered into certain customer loan facilitation arrangements ("**Customer Loan Facilitation Arrangements**") with, among others, Dalian Rongxin, an associate of Bitauto.

Pursuant to the agreements, dated March 31, 2017, May 31, 2017 and June 25, 2017, (the "**Customer Loan Framework Agreements**") entered into between members of our Group, Dalian Rongxin and certain independent PRC commercial banks, the PRC commercial banks have agreed to provide auto loans to customers (the "**borrowers**") introduced by us and we agreed to facilitate this process, in exchange for which we receive a fee from the banks. As part of these arrangements, Dalian Rongxin has agreed to guarantee the repayment obligations of the borrowers under the auto loans in

CONNECTED TRANSACTIONS

exchange for a guarantee fee; and with respect to one such agreement, both Dalian Rongxin and Xinche Investment, a wholly-owned subsidiary of our Company, agreed to guarantee the due repayment of the amounts payable to the bank. The initial term of each of these agreements is one year commencing on the date of the agreement. One agreement is renewable for a maximum of three years, while the other two agreements may be extended for an additional one year unless otherwise determined by either party. The fees we receive under the Customer Loan Framework Agreements are paid to us by the PRC commercial banks, and we neither receive any fees or other amounts from, nor pay any fees or other amounts to, Dalian Rongxin.

Further, in a limited number of cities in the PRC in which we operate, local implementation of applicable regulations does not permit us to register any security interest over the vehicles and thereby prevent the lessee from transferring title to the vehicle. In these limited situations, pursuant to a cooperation agreement entered into on August 22, 2017, between Shanghai Yixin and Dalian Rongxin, Dalian Rongxin (as the holder of the requisite guarantee license that permits it to register security interests in these limited situations in which we are not) agrees to act as a guarantor for the lessee's rental payments and the lessee enters into agreements whereby Dalian Rongxin agrees to guarantee the repayment of the lessee's rent payments under the financing lease agreements and the interest in the vehicle is mortgaged in favor of Dalian Rongxin in the local registry. We retain the beneficial title to the vehicle under our contract with the lessee, and Dalian Rongxin has no legal title to the car unless Dalian Rongxin is required to repay the lessee's debt under the guarantee. The mortgage will be released at the end of the term of the financing lease. The initial term of this agreement shall be three years commencing on the date of the agreement. We neither receive any fees or other amounts from, nor pay any fees or other amounts to, Dalian Rongxin.

The Customer Loan Facilitation Arrangements constitute a form of joint arrangement with a connected person under Rule 14A.24(5) of the Listing Rules, and will therefore be connected transactions for our Group after the Listing. The transactions under the Customer Loan Facilitation Arrangements are conducted in the ordinary and usual course of business on normal commercial terms (or terms that are better to us), and our Directors expect that the applicable percentage ratios calculated under Chapter 14A of the Listing Rules with respect to amounts payable to, or receivable from, our connected person will not exceed 0.1%. Pursuant to Rule 14A.76(1) of the Listing Rules, these transactions will therefore be fully exempt from the disclosure, annual review and independent shareholder approval requirements under Chapter 14A of the Listing Rules.

For further details regarding our joint arrangements with Dalian Rongxin, please see the section headed "Relationship with our Controlling Shareholders—Independence from Controlling Shareholders—Operational Independence—Cooperation with Dalian Rongxin."

5. Trademark licensing agreement and trademark power of attorney with Bitauto

On January 1, 2017, Bitauto Information Technology (an associate of Bitauto) executed a power of attorney in favor of Xinche Investment, pursuant to which Xinche Investment is permitted to use a trademark owned by Bitauto until December 31, 2019. There are no fees or payments due under the power of attorney.

On May 19, 2017, Beijing Yixin and Bitauto Information Technology entered into a long term trademark licensing agreement (the "**Trademark Licensing Agreement**") pursuant to which our Group is permitted to use certain trademarks owned by Bitauto on a royalty-free basis until either

CONNECTED TRANSACTIONS

(i) both parties mutually agree to terminate the Trademark Licensing Agreement, or (ii) the trademark registrations expire.

These transactions are conducted in the ordinary and usual course of business on normal commercial terms (or terms that are better to us), and our Directors currently expect that each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will not exceed 0.1%. Pursuant to Rule 14A.76(1) of the Listing Rules, the relevant transactions will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

6. Trademark licensing agreement with Tencent

Our Company and Tencent Technology (Shenzhen) Co., Ltd. (騰訊科技(深圳)有限公司) (an associate of Tencent) entered into a trademark licensing agreement pursuant to which our Group is permitted to use certain trademarks owned by Tencent in exchange for a licensing fee. The purpose of the trademark licensing agreement is to allow our Company to use certain of Tencent's logos solely in our marketing materials in the PRC. The term of the license is from August 1, 2017 until July 31, 2018, or until the occurrence of certain events including (i) Tencent's shareholding in our Company falling below 10% and Tencent having elected to terminate the agreement, (ii) both parties agreeing to terminate the agreement, or (iii) Beijing Yixin breaching any of the provisions under the trademark licensing agreement, whichever is earlier.

These transactions are conducted in the ordinary and usual course of business on normal commercial terms (or terms that are better to us), and our Directors currently expect that each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will not exceed 0.1%. Pursuant to Rule 14A.76(1) of the Listing Rules, the relevant transactions will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

7. Trademark licensing agreement with JD.com

Beijing Yixin and Beijing Jingdong 360 Degree E-Commerce Co., Ltd. (北京京東叁佰陸拾度電子商務有限公司) (an associate of JD.com) entered into a trademark licensing agreement pursuant to which our Group is permitted to use certain trademarks owned by JD.com, for Beijing Yixin's marketing activities, for free. The term of the trademark licensing agreement is from April 1, 2017 until March 31, 2018.

These transactions are conducted in the ordinary and usual course of business on normal commercial terms (or terms that are better to us), and our Directors currently expect that each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will not exceed 0.1%. Pursuant to Rule 14A.76(1) of the Listing Rules, the relevant transactions will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

8. Payment channel services provided by Tencent

Since July, 2017, we receive certain payment related services from certain associates of Tencent. Our customers who use our online transactions services will from time to time pay us through payment channels owned by Tencent, such as Weixin Wallet (微信支付). In return, we pay a handling fee to associates of Tencent. The handling fees are based on standard payment and service terms and

CONNECTED TRANSACTIONS

conditions of the relevant associates of Tencent. We anticipate that we will continue to use these payment services after Listing.

These transactions are conducted in the ordinary and usual course of business on normal commercial terms (or terms better to us) and our Directors currently expect that each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will not exceed 0.1%. Pursuant to Rule 14A.76(1) of the Listing Rules, these transactions are exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

9. Payment channel services provided by JD.com

On September 14, 2017, Shanghai Yixin and Chinabank Payment Technology Co., Ltd. (網銀在線 (北京) 科技有限公司) (“**Chinabank**”) (an associate of JD.com) entered into an online payment services agreement pursuant to which we receive certain payment related services from Chinabank. Our customers who use our online transactions services will from time to time pay us through payment channels owned by JD.com, such as JD Pay (京東支付). In return, we pay a handling fee to Chinabank and/or its affiliates. We anticipate that we will continue to use these payment services after listing.

These transactions are conducted in the ordinary and usual course of business on normal commercial terms (or terms better to us) and our Directors currently expect that each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will not exceed 0.1%. Pursuant to Rule 14A.76(1) of the Listing Rules, these transactions are exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

10. Administration services provided by Futu Securities International (Hong Kong) Limited (富途證券國際 (香港) 有限公司) (“Futu Securities”)

On October 23, 2017, our Company and Futu Securities (an associate of Tencent) entered into an administration services agreement whereby Futu Securities, a licensed financial services firm, provides professional administration services for our Pre-IPO Share Option Scheme, in exchange for a service fee.

These transactions are conducted in the ordinary and usual course of business on normal commercial terms (or terms better to us) and our Directors currently expect that each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will not exceed 0.1%. Pursuant to Rule 14A.76(1) of the Listing Rules, the relevant transactions are exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

11. Entrusted loan agreement with Beijing Jingdong Century Trading Co., Ltd. (北京京東世紀貿易有限公司) (“Jingdong Century”)

On October 27, 2017, Tianjing Hengtong, as borrower, Jingdong Century (an associate of JD.com) and an independent third-party PRC commercial bank entered into an entrusted loan agreement (the “**Entrusted Loan Agreement**”) whereby Tianjin Hengtong will borrow a total of RMB 1 billion, with an interest rate of 6.525% per annum. Pursuant to the Entrusted Loan Agreement, Jingdong Century has agreed to lend the entire loan amount by way of deposit of such amount with the PRC commercial bank. The loan is expected to be drawn down prior to the Listing Date. The Entrusted Loan Agreement will terminate on December 28, 2017. The repayment date is the earlier of (i) the date elected by Tianjing Hengtong to repay the loan, or (ii) the termination date. The purpose of the

CONNECTED TRANSACTIONS

Entrusted Loan Agreement is to provide a temporary bridging finance as we expect high volume of transactions in the fourth quarter while we restructure certain existing financing arrangements. The Entrusted Loan Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms and is not secured by the assets of the Group.

The Entrusted Loan Agreement constitutes financial assistance provided by a connected person for the benefit of the Group, and is on normal commercial terms where no security over the assets of the Group is granted. Pursuant to Rule 14A.90 of the Listing Rules upon the Listing, the Entrusted Loan Agreement is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

B. PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions of our Group which are subject to the reporting, annual review and announcement requirements but will be exempt from the shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Data services and traffic leads provided by Beijing Zhengdong Jinkong Information Services Co., Ltd. (北京正東金控信息服務有限公司) (“Zhengdong Jinkong”) and its affiliates

On July 25, 2017, we entered into a data services framework agreement (“**Data Services Framework Agreement**”) with Zhengdong Jinkong and its affiliates (associates of JD.com) whereby we receive, subject to applicable PRC laws and regulations, on a non-exclusive basis, (i) data services including data analytics and processing services, and (ii) traffic leads. The term of the agreement shall commence on the date of the agreement and expire on December 31, 2019.

The data service fees will be based on, among other things, the number of transactions, the number of inquiries and a fee for the data service (grouped as a data service package) that is provided for each inquiry.

The fees payable by us in relation to the traffic leads will be based on, among other things, the amount of financing for each successful transaction that is derived from the traffic lead.

The fees payable under the Data Services Framework Agreement will be determined after arm's length negotiation between the parties with reference to rates that will be no less favorable than the rates offered by comparable independent third party service providers.

Historical amount, annual cap and basis for annual cap

The table below sets out the summary of the historical amounts and annual caps under the Data Services Framework Agreement. Historically, we have entered into similar agreements whereby we have purchased data services provided by Zhengdong Jinkong and its affiliates. In 2016, we only incurred expenses for data services. For the first half of 2017, we only incurred expenses for data services provided to us during a two month period in May and June, and we did not incur any expenses for traffic leads.

In relation to the data services, when estimating the annual caps of the data services fees, our Directors have taken into consideration (i) the historical amount payable for similar data services relative to the volume of data services used by us under previous agreements, (ii) the scope of data services expected to be required by us for the relevant years, which is expected to expand and (iii) that we will continue to grow our business, in particular the number of transactions facilitated, which in

CONNECTED TRANSACTIONS

turn will increase the number of inquiries overall. The annual cap is calculated based on the number of enquiries, which is based on the number of transactions we expect, multiplied by a fixed price for each data service package. We expect the number of the transactions and associated inquiries to grow at a fast pace and occur during the second half of 2017. The total amount payable by us to Zhengdong Jinkong is expected to increase due to the increasing number of inquiries. Further, since July 2017, we expanded our data services scope and subscribed for an upgraded data services package. Accordingly, from the first half to the second half of 2017, the fixed fee per data services package increased by 200%. As a result, we expect the fees incurred for data services under the Data Services Framework Agreement to increase significantly in the second half of 2017.

In relation to traffic leads, we began to incur expenses in relation to traffic leads provided by Zhengdong Jinkong starting from the second half of 2017, and as a result, we expect the fees incurred under the Data Services Framework Agreement to be significantly higher in the second half of 2017. The annual cap is calculated based on the estimated number of leads from Zhengdong Jinkong multiplied by a fixed service fee that is a percentage based on the estimated amount of financing for each successful transaction. The total amount payable by us to Zhengdong Jinkong is expected to increase due to the increasing number of transactions we anticipate will be derived from the traffic leads.

We expect the transaction volume to increase throughout the relevant period due to the general increase in popularity for online automobile retail transactions. For the six months ended June 30, 2017, the overall volume of transactions we facilitated increased by 87.6% over the same period in 2016, and we expect this trend to continue. Additionally, according to the Frost and Sullivan Report, there has been a rapid grown of online automobile retail transactions. The volume of online automobile retail transactions was 1.0 million in 2016, and is estimated to reach 5.4 million in 2021, representing a CAGR of 39.2% from 2016 to 2021. Further, we plan to expand our data analytics capabilities including our automated credit scoring system which will in turn need further data services under the Data Services Framework Agreement.

Historical amount (RMB)			For the six months ended June 30,	Annual cap (RMB)		
For the year ended December 31,				2017	For the year ending December 31,	
2014	2015	2016	2017	2017	2018	2019
N/A	Free	1,179,612	341,479 ⁽¹⁾	13,680,000	21,993,000	34,220,000

Note:

(1) For the first half of 2017, we used data services in May and June.

Reasons for the transactions

Given that JD.com is a leading internet company, the data services they provide enable us to further understand the needs and creditworthiness of our potential customers. The data will also flag high risk individuals that may not be suitable for us to take on as customers. The ability to use their data services will (i) improve our services and market understanding and (ii) enable us to efficiently target and provide relevant services to potential customers, and (iii) assist with our credit risk management and hence further enhancing our business growth.

Pricing policies

Before entering into any data services agreement under the Data Services Framework Agreement, we will assess the business needs of the Group and will compare the fees proposed with

CONNECTED TRANSACTIONS

the rates offered by other comparable service providers. We will only enter into data services agreement when (i) the service fees are no less favorable than the rates offered by other comparable independent third party service providers, and (ii) the agreement is in the best interests of our Shareholders as a whole.

These transactions are conducted in the ordinary and usual course of business on normal commercial terms, and our Directors currently expect that each of the applicable percentage ratios under Chapter 14A of the Listing Rules will exceed 0.1% but be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, these transactions will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

2. Cloud Data Management Framework Agreement with Tencent Cloud Computing (Beijing) Co., Ltd. (騰訊雲計算(北京)有限責任公司) (“Tencent Cloud Computing”)

On August 10, 2017, Shanghai Lanshu and Tencent Cloud Computing (an associate of Tencent) entered into the cloud data management framework agreement (the “**Cloud Data Management Framework Agreement**”) pursuant to which Tencent Cloud Computing agreed to provide cloud facilities and related services including, but not limited to (i) content distribution network related (CDN) services, and (ii) the provision of server and server maintenance services on a non-exclusive basis to Shanghai Lanshu. The scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately. The term of the Cloud Data Management Framework Agreement commenced on the date of the agreement and will expire on December 31, 2019.

The service fee will be determined after arm's length negotiation between the parties and with reference to the rates charged by independent third parties providing similar services. The service fee and calculation method shall be agreed between the parties based on the specific type and the usage of the facilities and services in each transaction. The terms shall be no less favorable to us than those which we could obtain from independent third party suppliers.

Historical amount, annual cap and basis for annual cap

We entered into a similar agreement with Tencent Cloud Computing on December 1, 2016 for an effective term from April 1, 2017 to March 31, 2018 which would be subject to the terms of the Cloud Data Management Framework Agreement. The table below sets out the summary of the annual caps under the Cloud Data Management Framework Agreement.

When estimating the annual caps of the data services fees, our Directors have taken into consideration (i) the historical amount payable for similar cloud data management services and our historical data usage and data service needs, (ii) the amount payable under the existing agreement that has been incurred, and (iii) the fact that the data services fees are expected to increase during the relevant years in line with our business needs, in particular, our increasing usage of data services that include accelerating the bandwidth of our networks and increasing the information storage needs to deliver high performance for our platforms.

Further, the rapid increase in our online automobile retail transactions, as well as the associated increase in our online database of consumers and automobiles, also contribute to our increasing data service needs. For the six months ended June 30, 2017, the overall volume of transactions we facilitated increased 87.6% over the same period in 2016, and we expect this trend to continue.

CONNECTED TRANSACTIONS

In particular, in calculating the annual cap, we took into account the costs that are to be incurred for CDN related services, which are calculated based on the bandwidth we require, multiplied by bandwidth unit price (charged on a monthly basis), multiplied by the duration we require such services. Starting from the second half of 2017, we will require double the CDN bandwidth to accommodate the increase in online traffic during the relevant period. Consequently, we expect the costs relating to CDN to increase in the second half of 2017.

We did not incur any expenses in relation to servers in the first half of 2017 because we mainly used our internal servers. In the second half of 2017, we plan to use more external server services. As a result, we expect to incur significantly more fees under the Cloud Data Management Framework Agreement in the second half of 2017. In calculating the annual caps, we took into account the costs that are to be incurred for external servers, which are calculated based on the number of servers we expect to need, multiplied by the cost per server, multiplied by the duration the servers are used. The majority of the expenses we incur under the Cloud Data Management Framework Agreement are attributable to the cost of external servers. We expect the number of servers we will require to increase significantly from the second half of 2017 to 2018 and 2019.

Historical amount (RMB)			For the six months ended June 30,	Annual cap (RMB)		
For the year ended December 31,				2017	For the year ending December 31,	
2014	2015	2016	2017	2017	2018	2019
N/A	N/A	17,748	26,208	1,200,000	4,000,000	5,000,000

Reasons for the transactions

Our business operations require cloud services and technical services provided by third parties. Tencent (and its associates) is a leading cloud service provider and has strong capability in provision of other technical services. We therefore entered into the Cloud Data Management Framework Agreement to govern any cloud services or technical services to be provided by Tencent to us.

Pricing policies

Before entering into any cloud service agreement or technical service agreement pursuant to the Cloud Data Management Framework Agreement, we will assess our needs and will compare the fee rates proposed by Tencent Cloud Computing with the rates charged by other competent independent third party service providers. We will only enter into cloud service or technical service transactions with Tencent Cloud Computing when the service fees are in line with or lower than the rates offered by other competent service providers and the agreement is in the best interests of our Shareholders as a whole.

These transactions are conducted in the ordinary and usual course of business on normal commercial terms, and our Directors currently expect that each of the applicable percentage ratios under Chapter 14A of the Listing Rules will exceed 0.1% but be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, these transactions will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

CONNECTED TRANSACTIONS

3. Procurement of prepaid cards from Beijing Jingdong Century Information Technology Co., Ltd. (北京京東世紀信息技術有限公司) (“JD Century”)

On November 5, 2016, Xince Investment and JD Century (an associate of JD.com) entered into an agreement (the “**Prepaid Card Purchasing Agreement**”) pursuant to which Xince Investment will purchase prepaid cards that can be used to purchase goods on websites operated by JD.com. The term of the Prepaid Card Purchasing Agreement is from the date of the agreement until December 31, 2019. We expect to continue to purchase online prepaid cards from JD.com in the future.

The payment and any corresponding discount will be based on the value of the prepaid purchased. The discount is a percentage discount based on total value of the prepaid cards purchased in one transaction.

Historical amount, annual cap and basis for annual cap

The table below sets out the summary of the historical amounts and annual caps under the Prepaid Card Purchasing Agreement.

When estimating the annual caps of prepaid card purchases, our Directors have taken into consideration (i) the amount of prepaid cards we have historically given to customers as a promotional method since late 2016, (ii) an estimate of the promotional activities that we expect to hold during the relevant years, (iii) the expected growth in the number of transactions during the relevant years, (iv) our plans to increase the total value of gift cards that will be given to customers with each transaction to enhance our promotional activities, (v) our plan to increase our prepaid card purchases for the purposes of this promotional method. In the second half of 2017, we expect to hold, among other events, two to three major annual promotions to coincide with seasonal events in the PRC.

We expect to increase our promotional efforts and we believe the provision of prepaid cards to our consumers is an effective marketing method. We expect the amount of our promotional activities to increase significantly to support and compliment the rapid growth of our automobile retail transactions and auto-related transactions volume. For the six months ended June 30, 2017, our selling and marketing expenses increased by 160.2% over the same period in 2016, and we expect our selling and marketing expenses to continue to increase. Based on our past experience and the success of our promotional events, prepaid cards are popular among our customers and we plan to use more prepaid cards as a form of reward for our customers.

Historical amount (RMB)			For the six months ended June 30,	Annual cap (RMB)		
For the year ended December 31,				For the year ending December 31,		
2014	2015	2016	2017	2017	2018	2019
N/A	N/A	3,948,400 ⁽¹⁾	15,036,719 ⁽²⁾	39,000,000	45,000,000	51,000,000

Notes:

(1) We began to purchase prepaid cards in late 2016.

(2) In the first quarter of 2017, we spent approximately RMB10,000,000 on prepaid card purchases. We did not schedule any major promotional activities requiring prepaid card purchases in the second quarter of 2017.

Reasons for the transactions

As part of our promotional activities, we offer discounts and gifts to our customers by means of prepaid cards purchased from JD.com. We chose JD.com’s prepaid cards because of JD.com’s market reach, popularity and recognition among consumers. Our Group is only one of the many purchasers of

CONNECTED TRANSACTIONS

JD.com's prepaid cards. We believe that rewarding gift cards to customers is an effective method of promoting our business.

Pricing policies

Before entering into any prepaid card purchasing transactions, we will assess the business needs of the Group and will compare with prepaid cards offered by other comparable providers (if available). We will also consider the discount and price of the prepaid cards offered to other customers of JD.com. We will only enter into a prepaid card purchasing agreement with JD Century when the price and terms we receive are in line with or better than those offered by other comparable providers (if any) or those offered to other customers of JD.com (as the case may be) and the agreement is in the best interests of our Shareholders as a whole.

These transactions are conducted in the ordinary and usual course of business on normal commercial terms, and our Directors currently expect that each of the applicable percentage ratios under Chapter 14A of the Listing Rules will exceed 0.1% but be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, these transactions will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

4. Used auto services agreements with Beijing Jingzhengu Information Technology Co., Ltd. (北京精真估信息技術有限公司) ("Jingzhengu") and its affiliate Shanghai You Yue Information Technology Co., Ltd. Beijing Branch (上海優約信息技術有限公司北京分公司) ("You Yue")

On July 31, 2017, Shanghai Yixin, Beijing Yixin, Beijing KKC and Jingzhengu (an associate of Bitauto) entered into a used auto valuation and inspection services strategic cooperation agreement ("**Used Auto Services Strategic Cooperation Agreement**") whereby Jingzhengu provides (i) onsite and online used car valuation and used car inspection services for the used cars financed or facilitated by us for a fixed fee per car, and (ii) a free portal on our website *taoche.com* that our consumers can use to compute or solicit a quotation for the value of a vehicle. The term of the Used Auto Services Strategic Cooperation Agreement commenced on the date of the agreement and will expire on December 31, 2019. Further, in relation to the arrangements under the Used Auto Services Strategic Cooperation Agreement, Tianjin Hengtong and You Yue (an affiliate of Jingzhengu and an associate of Bitauto) entered into an agreement, commencing on July 1, 2017 and expiring on December 31, 2018, for the provision of used car valuation services on substantially the same terms as the onsite and online used car valuation services under the Used Auto Services Strategic Cooperation Agreement (together with the Used Auto Services Strategic Cooperation Agreement, the "**Used Auto Services Agreements**").

Each of the fees payable by us to Jingzhengu and You Yue outlined above has been determined based on arm's length discussions and by reference to rates charged by other independent third party service providers for comparable services.

Historical amount, annual cap and basis for annual cap

The table below sets out the summary of the historical amounts and annual caps under the Used Auto Services Agreements. During the track period, we only used valuation services from Jingzhengu, and we did not use any inspection services from Jingzhengu or You Yue.

When estimating the annual caps of the used auto valuation and inspection service fees, our Directors have taken into consideration (i) that the number of transactions involving used automobiles

CONNECTED TRANSACTIONS

is expected to increase in line with trends in the used automobile market, (ii) that the majority of used automobiles will continue to need valuation services and an increasing proportion of used automobiles will need inspection services, and (iii) our used automobile transaction business is expected to grow, especially in light of the addition of the used automobile transaction business under the Contribution Agreement since May 2017. We expect that there is and will be significant demand from consumers for used automobile transactions that necessarily translates into greater demand for valuation and inspection services.

We expect the transaction volume involving used automobiles to increase during the relevant period based on the following considerations: (i) according to the Frost and Sullivan Report, China's used automobile market is expected to increase due to growing automobile ownership, wider consumer acceptance of used automobiles, and favorable government policies stimulating more circulation of used automobiles. China's used automobile market retail transactions is expected to increase from 7.8 million in 2016 to 14.6 million in 2021, representing a CAGR of 13.5%; (ii) our online used automobile retail transactions are expected to increase significantly; and (iii) the need for inspection and valuation services for used automobiles from our consumers is expected to grow along with the used automobile transaction growth.

In relation to valuation services, the valuation services expenses incurred in 2016 and for the first half of 2017 are for the services provided by Jingzhengu. However we expect that both Jingzhengu and You Yue will provide valuation services from the second half of 2017 onwards. The annual cap is calculated based on the number of used automobiles we expect to allocate to Jingzhengu and You Yue, multiplied by fixed price per used automobile valued. We expect the number of used automobile transactions we facilitate to increase in the second half of 2017, and that the majority of used automobiles will require valuation services. Consequently, we expect the expenses relating to valuation services to reflect this trend for the relevant periods.

In relation to inspection services, we began offering inspection services from Jingzhengu for customers who purchase used automobiles in the second half of 2017 onwards. As a result we expect to incur significantly more fees under the Used Auto Services Agreement in the second half of 2017. The annual cap is calculated based on the total number of used automobile that we expect to inspect, multiplied by fixed price per automobile inspected. We expect the proportion of used automobile transactions that will require inspection services to increase significantly in 2018 and 2019.

Historical amount (RMB)			For the six months ended June 30, 2017	Annual cap (RMB)		
For the year ended December 31,				For the year ending December 31,		
2014	2015	2016	2017	2017	2018	2019
N/A	N/A	3,365,857	6,219,420 ⁽¹⁾	26,800,000	57,120,000	72,120,000

Note:

(1) In relation to valuation services, the expenses incurred for the first half of 2017 was attributed to services provided by Jingzhengu. We did not use valuation services from You Yue in the first half of 2017.

Reasons for the transactions

Jingzhengu and You Yue provides services to the Group in relation to our used auto business, including onsite and online valuation and inspection. We require valuation services for the majority of used automobiles we finance as part of our risk management process and in order to accurately value our cars when they are leased to our customers. We require inspection services in order to meet our

CONNECTED TRANSACTIONS

customer's demand for used automobile inspection services. We expect to expand our used automobile lease business from 2017 to 2019 and therefore we expect the demand of our customers for vehicle inspection and valuation services to increase in the same period.

Pricing policies

Before entering into any used auto services agreement pursuant to the Used Auto Services Agreements, we will assess our business needs and will compare the fees charged by Jingzhengu and You Yue with the rates offered by independent comparable car valuation and car inspection service providers. We will only enter into a used auto services transaction with Jingzhengu when the fees proposed are in line with or lower than the rates charged by independent third parties and the agreement is in the best interests of our Shareholders as a whole.

These transactions are conducted in the ordinary and usual course of business on normal commercial terms, and our Directors currently expect that each of the applicable percentage ratios under Chapter 14A of the Listing Rules will exceed 0.1% but be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, these transactions will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

5. Automobile leasing agreement with Beijing Bitauto Interactive Advertising Co., Ltd. (北京易車互動廣告有限公司) (“Beijing Bitauto Interactive”)

On August 30, 2017, Shanghai Yixin and Beijing Bitauto Interactive (an associate of Bitauto) entered into an automobile leasing framework agreement (the “**Automobile Leasing Framework Agreement**”) whereby Beijing Bitauto Interactive (and/or its affiliates) leases automobiles from Shanghai Yixin in exchange for a fee. The term of the Automobile Leasing Framework Agreement is for three years commencing on the date of the agreement.

Under the Automobile Leasing Framework Agreement, Shanghai Yixin and Beijing Bitauto Interactive will negotiate individual leasing contracts on a case-by-case basis. The fees payable to us by Beijing Bitauto Interactive outlined above has been determined based on arm's length discussion and with reference to market rates for leasing automobiles of comparable specifications, for a similar number of automobiles and duration.

Historical amount, annual cap and basis for annual cap

We have entered into individual agreements with Beijing Bitauto Interactive which would be subject to the terms of the Automobile Leasing Framework Agreement. These individual agreements are our standard automobile leasing agreements and are the same type that we would enter into with individual consumers. The table below sets out the summary of the annual caps under the Automobile Leasing Framework Agreement. For the first half of 2017, Beijing Bitauto Interactive paid us for automobiles leased from June 28 until June 30, 2017.

When estimating the annual caps under the Automobile Leasing Framework Agreement, our Directors have taken into consideration (i) the number of automobiles that Beijing Bitauto Interactive has indicated that they require for the next three financial years, (ii) that Beijing Bitauto Interactive's business will continue to grow in the future, which means their demand for our automobiles will increase, (iii) the average fees we would ordinarily charge to our independent third party customers for

CONNECTED TRANSACTIONS

automobiles of similar specification for the same duration, (iv) that we expect the demand for our vehicles for leasing purpose to continue to grow in the future, and (v) that we expect our capacity meet the demand for leased vehicles in the future. Generally, the automobiles are ordered for Beijing Bitauto Interactive's specific market projects and are bulk ordered. As consumers are increasingly relying on online sources for automobile information, Beijing Bitauto Interactive plans to lease more automobiles to collect information. As a result, Beijing Bitauto Interactive has been increasing the size of its bulk order from us since the end of June 2017 and we expect this trend to continue in the future. As of September 30, 2017, the total revenue we earned from Beijing Bitauto Interactive was approximately RMB5,700,000 in fees for automobile leases under the Automobile Leasing Framework Agreement in relation to two market projects.

Historical amount (RMB)			Annual cap (RMB)			
For the year ended December 31,			For the six months ended June 30,	For the year ending December 31,		
2014	2015	2016	2017	2017	2018	2019
N/A	N/A	N/A	140,346 ⁽¹⁾	15,000,000	18,000,000	21,600,000

Note:

(1) We leased vehicles to Beijing Bitauto Interactive on an ad hoc basis at the end of June 2017.

Reasons for the transactions

Beijing Bitauto Interactive leases automobiles from us and posts consumer reviews and recommendations for different car models on websites run by Bitauto. In return, we receive a fee for the leased vehicles.

Pricing policies

Before entering into any automobile leasing agreements under the Automobile Leasing Framework Agreement, we will assess the demand for our vehicles and will compare the rate of our leased vehicle fees with rates offered by other comparable car leasing companies. We will only enter into automobile leasing agreement where the fees we charge are in line with the rates that we charge to independent third parties or better, and the agreement is in the best interests of the Shareholders as a whole.

In return for the leased vehicles, Beijing Bitauto Interactive will pay a leasing fee based on:

- the specifications of the vehicles subject to the lease;
- the number of vehicles being leased; and
- the duration of the lease.

These transactions are conducted in the ordinary and usual course of business on normal commercial terms, and our Directors currently expect that each of the applicable percentage ratios under Chapter 14A of the Listing Rules will exceed 0.1% but be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, these transactions will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

C. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions of our Group which is subject to reporting, annual review, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

1. Advertising services agreements

Beijing Yixin and C&I Advertising entered into an advertising agreement (the “**C&I Advertising Agreement**”), amended by a supplemental agreement dated August 8, 2017, pursuant to which C&I Advertising agrees to provide services including (i) designing and preparing online marketing materials for us, (ii) publishing the advertising materials on the designated online and mobile app platforms, and (iii) settling all amounts as our agent with the relevant Tencent entity. The term of the agreement is from January 12, 2017 to December 31, 2017.

On March 1, 2017, Beijing Yixin and Beijing Chehui Interactive Advertising Co., Ltd. (北京車慧互動廣告有限公司) (“**Chehui Interactive**”) (a subsidiary of C&I Advertising and an associate of Bitauto) entered into two advertising agreements (the “**Chehui Interactive Agreements**,” together with the C&I Advertising Agreements, the “**Advertising Services Agreements**”), which were both amended by a supplemental agreement dated August 8, 2017. The term of the Chehui Interactive Agreements are from the date of the agreement and will expire on December 31, 2017. Pursuant to the first agreement, Chehui Interactive agrees to (i) promote Beijing Yixin’s products on leading Internet platforms, (ii) provide related technical expertise in areas such as big data analysis, advertising and target marketing, and (iii) explore other product promotion activities and platforms. Pursuant to the second agreement, Chehui Interactive agrees to (i) promote Beijing Yixin’s products on select platforms, (ii) provide related technical expertise in areas such as data analysis, advertising and target marketing, and (iii) explore other product promotion activities and platforms. The details of each promotional activity would be determined on a project by project basis and specified in a project order form to be sent by Beijing Yixin to Chehui Interactive from time to time during the cooperation period. The price and other material terms would be specified in each order form. The service fees were determined after arm’s length negotiation between the parties with reference to rates that are charged by independent third party advertising service providers.

Historical amount, annual cap and basis for annual cap

The table below sets out the historical amounts and annual caps for the Advertising Services Agreements.

We have engaged C&I Advertising to provide advertising services to our Group since we first launched our line of business in 2015. We have engaged Chehui Interactive to provide advertising services to us since March 2017.

When estimating the annual caps of the advertising service fees, our Directors have taken into consideration (i) the advertising fees that we have incurred in the first half of 2017, (ii) the historical proportion of Beijing Yixin’s advertising services fees paid to C&I Advertising and Chehui Interactive, in relation to our total advertising expenditure, (iii) that we expect to expand and develop new products and explore new markets, which would require advertising, and (iv) the overall amount that the Group has allocated for advertising activities in 2017 when taking into account factors such as industry competition and business growth. Based on our marketing strategy and our management’s view of the strengths of Chehui Interactive’s services, we expect to use Chehui Interactive’s services more in the second half of 2017. We expect that the increasing penetration of internet in China will translate to an increase in the volume of online automobile retail transactions in China. Given that we intend to continue to attract consumers and promote our brand awareness, we expect to incur more advertising expenses. For the six months ended June 30, 2017, our selling and marketing expenses increased 160.2% over the same period in 2016, and we expect our selling and marketing expenses to continue to

CONNECTED TRANSACTIONS

increase. Further, in our management’s experience, most advertising and promotional activities will occur in the second half of any given year.

	Historical amount (RMB)				Annual cap (RMB)
	For the year ended December 31,			For the six months ended June 30,	For the year ending December 31,
	2014	2015	2016	2017	2017
C&I Advertising Agreement	N/A	300,000	20,000,000	18,600,000	45,600,000
Chehui Interactive Agreements	N/A	N/A	N/A	846,302	40,000,000
Total	N/A	300,000	20,000,000	19,446,302	85,600,000

Reasons for the transactions

Historically, we have engaged C&I Advertising to provide advertising services to the Group. C&I Advertising provides a spectrum of advertising services from design, consultation, technical and support services related to our advertisements. We chose to engage C&I Advertising as our advertising agent because of its experience in the automobile advertising industry and its ability to negotiate competitive prices with the advertising platform providers. We choose to publish our advertisements on the platforms by operators such as Tencent and Baidu because of their reach and recognition.

Chehui Interactive is an established advertising and marketing company with expertise in auto related industries. Their expertise in auto related advertising and promotion is suitable to meet our needs as our business develops. Chehui Interactive also has access to product promotion platforms associated with leading Chinese internet platforms, which will enable our advertisements to reach a wide audience. Promoting our products on these platforms will enable us to gain more popularity and recognition, and further enhance our business growth.

Pricing policies

We assessed our business needs and compared the fees proposed by C&I Advertising and Chehui Interactive with the rates offered by other comparable advertising agencies in relation to similar services. In particular, we also made reference to our operations and advertising needs for 2017.

In return for these value-added advertising services under the Advertising Services Agreements, Beijing Yixin will pay service fees which are typically of the following:

- Cost per thousand impression (CPM): charged on the basis of one thousand displays, or impressions, of an advertisement by the potential customer;
- Cost per click (CPC): charged on the basis of the price of each click and number of clicks of by the potential customer; and
- Cost per time (CPT): charged on the basis of the length of the advertisement delivered at an agreed and scheduled time slot.

The services fees are based on one or more of the following metrics, with reference to the practical needs of the relevant advertisement with reference to rates charged by independent third party advertising agencies for similar advertisements on the designated online and mobile app platforms:

- the number of days, the date and the time of day the advertisement is delivered;
- the size, position, placement, and media of the advertisement inventory;

CONNECTED TRANSACTIONS

- the complexity content and length of the advertisement; and
- the fees charged by the designated online and mobile app platform, which are at market rates.

The terms shall be no less favorable to us than those which we could obtain from independent third parties.

Listing Rule Implications

The transactions pursuant to the C&I Advertising Agreements and the Chehui Interactive Agreements are considered connected under Rule 14A.81 of the Listing Rules and should be aggregated for the purposes of classification because (i) of the similar nature of the services provided under the Advertising Agreements and (ii) the transactions are entered into by us with parties who, being companies within the Bitauto Group, are connected with one another pursuant to Rule 14A.82(1) of the Listing Rules.

The transactions contemplated under the Advertising Agreements are continuing connected transactions of our Company. The transactions are conducted in the ordinary and usual course of business on normal commercial terms or better and our Directors currently expect that the highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Advertising Framework Agreements will be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the Waiver Application

Our Directors (including our independent non-executive Directors) are of the view that the Advertising Services Agreements are fundamental to our businesses' development and marketing and advertising needs. As the Advertising Services Agreements will continue after the Listing, and therefore compliance with the announcement and/or the independent shareholders' approval requirements would be impractical and unduly burdensome and, would add unnecessary administrative costs.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the announcement and/or the independent shareholders' approval requirements in respect of the Advertising Services Agreements.

In addition, given the Advertising Services Agreements were entered into prior to the Listing and are disclosed in this prospectus, and our potential investors will participate in the Global Offering on the basis of such disclosure, our Directors consider that compliance with the announcement, circular and the independent Shareholders' approval requirements in respect thereof immediately after the Listing would add unnecessary administrative cost to us.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions pursuant to the Advertising Services Agreements, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

2. Provision of advertising and data services agreements

On August 1, 2017, Beijing Yixin and C&I Advertising (an associate of Bitauto) entered into an advertising services framework agreement (the “**Provision of Advertising Framework Agreement**”) pursuant to which C&I Advertising places advertisements and marketing materials of certain of its customers on our website for which we receive an advertising fee. The term of the Provision of Advertising Framework Agreement commenced on the date of the agreement and will expire on December 31, 2017. The maximum amount payable by C&I Advertising pursuant to the Provision of Advertising Framework Agreement is RMB6 million. The advertising fee will be determined after arm’s length negotiation between the parties with reference to the rates that we charge to independent third parties and on terms that are no more favorable than the terms offered to independent third parties. The advertising fees and calculation method shall be agreed between the parties separately.

On September 30, 2017, Xince Investment and Beijing Bitauto Interactive (an associate of Bitauto) entered into a data services and promotion service cooperation framework agreement (the “**Cooperation Framework Agreement**”). The term of the Cooperation Framework Agreement is for three years from the date of the agreement. Pursuant to the Cooperation Framework Agreement, we will provide to Beijing Bitauto Interactive and/or its affiliates (i) an online calculator that enables consumers to calculate financing costs for each automobile on a real time basis, (ii) data analytics report based on our own database of consumers and transactions, (iii) brand promotion for display of Bitauto’s logos and websites, (iv) traffic support and (v) advertising agent services. In exchange for these services, Beijing Bitauto Interactive will pay service fees to Xince Investment. For the online calculator application, we provide an online tool that enables customers to calculate financing costs for new and used automobiles. This calculator application is posted on online websites and mobile apps belonging to Beijing Bitauto Interactive and/or its affiliates. In exchange for this application, we charge a fixed quarterly fee. For the data analytics services, we produce data analytics reports in exchange for a fixed fee based on the survey size. For the brand promotion services, we agree to promote Beijing Bitauto Interactive’s brand and products on our online websites and mobile platforms. For traffic support services we provide traffic leads from our platform. For advertising agent services, we provide advertising services to Beijing Bitauto Interactive and/or its affiliates who place advertisements on our websites on behalf of its customers. The fees were determined after arm’s length negotiation between the parties.

Historical amount, annual cap and basis for annual cap

Provision of Advertising Framework Agreement

Historically we entered into similar arrangements as the Provision of Advertising Framework Agreement whereby we have published advertisements of C&I Advertising’s customers on our website. In relation to the annual caps for advertising services provided pursuant to the Provision of Advertising Framework Agreement, our Directors have taken into consideration (i) the amount of advertising services C&I Advertising has indicated that they are expected to need in the second half of 2017 based on demand from their customers who designate our platform to publish their advertisements and the maximum cap specified under the Provision of Advertising Framework Agreement, (ii) that in general, we expect more marketing and advertising activities to occur in the second half of a given year, and (iii) that we expect our advertising business to expand in response to increasing demand as our website’s popularity and consumer reach expands and in light of the addition of the used automobile transaction business under the Contribution Agreement since May 2017.

CONNECTED TRANSACTIONS

Cooperation Framework Agreement

In relation to the Cooperation Framework Agreement, historically, we have provided online calculator tool and data analytics services to Bitauto and/or its associates. We began providing these services to Bitauto in the first half of 2017. We did not provide any promotion, traffic support or advertising services to Bitauto historically.

In relation to the annual caps for online calculator application, our Directors have taken into consideration the fixed quarterly fee specified under the Cooperation Framework Agreement. In arriving at the fixed quarterly fee, we considered the amount of resources dedicated to developing and maintain the online tool as well as the expected number of visitors who would use the service.

The fees we charge for each data analytics report is calculated based on a fixed price multiplied by the survey size, plus a base fee for data analytics services. In relation to the annual caps for data analytics services, our Directors have taken into consideration that we expect to produce a similar number of reports throughout the relevant period and the survey size per report may increase.

We started to provide promotion, traffic support and advertising services to Bitauto in the second half of 2017. As a result, the overall fees we expect to receive in the second half of 2017 under the Cooperation Framework Agreement will increase. In relation to the annual caps for promotion, traffic support and advertising services provided pursuant to the Cooperation Framework Agreement, our Directors have taken into consideration (i) in relation to promotion services, we will charge a fixed quarterly fee for displaying Bitauto's logo and websites on our online website and mobile app, (ii) that in relation to traffic support, the fees are calculated based on a fixed rate per page view multiplied by the number of times we expect a customer will view the page, (iii) that in general, we expect more marketing and advertising activities to occur in the second half of a given year, and (iv) that we expect our advertising business to expand in response to increasing demand from Bitauto as our website's popularity and consumer reach expands.

We expect that the increasing penetration of internet in China will translate to an increase in the volume of online automobile retail transactions in China. As our platform continues to grow, more advertisers will find our platform an effective means to fulfill their marketing goals and hence the demand for our advertising and data services will increase. According to the Frost and Sullivan Report, the volume of online automobile retail transactions was 1.0 million in 2016 and is estimated to reach 5.4 million in 2021, representing a CAGR of 39.2% from 2016 to 2021. In September 2017, our online channels had approximately 51 million MAUs, representing an attractive advertising opportunity for our advertising customers. As of September 30, 2017, we had facilitated over 560,000 automobile retail transactions and auto-related transactions, and as a result, we have accumulated a large database of consumers and automobiles, which contributes to the growth of our data services.

CONNECTED TRANSACTIONS

The table below sets out the historical amounts and annual cap under the Provision of Advertising Framework Agreement and the Cooperation Framework Agreement.

	Historical amount (RMB)				Annual cap (RMB)		
	For the year ended December 31,			For the six months ended June 30,	For the year ended December 31,		
	2014	2015	2016	2017	2017	2018	2019
Provision of Advertising Framework Agreement . . .	1,416,123	5,780,464	3,481,687	856,221	6,000,000	N/A	N/A
Cooperation Framework Agreement							
Online calculator tool	N/A	N/A	N/A	30,000,000	60,000,000	60,000,000	60,000,000
Data analytics report services	N/A	N/A	N/A	8,200,000	15,200,000	14,000,000	14,000,000
Brand promotion services	N/A	N/A	N/A	N/A	10,000,000	20,000,000	20,000,000
Traffic support services	N/A	N/A	N/A	N/A	45,000,000	54,000,000	72,000,000
Advertising agent services	N/A	N/A	N/A	N/A	6,000,000	16,000,000	16,000,000
Total	1,416,123	5,780,464	3,481,687	39,056,221	142,200,000	164,000,000	182,000,000

Reasons for the transactions

Given the complementary nature of the services we provide to Bitauto's customers through our online portals and websites, we expect that we will continue to provide these services to Bitauto and its associates following the Listing.

Pricing policies

Provision of Advertising Framework Agreement

Before entering into any online advertising activities pursuant to the Provision of Advertising Framework Agreement, we will assess the business capacity of the Group and will compare the rate of advertising fees we propose with the rates offered by other comparable advertising agencies. We will only enter into a provision of advertising services agreement where the fees we charge are in line with the rates that we charge to independent third parties or better, and the agreement is in the best interests of the Shareholders as a whole. In particular, the Group's advertising capabilities are expected to increase as the operations of the Group expand. In return for these advertising services, C&I Advertising will pay us advertising fees based on:

- the number of days, the date and the time of day the advertisement is delivered; and
- the size, position, placement, and format of the advertisement.

Cooperation Framework Agreement

In relation to the Cooperation Framework Agreement, Beijing Bitauto Interactive will pay us service fees based on the following:

- for the online calculator tool, which is provided on an exclusive basis, we charge a quarterly fixed fee which is made with reference to a minimum number of car models that use the calculation services per quarter;
- for the data analytics services, which are provided on an exclusive basis, we produce data analytics reports in exchange for a fixed fee depending on the survey size, type and content of the report. The reports typically relate to transaction or product value data analytics;

CONNECTED TRANSACTIONS

- for the brand promotion services, which are provided on an exclusive basis, we agree to promote Beijing Bitauto Interactive's brand, websites and products on our online and mobile platforms. In exchange for these promotion services, we charge a fixed quarterly fee;
- for the traffic support services, which are provided on a non-exclusive basis, we charge a fixed fee on a cost per thousand impression (CPM) basis. The charge rate varies on whether the subject relates to a used or new automobile, and with reference to the placing of the relevant advertisement and to rates charged by us for similar advertisements on our designated online website and mobile app; and
- for the advertising agent services, which are provided on a non-exclusive basis, we provide agency services in exchange for a fee to be negotiated based on each project, depending on the duration, the nature of the services rendered, and the medium and method the advertising services are delivered.

The transactions are on normal commercial terms, are fair and reasonable and in the interests of the shareholders as a whole. In relation to the traffic support services and advertising agent services, where services are not provided on an exclusive basis, the terms shall be no less favorable to the Group than those which the Group could obtain from other customers and are with reference to rates that we charge to independent third parties or better.

Listing Rule Implications

The transactions contemplated under the Provision of Advertising Framework Agreement and the Cooperation Framework Agreement are considered connected under Rule 14A.81 of the Listing Rules and should be aggregated for the purposes of classification because (i) of the similar nature of the advertising and promotion services provided and (ii) the transactions are entered into by our Group with parties who, being companies within the Bitauto Group, are connected with one another pursuant to Rule 14A.82(1) of the Listing Rules.

The transactions contemplated under the Provision of Advertising Framework Agreement and the Cooperation Framework Agreement are continuing connected transactions of our Company. The transactions are conducted in the ordinary and usual course of business on normal commercial terms or better and our Directors currently expect that the highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Cooperation Framework Agreement will be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the Waiver Application

Our Directors (including our independent non-executive Directors) are of the view that the Provision of Advertising Framework Agreement and the Cooperation Framework Agreement is beneficial to us as an additional source of revenue. As the Provision of Advertising Framework Agreement and the Cooperation Framework Agreement will continue after the Listing, and therefore compliance with the announcement and/or the independent shareholders' approval requirements would be impractical and unduly burdensome and, would add unnecessary administrative costs.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the announcement

CONNECTED TRANSACTIONS

and/or the independent shareholders' approval requirements in respect of the Provision of Advertising Framework Agreement and the Cooperation Framework Agreement.

3. The Contractual Arrangements

Background

As disclosed in the section headed “Contractual Arrangements,” due to regulatory restrictions on foreign ownership in the PRC, we conduct a substantial portion of our business through our Consolidated Affiliated Entity in China. Beijing Yixin is held by Mr. Bo Han (韓波), Shenzhen Tencent Industry Investment Fund Co., Ltd., (深圳市騰訊產業投資基金有限公司) (an associate of Tencent, “**Shenzhen Tencent**”), and Beijing Jiasheng Investment Management Co., Ltd. (北京甲盛投資管理有限公司) (associate of JD.com, “**Beijing JD**”), as to 55.7%, 26.6% and 17.7% respectively (the “**Relevant Shareholders**”).

We do not hold any equity interests in our Consolidated Affiliated Entity. Rather, through the Contractual Arrangements, we effectively control these Consolidated Affiliated Entity and are able to derive substantially all of their economic benefits, and expect to continue to do so. The Contractual Arrangements among us, Beijing KKC, our Consolidated Affiliated Entity and shareholders of our Consolidated Affiliated Entity enable us to (i) receive substantially all of the economic benefits from our Consolidated Affiliated Entity in consideration for the services provided by Beijing KKC; (ii) exercise effective control over our Consolidated Affiliated Entity; and (iii) hold an exclusive option to purchase all or part of the equity interests in our Consolidated Affiliated Entity when and to the extent permitted by PRC laws.

The Contractual Arrangements comprise the Exclusive Business Cooperation Agreement, Powers of Attorney, Exclusive Option Agreements and Equity Interest Pledge Agreements. See the section headed “Contractual Arrangements” for details of these agreements.

For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person,” the Consolidated Affiliated Entity will be treated as the Company’s wholly-owned subsidiary, and its directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as the Company’s “connected persons.”

Listing Rules implications

The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Company. The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the Waiver Application

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our legal structure and business operations, that such transactions have been and will be entered into in our ordinary and usual course of business, are on normal commercial terms or better and the terms are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

CONNECTED TRANSACTIONS

Our Directors also believe that our structure, whereby the financial results of Beijing Yixin are consolidated into our financial statements as if they were our Company's wholly-owned subsidiaries, and all the economic benefits of their business flows to our Group, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

In addition, given the Contractual Arrangements were entered into prior to the Listing and are disclosed in this prospectus, and potential investors of our Company will participate in the Global Offering on the basis of such disclosure, our Directors consider that compliance with the announcement and the independent Shareholders' approval requirements in respect thereof immediately after Listing would add unnecessary administrative costs to our Company.

To ensure sound and effective operation of our Group after the adoption of the Contractual Arrangements, the management of our Group plans to take the following measures:

- (a) as part of the internal control measures, major issues arising from implementation and performance of the Contractual Arrangements will be reviewed by the Board on a regular basis which will be no less frequent than on a quarterly basis. Our Board will determine, as part of its periodic review process, whether legal advisors and/or other professionals will need to be retained to assist the Group to deal with specific issues arising from the Contractual Arrangements;
- (b) matters relating to compliance and regulatory enquiries from governmental authorities, if any, will be discussed by the Board on a regular basis which will be no less frequent than on a quarterly basis;
- (c) the relevant business units and operation divisions of our Group will report regularly, which will be no less frequent than on a monthly basis, to the senior management of our Company on the compliance and performance conditions under the Contractual Arrangements and other related matters; and
- (d) our Company shall comply with the conditions prescribed under the waiver granted by the Stock Exchange in connection with the continuing connected transactions contemplated under the Contractual Arrangements.

Conditions of Waiver

In view of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of

CONNECTED TRANSACTIONS

the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

No change without independent non-executive Directors' approval

No change to the Contractual Arrangements (including with respect to any fees payable to Beijing KKC thereunder) will be made without the approval of the independent non-executive Directors.

No change without independent Shareholders' approval

Save as described below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, except for those described above, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company will however continue to be applicable.

Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entity through (i) our Group's options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests in the Consolidated Affiliated Entity for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entity is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the Beijing KKC by the Consolidated Affiliated Entity under the Exclusive Business Cooperation Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the Consolidated Affiliated Entity.

Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and the Consolidated Affiliated Entity, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/ or reproduction of the Contractual Arrangements, however be treated as connected persons of our Group and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

CONNECTED TRANSACTIONS

Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- the Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules;
- our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entity during the relevant financial period above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of the Shareholders as a whole;
- our Company's auditors will carry out review procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;
- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person," our Consolidated Affiliated Entity will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entity and its associates will be treated as connected persons of our Company (excluding for this purpose, the Consolidated Affiliated Entity), and transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entity), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules; and
- our Consolidated Affiliated Entity will undertake that, for so long as the Shares are listed on the Stock Exchange, the Consolidated Affiliated Entity will provide our Group's management and our Company's auditors full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions.

WAIVERS

We have applied for, and the Stock Exchange has granted us, waivers from strict compliance with the announcement requirements under the Listing Rules in respect of the partially-exempt continuing connected transactions mentioned above.

CONNECTED TRANSACTIONS

We have applied for, and the Stock Exchange has granted us in respect of the Advertising Services Agreements and Provision of Advertising Framework Agreement, a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

We have applied for, and the Stock Exchange has granted us, in respect of the Contractual Arrangements, (i) a waiver from strict compliance with announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules (ii) a waiver from strict compliance with the requirement to set a term of not exceeding three years under Rule 14A.52 of the Listing Rules; and (iii) waiver from strict compliance with the requirements to set monetary annual caps under Rule 14A.53(1) of the Listing Rules.

CONFIRMATION FROM THE DIRECTORS

Our Directors (including independent non-executive Directors) believe that the continuing connected transactions set out above have been entered into in our ordinary and usual course of business on normal commercial terms which are fair and reasonable and in the interests of us and our Shareholders as a whole, and the proposed annual caps (if any) in respect of continuing connected transactions are fair and reasonable and in the interests of us and our Shareholders as a whole.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our legal structure and business operations, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better and the terms are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant documents and information provided by our Group, have obtained necessary representations and confirmations from our Company and our Directors and have participated in the due diligence and discussions with our management and our PRC Legal Advisor. Based on the above, the Joint Sponsors are of the view that (i) the partially-exempt and non-exempt continuing connected transactions set out above have been and will be entered into during our ordinary and usual course of business on normal commercial terms, and are fair and reasonable and in the interest of the Company and the Shareholders as a whole; (ii) the proposed annual caps (where applicable) of such partially-exempt and non-exempt continuing connected transactions are fair and reasonable and in the interest of our Company and our Shareholders as a whole; and (iii) that the Contractual Arrangements are fundamental to our legal structure and business operations and that the Contractual Arrangements have been entered into in our ordinary and usual course of business, on normal commercial terms and are fair and reasonable and are in the interests of the Shareholders as a whole.

The Joint Sponsors are also of the view that with respect to the term of the relevant agreements underlying the Contractual Arrangements, which is of a duration of longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entity can be effectively controlled by Beijing KKC; (ii) Beijing KKC can obtain the economic benefits derived from the Consolidated Affiliated Entity; and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entity can be prevented, on an uninterrupted basis.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Capitalization Issue and the Global Offering:

	<u>Nominal Value (US\$)</u>
Authorized share capital:	
15,000,000,000 Ordinary Shares of US\$0.0001 each	1,500,000
Shares in issue as at the date of this prospectus (assuming the Preferred Shares are converted into Shares)⁽¹⁾:	
771,091,782 Shares of US\$0.0001 each	77,109.1782
Shares to be issued pursuant to the Capitalization Issue:	
4,626,550,692 Shares of US\$0.0001 each	462,655.0692
Shares to be issued pursuant to the Global Offering:	
878,680,000 Shares of US\$0.0001 each	<u>87,868</u>
Shares in issue immediately following the Global Offering:	
6,276,322,474 Shares of US\$0.0001 each	<u><u>627,632.2474</u></u>

Note:

(1) The Preferred Shares will be converted to Shares on a one to one basis by way of re-designation to Shares on the Listing Date.

ASSUMPTIONS

The above table assume that (i) the Global Offering becomes unconditional and Shares are issued pursuant to the Capitalization Issue and the Global Offering and (ii) the Over-allotment Option is not exercised, the options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Global Offering are not exercised, and no Shares are granted under the First Share Award Scheme. The above tables also do not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company has only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See the section headed “Summary of the Constitution of the Company and

SHARE CAPITAL

Cayman Companies Law—Articles of Association—Alteration of capital” in Appendix III for further details.

PRE-IPO SHARE OPTION AND SHARE AWARD SCHEMES

We adopted the Pre-IPO Share Option and Share Award Schemes. See the section headed “Statutory and General Information—Pre-IPO Share Option and Share Award Schemes” in Appendix IV for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and grants under the First Share Award Scheme); and
- the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph headed “— General Mandate to Repurchase Shares” in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company’s next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See the section headed “Statutory and General Information—Further Information about our Company and our Subsidiaries—Resolutions of our Shareholders dated November 1, 2017” in Appendix IV for further details of this general mandate.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Global Offering and grants under the First Share Award Scheme).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the

SHARE CAPITAL

Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information—Further Information about Our Company and Our Subsidiaries—Repurchase of our Own Securities” in Appendix IV.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company’s next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed “Statutory and General Information—Further Information about Our Company and Our Subsidiaries—Repurchase of Our Own Securities” in Appendix IV for further details of the repurchase mandate.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is not exercised, the options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Global Offering are not exercised, and no Shares are granted under the First Share Award Scheme, the following persons (other than a Director or chief executive of the Company) will have interests and/or short positions (as applicable) in the Shares or underlying shares of our Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of substantial shareholder	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of shareholding in our Company
Bitauto ⁽²⁾	Beneficial interest	496,544,440	7.91%
Bitauto ⁽²⁾	Interest in a controlled corporation	2,290,292,130	36.49%
Bitauto ⁽²⁾	Interest of a party to an agreement regarding interest in the Company ⁽¹⁾	627,632,248	10.00%
Bitauto HK ⁽²⁾	Beneficial interest	2,290,292,130	36.49%
Dongting Lake Investment Limited ⁽³⁾	Beneficial interest	931,604,940	14.84%
Morespark Limited ⁽³⁾	Beneficial interest	267,603,350	4.26%
Tencent Mobility Limited ⁽³⁾	Beneficial interest	112,850,990	1.80%
JD Financial Investment Limited ⁽⁴⁾	Beneficial interest	684,283,320	10.90%

Notes:

- (1) Pursuant to the Voting Proxy Agreement, Bitauto has the right to vote certain number of Shares held by Tencent and JD.com. See the section headed "History and Corporate Structure" for details.
- (2) Bitauto HK is a wholly-owned subsidiary of Bitauto.
- (3) Dongting Lake Investment Limited, Morespark Limited and Tencent Mobility Limited are wholly-owned subsidiaries of Tencent, a party to the Voting Proxy Agreement.
- (4) JD Financial Investment Limited is an indirect wholly-owned subsidiary of JD.com, which is a party to the Voting Proxy Agreement.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised, the options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Global Offering are not exercised, and no Shares are granted under the First Share Award Scheme), have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors. The following table provides certain information about our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
Mr. Andy Xuan Zhang . . .	41	Executive Director, Chief Executive Officer and the Chairman of our Board	December 2013	November 2014	Overall strategic planning and business direction of the Group and management of the Company, Chairman of the Nomination Committee, and member of Remuneration Committee
Mr. Dong Jiang (姜東)	46	Executive Director, Chief Operating Officer	March 2015	September 2017	Overseeing the day-to-day operations of the Company
Mr. James Gordon Mitchell	43	Non-executive Director	June 2017	June 2017	Provide professional opinion and judgment to our Board
Mr. Jimmy Chi Ming Lai (賴智明)	44	Non-executive Director	June 2017	June 2017	Provide professional opinion and judgment to our Board
Mr. Chenkai Ling (凌晨凱)	41	Non-executive Director	June 2017	June 2017	Provide professional opinion and judgment to our Board
Mr. Xuyang Zhang (張旭陽)	45	Non-executive Director	June 2017	June 2017	Provide professional opinion and judgment to our Board
Mr. Tin Fan Yuen (袁天凡)	65	Independent non-executive Director	June 2017	Date of this prospectus ⁽¹⁾	Chairman of the Remuneration Committee, member of the Audit Committee
Mr. Chester Tun Ho Kwok (郭淳浩)	54	Independent non-executive Director	June 2017	Date of this prospectus ⁽¹⁾	Chairman of the Audit Committee, member of the Nomination Committee
Ms. Lily Li Dong (董莉) . .	47	Independent non-executive Director	June 2017	Date of this prospectus ⁽¹⁾	Member of the Audit Committee, Member of the Remuneration Committee, Member of the Nomination Committee

Note:

(1) The appointment of Mr. Tin Fan Yuen, Mr. Chester Tun Ho Kwok and Ms. Lily Li Dong as independent non-executive Directors will take effect from the date of this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Andy Xuan Zhang, aged 41, is the Chief Executive Officer, executive Director and Chairman of the Board. He is responsible for the overall strategic planning and business direction of the Group and management of the Company. Mr. Zhang has over 15 years of operational and managerial experience with both multinational companies and local Chinese companies in Internet, automobile and finance industries. Mr. Zhang held numerous positions in Bitauto (NYSE: BITA), including vice-president of finance from 2006 to 2009, chief financial officer from 2009 to 2016, and chief operating officer from 2015 to 2016. He has also served as the president and a director of Bitauto since August 2016 and March 2017 respectively. His extensive involvement in Bitauto's strategy and operations contributed significantly to the growth of Bitauto and its successful listing on the New York Stock Exchange in November 2010.

Mr. Zhang obtained his bachelor's degree in finance and accounting from New York University in May 1999. Mr. Zhang has also been a certified public accountant granted by the Education Department of New York State in October 2003.

Mr. Dong Jiang (姜東), aged 46, is our executive Director and Chief Operating Officer and joined our Group in March 2015. Mr. Jiang is primarily responsible for overseeing the day-to-day operations of our Company. Prior to joining our Group, from February 2011 to March 2015, Mr. Jiang was group deputy manager of China Grand Automotive Services Co., Ltd. (600297.SS). From January 2008 to January 2010, he was senior vice president of CAR, Inc., (Hong Kong Stock Exchange Stock Code: 699).

Mr. Jiang received his bachelor's degree in aquaculture from Dalian Ocean University in July 1993 and master's degree in business administration from Peking University in July 2011. Over the past three years, Mr. Jiang has not been a director of any listed companies.

Non-Executive Directors

Mr. James Gordon Mitchell, aged 43, is a non-executive Director. He has served as the chief strategy officer of Tencent since July 2011. From January 2000 to June 2011, he held various positions at Goldman Sachs including managing director.

Mr. Mitchell is currently a non-executive director of China Literature Limited (閱文集團) (Hong Kong Stock Exchange Code: 0772) since June 2017 and Frontier Developments plc (LSE AIM Code: FDEV) since September 2017.

Mr. Mitchell received his bachelor's degree in history from the University of Oxford in July 1995.

Mr. Jimmy Chi Ming Lai (賴智明), aged 44, is a non-executive Director. He has been the vice president of Tencent since October 2017 and head of the financial technology group of Tencent since 2015. Mr. Lai was formerly the general manager of Tencent from 2011 to 2015 and the general manager of Tencent's QQ membership division from 2009 to 2011.

Mr. Lai is currently a non-executive director of Haomai Asset Management Co., Ltd (好買財富管理股份有限公司) (Shanghai Stock Exchange Stock Code: 834418) since February 2017 and ZhongAn Online P & C Insurance Co., Ltd. (眾安在綫財產保險股份有限公司) (Hong Kong Stock Exchange Code: 6060) since November 2013. In addition, he was a director of Shanghai E-Money Software Technology Co., Ltd (上海益盟軟件技術股份有限公司) (Shanghai Stock Exchange Stock Code: 832950) from December 2015 to February 2017.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lai received his master's degree in business administration from Harvard University in June 2006.

Mr. Chenkai Ling (凌晨凱), aged 41, is a non-executive Director. He has been the vice president of strategy and operational improvement of JD.com since July 2016. Prior to this, he worked at Bain & Company, Inc. from August 2008, and was serving as a principal of the firm when he left in July 2016.

Mr. Ling received his master's degree in business administration from the Amos Tuck School of Business Administration at Dartmouth College in June 2008, and his master's degree in communications management from Tongji University (同濟大學) in October 2000. Over the past three years, Mr. Ling has not been a director of any listed companies.

Mr. Xuyang Zhang (張旭陽), aged 45, is a non-executive Director of the Company. He has been the vice president of Baidu since June 2016. Prior to that, he held various positions at China Everbright Bank from July 1997 to June 2016, including General Manager of the Asset Management department (from May 2013 to June 2016), General Manager of the Retail Business department (September 2009 to May 2013) and Division Head of the Foreign Exchange and Structured Products Division of the Investment Banking department (from September 2005 to April 2006).

Mr. Xuyang Zhang received his master's degree in international economics from Renmin University of China in June 1997 and his master's degree in finance and economics from The London School of Economics and Political Science in July 2003.

Independent Non-Executive Directors

Mr. Tin Fan Yuen (袁天凡), aged 65, has been appointed as an independent non-executive Director with effect from the date of this prospectus. Mr. Yuen was formerly chief executive of the Stock Exchange from October 1988 to October 1991, a deputy chairman and executive director of the Pacific Century Group from 1996 to 2006, deputy chairman and executive director of PCCW Limited (Hong Kong Stock Exchange Stock Code: 8), from August 1999 to June 2006, executive chairman of Pacific Century Insurance Holdings Limited (previously listed with Hong Kong Stock Exchange Stock Code: 65) from June 1999 to July 2007 and independent non-executive director of China Foods Limited (Hong Stock Exchange Stock Code: 506) from July 1993 to August 2017.

Mr. Yuen currently holds positions in the following publicly listed companies:

- Agricultural Bank of China Limited (Hong Kong Stock Exchange Stock Code: 1288), as an independent non-executive director since March 2013;
- Pacific Century Regional Developments Limited (SGX: P15), as an independent non-executive deputy chairman since February 2015; and
- Shanghai Industrial Holdings Limited (Hong Kong Stock Exchange Stock Code: 363), as an independent non-executive director since July 2016.

Mr. Yuen obtained his Bachelor of Arts degree in economics from the University of Chicago in June 1975. He is the chairman of the board of trustees of the Hong Kong Center for Economic Research, chairman of the advisory board of Ortus Capital Management Limited, and a member of the board of trustees of University of Chicago and Fudan University.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chester Tun Ho Kwok (郭淳浩), aged 54, has been appointed as an independent non-executive Director with effect from the date of this prospectus. Since January 2016, Mr. Kwok has been an independent non-executive director and a member of the audit committee and investment committee of Henderson Sunlight Asset Management Limited, the manager of Sunlight REIT (Hong Kong Stock Exchange Stock Code: 0435). He has also served as the deputy chairman and a member of the Share Registrars' Disciplinary Committee of the Securities and Futures Commission since April 2017 and April 2013, respectively, as well as a member of the Process Review Panel for the Securities and Futures Commission since November 2016. Mr. Kwok was also a member of the Takeovers and Mergers Panel of the Securities and Futures Commission from April 2007 to March 2016.

Mr. Kwok served in a senior capacity in a number of international financial institutions, including Credit Suisse (Hong Kong) Limited and Standard Chartered Bank (Hong Kong) Ltd., between November 2000 to September 2012 and September 2012 to October 2015, respectively.

Mr. Kwok received his Bachelor of Arts degree from the University of Cambridge in June 1985. He has been a member of the Hong Kong Securities Institute since 1998 and a fellow of the Institute of Directors since 2016.

Ms. Lily Li Dong (董莉), aged 47, has been appointed as an independent non-executive Director with effect from the date of this prospectus. From August 2015 to June 2017, Ms. Dong was the chief financial officer of eDaijia, an online designated driver service provider. Prior to this, she served as chief financial officer at RDA Microelectronics, Inc., (previously listed with ticker NASDAQ: RDA), a fabless semiconductor company, from November 2007 to July 2015, and was its director from January 2014 to July 2015. Ms. Dong has extensive experience as a finance and management professional and led the initial public offering process at RDA. Prior to this, Ms. Dong worked for Hewlett-Packard in China since 1992, and was serving as the Finance Operations Manager for Hewlett-Packard Technology (Shanghai) Co., Ltd. (惠普科技(上海)有限公司) when she left in 2005.

Ms. Dong received her bachelor's degree in economics from the Nanjing University of Sciences and Technology in July 1992, and her executive master's degree in business administration from China Europe International Business School in November 2004.

Save as disclosed herein, each Director had not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date and there is no other information in respect of the Directors to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

The following table provides information about members of our senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining our Group</u>	<u>Roles and responsibilities</u>
Mr. Andy Xuan Zhang . . .	41	Executive Director and Chief Executive Officer	December 2013	Overall strategic planning and business direction of the Group and management of the Company
Mr. Dong Jiang (姜東)	46	Executive Director and Chief Operating Officer	March 2015	Overseeing the day-to-day operations of the Company

DIRECTORS AND SENIOR MANAGEMENT

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining our Group</u>	<u>Roles and responsibilities</u>
Ms. Xiaozheng Liu (劉曉鈺)	40	Chief Financial Officer	April 2017	Corporate finance, investor relations, investments and acquisitions, strategy and legal matters
Mr. Wei Zheng (鄭偉)	40	Senior Vice President of Used Automobile Business	September 2016	Management of used automobile transaction platform
Mr. Zhifeng Jia (賈志峰)	44	Senior Vice President of Technology	May 2017	Development of technology and data platform
Mr. Yongfeng Yang (楊永峰)	32	Vice President of Internet Products	October 2016	Management of internet products
Mr. Zhi Gao (高翹)	45	Vice President of Operations	September 2016	Management of auto finance operations
Mr. Wei Li (李威)	38	Assistant Vice President of Business Development	December 2013	Management of business development
Mr. Chang Chen (陳昶)	36	Assistant Vice President of Information Technology	December 2013	Management of IT operations

Mr. Andy Xuan Zhang, aged 41, is the Chief Executive Officer, executive Director and Chairman of the Board. For further details, please see the paragraph headed “ — Executive Directors” in this section.

Mr. Dong Jiang (姜東), aged 46, is our Chief Operating Officer and executive Director of our Company. For further details, please see the paragraph headed “—Executive Directors” in this section.

Ms. Xiaozheng Liu (劉曉鈺), aged 40, is our Chief Financial Officer and joined our Group in April 2017. Ms. Liu is primarily responsible for corporate finance, investor relations, investments and acquisitions, strategy and legal matters of the Group. Between September 2015 and April 2017, Ms. Liu was chief strategy officer of Qihoo 360 Technology Co. Ltd (previously listed with ticker NYSE: QIHU). Prior to that, Ms. Liu was Head of China Technology Investment Banking Division at Credit Suisse (Hong Kong) Limited, where she worked from June 2011 to September 2015. Prior to that, she was the vice president in China Investment Banking Division at Citigroup Global Markets Asia Limited, where she worked from October 2009 to June 2011.

Ms. Liu received her bachelor’s degree in finance from Nanjing University in July 1997, master’s degree in finance from Renmin University of China in July 2000 and master’s degree in management from the University of California, Los Angeles in September 2004. Over the past three years, Ms. Liu has not been a director of any listed companies.

Mr. Wei Zheng (鄭偉), aged 40, is our Senior Vice President of Used Automobile Business and joined our Group in September 2016. Mr. Zheng is primarily responsible for our used automobile transaction platform. Mr. Zheng has been the director and CEO of KKC Holdings Limited since April

DIRECTORS AND SENIOR MANAGEMENT

2014. From August 2011 to February 2014, Mr. Zheng was Entrepreneur in Residence at Beijing Qingyun Entrepreneurship Investment Management Co., Ltd. (北京青雲創業投資管理有限公司).

Mr. Zheng received his bachelor's degree in automation from Tsinghua University in July 2000. He received his master's and doctorate degrees in engineering from University of California, Berkeley in December 2004 and May 2009, respectively. Over the past three years, Mr. Zheng has not been a director of any listed companies.

Mr. Zhifeng Jia (賈志峰), aged 44, is our Senior Vice President of Technology and joined our Group in May 2017. Mr. Jia is primarily responsible for developing our technology and data platform, as well as overseeing our Group's technology initiatives and strategies. Prior to joining our Group, Mr. Jia served as Vice President of Engineering at Autohome, Inc. (NYSE: ATHM), where he worked from April 2011 to April 2017. Prior to that, Mr. Jia served as Senior Director of Engineering at eLong, Inc. (藝龍旅行網) (previously listed on NASDAQ: LONG), where he worked from February 2008 to April 2011. Over the past three years, Mr. Jia has not been a director of any listed companies.

Mr. Jia received his bachelor's degree in computer science from the University of Science and Technology of China (中國科學技術大學) in July 1996, and his master's degree in information and computer science from the University of Hawaii at Manoa in June 1998.

Mr. Yongfeng Yang (楊永峰), aged 32, is our Vice President of Internet Products and joined our Group in October 2016. Mr. Yang is primarily responsible for management of our Internet products. Prior to joining our Group, from June 2010 to October 2016, Mr. Yang was product operation director of the used automobile division of Autohome, Inc. (NYSE: ATHM).

Mr. Yang received his bachelor's degree in plant science and technology from Northwest A&F University in July 2007. Over the past three years, Mr. Yang has not been a director of any listed companies.

Mr. Zhi Gao (高翹), aged 45, is our Vice President of Operations and joined our Group in September 2016. Mr. Gao is primarily responsible for managing auto finance operations. Prior to joining our Group, Mr. Gao worked at Coca-Cola Industries Management (Shanghai) Co., Ltd (可口可樂企業管理(上海)有限公司) from April 2002 to August 2016, and was serving as executive supervisor of marketing prior to his departure.

Mr. Gao received his bachelor's degree in chemical engineering from Dalian Polytechnic Academy (大連輕工業學院) (currently known as Dalian Polytechnic University (大連工業大學)) in July 1993, and his executive master's degree in business administration from Dalian University of Technology in June 2015.

Mr. Wei Li (李威), aged 38, is our Assistant Vice President of Business Development and joined our Group in December 2013. Mr. Li is primarily responsible for management of business development. Prior to joining our Group, Mr. Li held various positions at Bitauto (NYSE: BITA), starting from January 2006.

Mr. Li completed a bachelor's course in business administration in the Liaoning University of Technology in July 2011. Over the past three years, Mr. Li has not been a director of any listed companies.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chang Chen (陳昶), aged 36, is our assistant vice president of information technology and joined our Group in December 2013. He is primarily responsible for IT operations. Prior to joining our Group, Mr. Chen held various positions at Bitauto (NYSE: BITA) from March 2005, handling systems and network operations and maintenance.

Mr. Chen received his college degree in computer applications from Anhui University in July 2002. Over the past three years, Mr. Chen has not been a director of any listed companies.

COMPANY SECRETARY

Ms. Ling Lung Siy (施玲瓏) is our company secretary. Ms. Siy is a senior manager of Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Siy has over 20 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Siy is currently the company secretary/joint company secretary of three companies which shares are listed on the Stock Exchange, namely: BII Railway Transportation Technology Holdings Company Limited (京投軌道交通科技控股有限公司) (Hong Kong Stock Exchange Stock Code: 1522), Harmonicare Medical Holdings Limited (和美醫療控股有限公司) (Hong Kong Stock Exchange Stock Code: 1509) and Sinopec Shanghai Petrochemical Company Limited (中國石化上海石油化工股份有限公司) (Hong Kong Stock Exchange Stock Code: 338).

Ms. Siy is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries (“HKICS”) and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

DIRECTORS’ REMUNERATION

For the details of the service contracts and appointment letters that we have entered into with our Directors, see the section headed “Statutory and General Information—Further Information about Our Directors—Particulars of Directors’ service contracts and appointment letters” in Appendix IV.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, was approximately RMB1.7 million, RMB1.7 million, RMB1.8 million and RMB8.2 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in Appendix I.

During the Track Record Period, no remuneration was paid to our Directors as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, our Directors or past Directors during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

The five highest paid individuals of our Group for the financial years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, included one, one, one and one Director, respectively, whose remunerations are included in the aggregate amount of fees, salaries, allowances and retirement benefits scheme contributions we paid to the relevant Directors set out above. For the financial years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for the

DIRECTORS AND SENIOR MANAGEMENT

remaining four, four, four and four highest paid individuals who are neither a Director nor chief executive of our Group were RMB3.4 million, RMB5.6 million, RMB7.6 million and RMB6.0 million, respectively.

During the Track Record Period, no remuneration was paid to the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by such individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

CORPORATE GOVERNANCE

Audit Committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The audit committee comprises three independent non-executive Directors, namely Mr. Chester Tun Ho Kwok (郭淳浩), Mr. Tin Fan Yuen (袁天凡) and Ms. Lily Li Dong (董莉). Mr. Chester Tun Ho Kwok (郭淳浩), being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The remuneration committee comprises one executive Director, namely Mr. Andy Xuan Zhang, and two independent non-executive Directors, namely Mr. Tin Fan Yuen (袁天凡) and Ms. Lily Li Dong (董莉). Mr. Tin Fan Yuen (袁天凡) is the chairman of the committee.

Nomination Committee

We have established a nomination committee in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The nomination committee comprises one executive Director, namely Mr. Andy Xuan Zhang, and two independent non-executive Directors, namely Mr. Chester Tun Ho Kwok (郭淳浩) and Ms. Lily Li Dong (董莉). Mr. Andy Xuan Zhang is the chairman of the committee.

COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our compliance advisor (the “**Compliance Advisor**”) pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant

DIRECTORS AND SENIOR MANAGEMENT

to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company in certain circumstances including:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Advisor shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

CORPORATE GOVERNANCE CODE

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. Zhang currently performs these two roles. Our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at a time when it is appropriate by taking into account the circumstances of our Group as a whole.

For further information relating to the Company's corporate governance measures, please see the section headed "Relationship with our Controlling Shareholders—Corporate Governance Measures."

COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

We apply for the Listing as part of our efforts to foster our growth to the next stage and strengthen our competitive position in China's online automobile retail transaction market. Specifically, we believe that the Listing will (i) promote our public profile and visibility in both domestic and international markets so that we may attract more consumers and business partners, (ii) further broaden our access to international capital markets so that we may raise capital more efficiently both upon and after the Listing to support our growth, and (iii) attract talents and incentivize our employees. In addition, we choose Listing in Hong Kong because Hong Kong is a strategic gateway to access both the high-growth PRC market where we currently operate all our businesses and the international capital markets that broadens our access to capital.

See the section headed "Business—Our Strategies and Future Plans" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$6,019.7 million (after deducting the underwriting commissions and other estimated expenses paid and payable by us in relation to the Global Offering and assuming the full payment of the discretionary incentive fee), assuming an Offer Price of HK\$7.15 per Share, being the mid-point of the Offer Price Range of HK\$6.60 to HK\$7.70 per Share, and that the Over-allotment Option is not exercised. We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

- approximately HK\$1,805.9 million (equivalent to approximately RMB1,538.5 million, representing 30% of the net proceeds) to implement our sales and marketing initiatives to support the geographical expansion of our auto dealer cooperative network, including the expansion of our sales and marketing team;
- approximately HK\$1,203.9 million (equivalent to approximately RMB1,025.7 million, representing 20% of the net proceeds) to further enhance our research and technology capabilities including the recruitment of engineers and data specialists and further investment in our IT systems and data analytics capabilities;
- approximately HK\$1,203.9 million (equivalent to approximately RMB1,025.7 million, representing 20% of the net proceeds) to strengthen our capital resources to support the ongoing growth of our self-operated financing business;
- approximately HK\$1,203.9 million (equivalent to approximately RMB1,025.7 million, representing 20% of the net proceeds) to selectively pursue acquisitions of or investments in assets and businesses which are complementary to our business and are in line with our growth strategies; and
- approximately HK\$602.0 million (equivalent to approximately RMB512.8 million, representing 10% of the net proceeds) working capital and other general corporate purposes.

In the event that the Offer Price is set at the high point or the low point of the Offer Price Range, the net proceeds of the Global Offering will increase or decrease by approximately HK\$466.3 million, respectively. Under such circumstances, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

FUTURE PLANS AND USE OF PROCEEDS

If the Over-allotment Option is exercised in full, the additional net proceeds that the Company will receive will be approximately HK\$909.3 million, assuming an Offer Price of HK\$7.15 per Share, being the mid-point of the Offer Price Range. The Company may be required to issue up to an aggregate of 131,802,000 additional Shares pursuant to the Over-allotment Option.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our development plan as intended, we may hold such funds in short-term deposits so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

Since we are an offshore holding company, we will need to make capital contributions and loans to our PRC subsidiaries or through loans to our Consolidated Affiliated Entities such that the net proceeds of this offering can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under PRC laws and regulations. There are no costs associated with registering loans or capital contributions with relevant PRC authorities, other than nominal processing charges. Under PRC laws and regulations, the PRC governmental authorities are required to process such approvals or registrations or deny our application within a prescribed period, which are usually less than 90 days. The actual time taken, however, may be longer due to administrative delay. We cannot assure you that we can obtain the approvals from the relevant governmental authorities, or complete the registration and filing procedures required to use our net proceeds as described above, in each case on a timely basis, or at all. This is because PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries or Consolidated Affiliated Entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business. See the section headed “Risk Factors—Risks Relating to our Relationship with our Shareholders and our Corporate Structure” in this prospectus.

UNDERWRITING

HONG KONG UNDERWRITERS

Citigroup Global Markets Asia Limited
Credit Suisse (Hong Kong) Limited
UBS AG Hong Kong Branch
China Merchants Securities (HK) Co., Limited
CLSA Limited
The Hongkong and Shanghai Banking Corporation Limited
Futu Securities International (Hong Kong) Limited
Sun Securities Limited
Zhongtai International Securities Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Placing is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 87,868,000 Hong Kong Offer Shares and the International Placing of initially 790,812,000 International Placing Shares, subject, in each case, to reallocation on the basis as described in “Structure of the Global Offering” as well as to the Over-allotment Option (in the case of the International Placing).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on November 3, 2017. Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for Termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled, in their absolute discretion and by giving written notice to the Company, to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, large scale outbreaks of diseases, economic sanctions, strikes, labor disputes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting Hong Kong, the PRC, the Cayman Islands, the United States or the European Union (or any member thereof) (collectively, the “**Relevant Jurisdictions**”);
 - (ii) any change or development involving a prospective change, or any event or circumstances or series of events resulting in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;
 - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange;
 - (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the PRC, the European Union (or any member thereof) or any of the other Relevant Jurisdictions (declared by the relevant authorities) or any material disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;
 - (v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any governmental authority in or affecting any of the Relevant Jurisdictions;

UNDERWRITING

- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions in respect of any jurisdiction relevant to the business operations of any member of the Group;
- (vii) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares;
- (viii) other than with the prior written consent of the Joint Global Coordinators, the issue or requirement to issue by the Company of a supplement or amendment to this prospectus, any Application Forms or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC;
- (ix) any order or petition for the winding-up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;
- (x) any litigation, dispute, legal action or claim being threatened or instigated against any member of the Group;
- (xi) any contravention by the Company, any member of the Group, or any Director of any applicable laws and regulations or the Listing Rules; or
- (xii) any non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations;

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters): (1) has or will or is likely to have a material adverse effect on the assets, liabilities, general affairs, business, management, prospects, shareholder's equity, profit, losses, earnings, results of operations, performance, position or condition, financial or otherwise, of the Group as a whole; (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Placing; (3) makes or will make or is likely to make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Placing to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offer-Related Documents (as defined below); or (4) has or will or is likely to have the effect of making

UNDERWRITING

any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) there has come to the notice of the Joint Global Coordinators that:
- (i) any statement contained in this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications with the Stock Exchange or the SFC or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto (the “**Offer-Related Documents**”) but excluding information relating to the Underwriters) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions;
 - (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or misstatement in, any of the Offer-Related Documents;
 - (iii) there is a material breach of any of the obligations imposed upon the Company under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
 - (iv) there is an event, act or omission which gives or is likely to give rise to any liability of the Company pursuant to the indemnities given by it under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
 - (v) there is any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company and the other members of the Group, taken as a whole;
 - (vi) there is a breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any material respect, any of the warranties given by the Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
 - (vii) the approval of the Listing Committee of the listing of, and permission to deal in, the Shares in issue (including the Shares on conversion of the Preferred Shares) and to be issued pursuant to the Capitalization Issue and the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option), the exercise of the options which have been granted under the Pre-IPO Share Option Scheme and the awards which may be granted under the First Share Award Scheme is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld;

UNDERWRITING

- (viii) any person (other than any of the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;
- (ix) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;
- (x) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering;
- (xi) the chairman, the chief executive officer, the chief financial officer or the chief operating officer of the Company is vacating his or her office;
- (xii) the chairman, the chief executive officer, the chief financial officer or the chief operating officer of the Company is being charged with an indictable offence or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company or there is the commencement by any governmental, political or regulatory body of any investigation or other action against the chairman, the chief executive officer, the chief financial officer or the chief operating officer of the Company in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action; or
- (xiii) there is any order or petition for the winding-up of the Company, any material subsidiary or the Consolidated Affiliated Entity or any composition or arrangement made by the Company, any material subsidiary or the Consolidated Affiliated Entity with their creditors or a scheme of arrangement entered into by the Company, any material subsidiary or the Consolidated Affiliated Entity or any resolution for the winding-up of the Company, any material subsidiary or the Consolidated Affiliated Entity or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of the Company, any material subsidiary or the Consolidated Affiliated Entity or anything analogous thereto occurring in respect of the Company, any material subsidiary or the Consolidated Affiliated Entity.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

UNDERWRITING

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange and the Company that, except pursuant to the Global Offering, it shall not and shall procure that the registered holders controlled by them shall not:

- (i) in the period commencing on the date by reference to which disclosure of their shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares directly or indirectly beneficially owned by them; and
- (ii) in the period of six months commencing from the expiry of the period referred to in paragraph (i) above, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any such Shares directly or indirectly beneficially owned by them if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be the Controlling Shareholders of the Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange and the Company that, during the period commencing on the date by reference to which disclosure of their shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date:

- (1) if they pledge or charge the Shares beneficially owned by them in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), they will immediately inform the Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (2) if they receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, they will immediately inform the Company of such indications.

The Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (1) and (2) above (if any) by any of the Controlling Shareholders and subject to the then applicable requirements of the Listing Rules disclose such matters by way of an announcement.

UNDERWRITING

Undertakings Provided to the Hong Kong Underwriters

(A) Undertakings by the Company

Pursuant to the Hong Kong Underwriting Agreement, save for the issue, offer or sale of the Offer Shares by the Company pursuant to the Global Offering and the issue of Shares by the Company pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or pursuant to the awards granted under the First Share Award Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date falling six months after the Listing Date (the “**First Six-Month Period**”), the Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters not to, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (i) offer, allot, issue, sell, accept subscription for, contract to allot, issue or sell, contract or agree to allot, issue or sell, assign, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other securities of the Company, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares or other securities of the Company, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or
- (iv) offer to or contract to or agree to announce, or publicly disclose that the Company will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company, in cash or otherwise (whether or not the issue of such Shares or other securities of the Company will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), the Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or contracts to or announces, or publicly discloses, any intention to, enter into any such transactions, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of the Company.

UNDERWRITING

(B) Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders will, on or prior to the Listing Date, undertake to each of the Joint Global Coordinators (for themselves and on behalf of each of the International Underwriters and the Hong Kong Underwriters) that, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules and save for the lending of Shares pursuant to the Stock Borrowing Agreement, at any time during the First Six-Month Period, it will not and will procure that no company controlled by it or any nominee or trustee holding in trust for it (including the relevant registered holder(s)) will,

- (i) offer, pledge, charge, sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant, or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company) beneficially owned by it or such company controlled by it or any nominee or trustee holding in trust for it as of the Listing Date (the “**Lock-up Securities**”);
- (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, any Lock-up Securities;
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
- (iv) offer to or contract to or agree to or publicly disclose that it will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above,

whether any such transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of such Shares or other securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the First Six-Month Period); and during the Second Six-Month Period, it will not and will procure that no company controlled by it or any nominee or trustee holding in trust for it (including the relevant registered holder(s)) will enter into any transaction described in paragraphs (i), (ii) or (iii) above in respect of any Lock-up Securities or offer to or agree to or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transaction or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it or the relevant registered holder(s) would cease to be a Controlling Shareholder of the Company, and until the expiry of the Second Six-Month Period, in the event that it or any company controlled by it or any nominee or trustee holding in trust for it (including the relevant registered holder(s)) enters into any such transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or contracts to, or publicly announces an intention to enter into any such transactions, it or such company controlled by it or any nominee or trustee holding in trust for it (including the relevant registered holder(s)) will take all reasonable steps to ensure that it or any company controlled by it or any nominee or trustee holding in trust for it (including the relevant registered holder(s)) will not create a disorderly or false market in the securities of the Company.

Hong Kong Underwriters’ Interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as of the Latest Practicable Date, none of the Hong Kong

UNDERWRITING

Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group.

Following the completion of the conversion of the Preferred Shares, the Capitalization Issue and the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Placing

International Underwriting Agreement

In connection with the International Placing, the Company expects to enter into the International Underwriting Agreement with the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Placing Shares initially being offered pursuant to the International Placing. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See “Structure of the Global Offering—The International Placing.”

Over-allotment Option

The Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 131,802,000 Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to, among other things, cover over-allocations in the International Placing, if any. See “Structure of the Global Offering—Over-allotment Option.”

Commissions and Expenses

The Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option). The Underwriters may receive a discretionary incentive fee of up to 0.5% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Placing, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Placing, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK\$7.15 per Offer Share (which is the mid-point of the Offer Price Range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) are estimated to be approximately HK\$252.9 million.

UNDERWRITING

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK\$295.9 million (assuming an Offer Price of HK\$7.15 per Offer Share (which is the mid-point of the Offer Price Range) and the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) and will be paid by the Company.

Indemnity

The Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Placing (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group’s loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

UNDERWRITING

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in “Structure of the Global Offering.” Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilization Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Citigroup Global Markets Asia Limited, Credit Suisse (Hong Kong) Limited, UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

878,680,000 Offer Shares will initially be made available under the Global Offering comprising:

- (a) the Hong Kong Public Offering of initially 87,868,000 Shares (subject to reallocation) in Hong Kong as described in “—The Hong Kong Public Offering” below; and
- (b) the International Placing of initially 790,812,000 Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in “—The International Placing” below.

Investors may either:

- (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or
- (ii) apply for or indicate an interest for International Placing Shares under the International Placing, but may not do both.

The Offer Shares will represent approximately 14% of the total Shares in issue immediately following the completion of the conversion of the Preferred Shares, the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised, the options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Global Offering are not exercised, and no Shares are granted under the First Share Award Scheme. If the Over-allotment Option is exercised in full and the options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Global Offering are not exercised and no Shares are granted under the First Share Award Scheme, the Offer Shares will represent approximately 15.8% of the total Shares in issue immediately following the completion of the conversion of the Preferred Shares, the Capitalization Issue and the Global Offering.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 87,868,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available

STRUCTURE OF THE GLOBAL OFFERING

under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, will represent approximately 1.4% of the total Shares in issue immediately following the completion of the conversion of the Preferred Shares, the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised, the options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Global Offering are not exercised, and no Shares are granted under the First Share Award Scheme).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in “— Conditions of the Global Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 43,934,000 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules

STRUCTURE OF THE GLOBAL OFFERING

requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 10 times or more but less than 40 times, (b) 40 times or more but less than 79 times and (c) 79 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 131,802,000 Offer Shares (in the case of (a)), 175,736,000 Offer Shares (in the case of (b)) and 307,538,000 Offer Shares (in the case of (c)), representing 15%, 20% and 35% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Placing Shares under the International Placing.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HK\$7.70 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$3,888.79 for one board lot of 500 Shares. If the Offer Price, as finally determined in the manner described in “—Pricing and Allocation” below, is less than the Maximum Offer Price of HK\$7.70 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to

STRUCTURE OF THE GLOBAL OFFERING

successful applicants, without interest. Further details are set out in “How to Apply for Hong Kong Offer Shares.”

THE INTERNATIONAL PLACING

Number of Offer Shares initially offered

The International Placing will consist of an offering of initially 790,812,000 Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Placing, subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, will represent approximately 12.6% of the total Shares in issue immediately following the completion of the conversion of the Preferred Shares, the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised, the options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Global Offering are not exercised, and no Shares are granted under the First Share Award Scheme).

Allocation

The International Placing will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the “book-building” process described in “—Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Placing may change as a result of the clawback arrangement described in “—The Hong Kong Public Offering—Reallocation” above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to an aggregate of 131,802,000 additional Offer Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Placing to, among other things, cover over-allocations in the International Placing, if any.

If the Over-allotment Option is exercised in full and the options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Global Offering are not exercised and no Shares are granted under the First Share Award Scheme, the additional Offer Shares to be issued pursuant thereto will represent approximately 2.1% of the total Shares in issue immediately following the completion of the conversion of the Preferred Shares, the Capitalization Issue and the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilization Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilization Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilization Manager (or any person acting for it) and in what the Stabilization Manager reasonably regards as the best interest of the Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or

STRUCTURE OF THE GLOBAL OFFERING

minimizing any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilization Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;
- (b) there is no certainty as to the extent to which and the time or period for which the Stabilization Manager (or any person acting for it) will maintain such a long position;
- (c) liquidation of any such long position by the Stabilization Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;
- (d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Saturday, December 9, 2017, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- (e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- (f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilization Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilization Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilization Manager (or any person acting for it) may choose to borrow up to 131,802,000 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Bitauto HK, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilization Manager (or any person acting for it) and Bitauto HK on or about the Price Determination Date.

STRUCTURE OF THE GLOBAL OFFERING

If the Stock Borrowing Agreement with Bitauto HK is entered into, the borrowing of Shares will only be effected by the Stabilization Manager (or any person acting for it) for the settlement of over-allocations in the International Placing and such borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing, are complied with.

The same number of Shares so borrowed must be returned to Bitauto HK or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option and (b) the day on which the Over-allotment Option is exercised in full.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Bitauto HK by the Stabilization Manager (or any person acting for it) in relation to such Shares borrowing arrangement.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Thursday, November 9, 2017 and, in any event, no later than Wednesday, November 15, 2017, by agreement between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), and the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$7.70 per Offer Share and is expected to be not less than HK\$6.60 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price of HK\$7.70 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,888.79 for one board lot of 500 Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Minimum Offer Price stated in this prospectus.**

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Placing, and with the consent of the Company, reduce the number of Offer Shares offered and/or the Offer Price Range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be

STRUCTURE OF THE GLOBAL OFFERING

published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company and the Stock Exchange at www.yixincars.com and www.hkexnews.hk, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price Range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators and the Company, will be fixed within such revised Offer Price Range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price Range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and the Company, will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares—Publication of Results.”

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and the Company agreeing on the Offer Price.

The Company expects to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in “Underwriting.”

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;
- (b) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and the Company;
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

STRUCTURE OF THE GLOBAL OFFERING

- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and the Company on or before Wednesday, November 15, 2017, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company and the Stock Exchange at www.yixincars.com and www.hkexnews.hk, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares—Refund of Application Monies.” In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Thursday, November 16, 2017, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, November 16, 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, November 16, 2017.

The Shares will be traded in board lots of 500 Shares each and the stock code of the Shares will be 2858.

HOW TO APPLY FOR HONG KONG OFFER SHARES

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. Who Can Apply

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Joint Global Coordinators, as the Company's agent, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares and/or a substantial shareholder of any of the Company's subsidiaries;
- you are a director or chief executive of the Company and/or any of the Company's subsidiaries;
- you are a close associate of any of the above persons;
- you are a connected person of the Company or a person who will become a connected person of the Company immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. Applying for Hong Kong Offer Shares

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **White Form eIPO** service at www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, November 6, 2017 until 12:00 noon on Thursday, November 9, 2017 from:

(a) any of the following offices of the Joint Global Coordinators:

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Center
1 Austin Road West, Kowloon
Hong Kong

UBS AG Hong Kong Branch
52nd Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(b) any of the following branches of the receiving banks for the Hong Kong Public Offering:

Bank of China (Hong Kong) Limited

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Sheung Wan Branch	Shop 1-4, G/F, Tung Hip Commercial Building, 244-248 Des Voeux Road Central
	Lee Chung Street Branch	29-31 Lee Chung Street, Chai Wan
Kowloon	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok
	Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon
	194 Cheung Sha Wan Road Branch	194-196 Cheung Sha Wan Road, Sham Shui Po, Kowloon
	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong
	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O
New Territories	Shatin Branch	Shop 20, Level 1, Lucky Plaza, 1-15 Wang Pok Street, Sha Tin
	Fo Tan Branch	No. 2, 1/F Shatin Galleria, 18-24 Shan Mei Street, Fo Tan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, November 6, 2017 until 12:00 noon on Thursday, November 9, 2017 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED—YIXIN GROUP PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above at the following times:

Monday, November 6, 2017 – **9:00 a.m. to 5:00 p.m.**
Tuesday, November 7, 2017 – **9:00 a.m. to 5:00 p.m.**
Wednesday, November 8, 2017 – **9:00 a.m. to 5:00 p.m.**
Thursday, November 9, 2017 – **9:00 a.m. to 12:00 noon**

HOW TO APPLY FOR HONG KONG OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, November 9, 2017, the last day for applications, or such later time as described in “—Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

4. Terms and Conditions of an Application

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully, otherwise your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through the **White Form eIPO** service, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Memorandum and Articles of Association of the Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Cayman Companies Law;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;
- (f) agree that none of the Company, the Relevant Persons and the White Form eIPO Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares nor participated in the International Placing;
- (h) agree to disclose to the Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither the Company nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (o) authorize (i) the Company to place your name(s) or the name of HKSCC Nominees on the register of members of the Company as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Memorandum and Articles of Association of the Company and (ii) the Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in “— Personal Collection” below to collect the Share certificate(s) and/or refund check(s) in person;
- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (q) understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as its agent.

Additional Instructions for YELLOW Application Forms

You should refer to the **YELLOW** Application Form for details.

5. Applying Through the White Form eIPO Service

General

Individuals who meet the criteria in “—Who Can Apply” above may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at www.eipo.com.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the White Form eIPO Service Provider.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service through the designated website at www.eipo.com.hk (24 hours daily, except on the last day for applications) from 9:00 a.m. on Monday, November 6, 2017 until 11:30 a.m. on Thursday, November 9, 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, November 9, 2017, the last day for applications, or such later time as described in “—Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

No Multiple Applications

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application will be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

Only one application may be made for the benefit of any person. If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of the White Form eIPO is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, the designated White Form eIPO Service Provider, will contribute HK\$2 for each “Yixin Group Limited” White Form eIPO application submitted via the website www.eipo.com.hk to support the funding of “Source of Dong Jiang—Hong Kong Forest” project initiated by Friends of the Earth (HK).”

6. Applying By Giving Electronic Application Instructions to HKSCC via CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under

HOW TO APPLY FOR HONG KONG OFFER SHARES

their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center 1/F,
One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and
- (b) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares nor participated in the International Placing;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- authorize the Company to place HKSCC Nominees' name on the register of members of the Company as the holder of the Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association, and despatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;
- agree that neither the Company nor the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- agree to disclose to the Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons any personal data which they may require about you;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before November 14, 2017, such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before November 14, 2017, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before November 14, 2017 if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of

HOW TO APPLY FOR HONG KONG OFFER SHARES

that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by the Company;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Memorandum and Articles of Association of the Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Cayman Companies Law; and
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the Maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, November 6, 2017	–	9:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, November 7, 2017	–	8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, November 8, 2017	–	8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, November 9, 2017	–	8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, November 6, 2017 until 12:00 noon on Thursday, November 9, 2017 (24 hours daily, except on the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, November 9, 2017, the last day for applications, or such later time as described in “—Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. Warning for Electronic Applications

The application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the **White Form**

HOW TO APPLY FOR HONG KONG OFFER SHARES

eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. The Company, the Relevant Persons and the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form or (b) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, November 9, 2017, the last day for applications, or such later time as described in “—Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees,” you must include:

- an account number; or
- some other identification code.

for **each** beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR HONG KONG OFFER SHARES

9. How Much are the Hong Kong Offer Shares

The Maximum Offer Price is HK\$7.70 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 500 Hong Kong Offer Shares, you will pay HK\$3,888.79.

You must pay the Maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares under the terms and conditions set out in the Application Forms.

The Application Forms have tables showing the exact amount payable for the numbers of Offer Shares that may be applied for.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure of the Global Offering—Pricing and Allocation.”

10. Effect of Bad Weather on the Opening and Closing of the Application Lists

The application lists will not open or close if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, November 9, 2017. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, November 9, 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable,” an announcement will be made.

11. Publication of Results

The Company expects to announce the Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Wednesday, November 15, 2017 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company at www.yixincars.com and the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the websites of the Company and the Stock Exchange at www.yixincars.com and www.hkexnews.hk, respectively, by no later than Wednesday, November 15, 2017;
- from the designated results of allocations website at www.iporeresults.com.hk with a “search by ID function” on a 24 hour basis from 8:00 a.m. on Wednesday, November 15, 2017 to 12:00 midnight on Tuesday, November 21, 2017;
- from the allocation results telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, November 15, 2017 to Saturday, November 18, 2017; and
- in the special allocation results booklets which will be available for inspection during the opening hours of the individual receiving bank branches referred to above from Wednesday, November 15, 2017 to Friday, November 17, 2017.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in “Structure of the Global Offering.”

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. Circumstances in which You will Not be Allocated Hong Kong Offer Shares

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before November 14, 2017. This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before November 14, 2017 in the following circumstances:

- (i) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person’s responsibility for this prospectus; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) if any supplement to this prospectus is issued, in which case applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(b) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.eipo.com.hk;
- you apply for more than 43,934,000 Hong Kong Offer Shares, being 50% of the 87,868,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- the Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- the Underwriting Agreements do not become unconditional or are terminated.

HOW TO APPLY FOR HONG KONG OFFER SHARES

13. Refund of Application Monies

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in “Structure of the Global Offering—Conditions of the Global Offering” are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the checks or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, November 15, 2017.

14. Despatch/Collection of Share Certificates/e-Refund Payment Instructions/Refund Checks

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Form(s), subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) Share certificate(s) for all the Hong Kong Offer Shares allocated to you (for applicants on **YELLOW** Application Forms, Share certificate(s) for the Hong Kong Offer Shares allocated to you will be deposited into CCASS as described below); and
- (b) refund check(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for and/or (ii) the difference between the Offer Price and the Maximum Offer Price paid on application in the event that the Offer Price is less than the Maximum Offer Price paid on application (including brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% but without interest).

Part of the Hong Kong identity card number/passport number provided by you or the first-named applicant (if you are joint applicants) may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check. Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check.

Subject to arrangement on despatch/collection of Share certificates and refund checks as mentioned below, any refund checks and Share certificate(s) are expected to be posted on or before Wednesday, November 15, 2017. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Thursday, November 16, 2017, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Share on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(a) *If you apply using a **WHITE** Application Form:*

- If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have provided all information required by your Application Form, you may collect your refund check(s) and/or Share certificate(s) (where applicable) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, November 15, 2017, or any other place or date notified by the Company in the newspapers.
- If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant who is eligible for personal collection, your authorized representative must provide a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.
- If you do not personally collect your refund check(s) and/or Share certificate(s) (where applicable) within the time specified for collection, they will be despatched promptly to you to the address specified in your Application Form by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Hong Kong Offer Shares on a **WHITE** Application Form, your refund check(s) and/or Share certificate(s) (where applicable) will be sent to the address specified in your Application Form on or before Wednesday, November 15, 2017 by ordinary post and at your own risk.

(b) *If you apply using a **YELLOW** Application Form:*

- If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address specified in the Application Form on or before Wednesday, November 15, 2017 by ordinary post and at your own risk.
- If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or your designated CCASS Participant's stock account as stated in your Application Form on Wednesday, November 15, 2017 or, in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.
- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to your designated CCASS Participant's

HOW TO APPLY FOR HONG KONG OFFER SHARES

stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

- If you apply as a CCASS Investor Participant, the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Wednesday, November 15, 2017 in the manner as described in "— Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, November 15, 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account.

(c) *If you apply through White Form eIPO service:*

- If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, November 15, 2017, or any other place or date notified by the Company in the newspapers as the date of despatch or collection of Share certificates.
- If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, November 15, 2017 by ordinary post and at your own risk.
- If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund check(s) by ordinary post and at your own risk.

(d) *If you apply by giving electronic application instructions to HKSCC via CCASS:*

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your

HOW TO APPLY FOR HONG KONG OFFER SHARES

designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, November 15, 2017 or on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card /passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in “—Publication of Results” above on Wednesday, November 15, 2017. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, November 15, 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's “An Operating Guide for Investor Participants” in effect from time to time) on Wednesday, November 15, 2017. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, November 15, 2017.

15. Admission of the Shares into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YIXIN GROUP LIMITED AND CITIGROUP GLOBAL MARKETS ASIA LIMITED AND CREDIT SUISSE (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Yixin Group Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-100, which comprises the consolidated balance sheets as of December 31, 2014, 2015 and 2016 and June 30, 2017, the balance sheets of the Company as of December 31, 2014, 2015 and 2016 and June 30, 2017, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-100 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated November 6, 2017 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as of December 31, 2014, 2015 and 2016 and June 30, 2017, and the consolidated financial position of the Group as of December 31, 2014, 2015 and 2016 and June 30, 2017, and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2016 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("**IAASB**"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 31 to the Historical Financial Information, which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, November 6, 2017

I. HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED INCOME STATEMENTS

	Section II Note	Year ended December 31,			Six months ended June 30,	
		2014 RMB'000	2015 RMB'000	2016 RMB'000	2016 RMB'000 (Unaudited)	2017 RMB'000
Revenues	5					
Transaction Platform Business		47,990	205,814	212,152	58,397	321,141
Self-operated Financing Business		—	65,461	1,275,745	397,414	1,230,267
		47,990	271,275	1,487,897	455,811	1,551,408
Cost of revenues	7	(6,976)	(39,998)	(752,888)	(232,681)	(657,546)
Gross profit		41,014	231,277	735,009	223,130	893,862
Selling and marketing expenses	7	(27,723)	(150,699)	(360,098)	(132,818)	(345,652)
Administrative expenses	7	(5,310)	(20,558)	(225,330)	(36,711)	(182,617)
Research and development expenses ...	7	(8,686)	(16,112)	(71,351)	(14,043)	(72,423)
Other (losses)/gains, net	6	(911)	19,439	17,411	11,462	4,838
Operating (loss)/profit		(1,616)	63,347	95,641	51,020	298,008
Finance income	9	787	5,283	15,755	1,071	14,918
Finance expenses	9	—	(12,210)	(29,250)	(5,389)	(15,605)
Fair value loss of convertible redeemable preferred shares	27	—	(53,452)	(1,428,141)	(16,789)	(6,300,470)
(Loss)/Profit before income tax		(829)	2,968	(1,345,995)	29,913	(6,003,149)
Income tax expense	10	894	(31,174)	(58,343)	(30,560)	(101,910)
Profit/(Loss) for the year/period		65	(28,206)	(1,404,338)	(647)	(6,105,059)
Profit/(Loss) attributable to:						
—Owners of the Company		65	(28,206)	(1,401,333)	(647)	(6,099,375)
—Non-controlling interests		—	—	(3,005)	—	(5,684)
		65	(28,206)	(1,404,338)	(647)	(6,105,059)
Earnings/(Loss) per share (expressed in RMB per share)	11					
—Basic		0.00	(0.21)	(10.38)	(0.00)	(45.18)
—Diluted		0.00	(0.21)	(10.38)	(0.00)	(45.18)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Section II Note	Year ended December 31,			Six months ended June 30,	
		2014 RMB'000	2015 RMB'000	2016 RMB'000	2016 RMB'000 (Unaudited)	2017 RMB'000
Profit/(Loss) for the year/period		<u>65</u>	<u>(28,206)</u>	<u>(1,404,338)</u>	<u>(647)</u>	<u>(6,105,059)</u>
Other comprehensive (loss)/income, net of tax:						
<i>Items that may be reclassified to profit or loss</i>						
Currency translation differences		—	(134,145)	(289,476)	(70,057)	257,553
Total comprehensive income/(loss) for the year/period		<u>65</u>	<u>(162,351)</u>	<u>(1,693,814)</u>	<u>(70,704)</u>	<u>(5,847,506)</u>
Attributable to:						
—Owners of the Company		65	(162,351)	(1,690,809)	(70,704)	(5,841,822)
—Non-controlling interests		—	—	(3,005)	—	(5,684)
		<u>65</u>	<u>(162,351)</u>	<u>(1,693,814)</u>	<u>(70,704)</u>	<u>(5,847,506)</u>

CONSOLIDATED BALANCE SHEETS

	Section II Note	As of December 31,			As of
		2014	2015	2016	June 30,
		RMB'000	RMB'000	RMB'000	2017
				RMB'000	
ASSETS					
Non-current assets					
Property and equipment	12	714	10,735	103,746	548,766
Intangible assets	13	63	65,895	242,796	2,475,564
Investment in an associate in the form of ordinary shares	14	100	100	100	5,933
Financial assets at fair value through profit or loss	15	—	17,126	150,000	156,829
Deferred income tax assets	29	4,572	—	5,622	16,525
Prepayments, deposits and other assets	20	—	1,591	562,196	1,115,221
Finance receivables	18	—	689,005	8,277,204	11,629,064
Restricted cash	21	—	—	150,000	150,000
		<u>5,449</u>	<u>784,452</u>	<u>9,491,664</u>	<u>16,097,902</u>
Current assets					
Finance receivables	18	—	2,172,475	6,086,662	8,049,350
Trade receivables	19	10,216	127,784	180,145	308,913
Prepayments, deposits and other assets	20	38,628	70,850	604,425	546,309
Cash and cash equivalents	21	191,509	710,393	660,852	1,168,416
Restricted cash	21	—	—	3,027,631	2,561,489
		<u>240,353</u>	<u>3,081,502</u>	<u>10,559,715</u>	<u>12,634,477</u>
Total assets		<u>245,802</u>	<u>3,865,954</u>	<u>20,051,379</u>	<u>28,732,379</u>
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	22	—	83	83	83
Share premium	22	—	505,524	505,524	505,524
Other reserves	23	193,995	(300,364)	(411,633)	(546,910)
Accumulated losses		(44,445)	(74,884)	(1,491,133)	(7,590,508)
		<u>149,550</u>	<u>130,359</u>	<u>(1,397,159)</u>	<u>(7,631,811)</u>
Non-controlling interests		<u>—</u>	<u>—</u>	<u>12,684</u>	<u>—</u>
Total equity		<u>149,550</u>	<u>130,359</u>	<u>(1,384,475)</u>	<u>(7,631,811)</u>
Liabilities					
Non-current liabilities					
Convertible redeemable preferred shares	27	—	2,588,232	8,071,817	17,516,756
Deferred income tax liabilities	29	—	—	15,639	17,126
Borrowings	28	—	—	3,213,634	4,558,949
Other non-current liabilities	30	—	29,739	100,089	93,428
		<u>—</u>	<u>2,617,971</u>	<u>11,401,179</u>	<u>22,186,259</u>
Current liabilities					
Trade payables	25	2,049	97,452	508,385	469,650
Other payables and accruals	26	94,203	999,073	1,375,071	1,198,128
Current income tax liabilities		—	21,099	45,426	68,201
Borrowings	28	—	—	8,105,793	12,441,952
		<u>96,252</u>	<u>1,117,624</u>	<u>10,034,675</u>	<u>14,177,931</u>
Total liabilities		<u>96,252</u>	<u>3,735,595</u>	<u>21,435,854</u>	<u>36,364,190</u>
Total equity and liabilities		<u>245,802</u>	<u>3,865,954</u>	<u>20,051,379</u>	<u>28,732,379</u>

BALANCE SHEETS—COMPANY

	Section II Note	As of December 31,			As of
		2014	2015	2016	June 30,
		RMB'000	RMB'000	RMB'000	2017
				RMB'000	
ASSETS					
Non-current assets					
Investment in subsidiaries	16	—	535,525	572,092	2,962,545
Prepayments, deposits and other assets	20	—	2,479,400	6,589,984	7,438,107
		—	3,014,925	7,162,076	10,400,652
Current assets					
Cash and cash equivalents	21	—	53,585	11,835	14,551
		—	53,585	11,835	14,551
Total assets		—	3,068,510	7,173,911	10,415,203
EQUITY AND LIABILITIES					
Equity					
Share capital	22	—	83	83	83
Share premium	22	—	505,524	505,524	505,524
Other reserves	23	—	27,444	(5,156)	106,328
Accumulated losses		—	(65,333)	(1,519,945)	(7,833,799)
Total equity		—	467,718	(1,019,494)	(7,221,864)
Liabilities					
Non-current liabilities					
Convertible redeemable preferred shares	27	—	2,588,232	8,071,817	17,516,756
		—	2,588,232	8,071,817	17,516,756
Current liabilities					
Other payables and accruals	26	—	12,560	121,588	120,311
		—	12,560	121,588	120,311
Total liabilities		—	2,600,792	8,193,405	17,637,067
Total equity and liabilities		—	3,068,510	7,173,911	10,415,203

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Section II Note	Attributable to owners of the Company					Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000		
Balance at January 1, 2014		—	—	5,803	(44,510)	—	(38,707)	
Comprehensive income		—	—	—	65	—	65	
Profit for the year		—	—	—	65	—	65	
Total comprehensive income for the year		—	—	—	65	—	65	
Transactions with owners in their capacity as owners		—	—	—	—	—	—	
Capital contribution from owners	23	—	—	184,477	—	—	184,477	
Share-based compensation under Bitauto ESOP	24	—	—	3,715	—	—	3,715	
Total transactions with owners in their capacity as owners		—	—	188,192	—	—	188,192	
Balance at December 31, 2014		—	—	193,995	(44,445)	—	149,550	
Comprehensive loss		—	—	—	(28,206)	—	(28,206)	
Loss for the year		—	—	(134,145)	—	—	(134,145)	
Currency translation differences	23	—	—	(134,145)	—	—	(134,145)	
Total comprehensive loss for the year		—	—	(134,145)	(28,206)	—	(162,351)	
Transactions with owners in their capacity as owners		—	—	—	—	—	—	
2015 Reorganization	1	83	505,524	(618,734)	—	—	(113,127)	
Capital contribution from owners	23	—	—	250,000	—	—	250,000	
Share-based compensation under Bitauto ESOP	24	—	—	6,287	—	—	6,287	
Appropriation to statutory surplus reserve	23	—	—	2,233	(2,233)	—	—	
Total transactions with owners in their capacity as owners		83	505,524	(360,214)	(2,233)	—	143,160	
Balance at December 31, 2015		83	505,524	(300,364)	(74,884)	—	130,359	
Comprehensive loss		—	—	—	(1,401,333)	(3,005)	(1,404,338)	
Loss for the year		—	—	(289,476)	—	—	(289,476)	
Currency translation differences	23	—	—	(289,476)	—	—	(289,476)	
Total comprehensive loss for the year		—	—	(289,476)	(1,401,333)	(3,005)	(1,693,814)	
Transactions with owners in their capacity as owners		—	—	—	—	—	—	
Capital contribution from owners	23	—	—	157,478	—	15,689	173,167	
Share-based compensation under Bitauto ESOP	24	—	—	5,813	(14,916)	—	5,813	
Appropriation to statutory surplus reserve	23	—	—	14,916	—	—	—	
Total transactions with owners in their capacity as owners		—	—	178,207	(14,916)	15,689	178,980	
Balance at December 31, 2016		83	505,524	(411,633)	(1,491,133)	12,684	(1,384,475)	

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Section II Note	Attributable to owners of the Company					Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000		
(Unaudited)								
Balance at January 1, 2016		83	505,524	(300,364)	(74,884)	130,359	130,359	
Comprehensive loss								
Loss for the period		—	—	—	(647)	(647)	(647)	
Currency translation differences	23	—	—	(70,057)	—	(70,057)	(70,057)	
Total comprehensive loss for the period		—	—	(70,057)	(647)	(70,704)	(70,704)	
Transactions with owners in their capacity as owners								
Share-based compensation under Bitauto ESOP	24	—	—	1,816	—	1,816	1,816	
Total transactions with owners in their capacity as owners		—	—	1,816	—	1,816	1,816	
Balance at June 30, 2016		83	505,524	(368,605)	(75,531)	61,471	61,471	
Balance at January 1, 2017		83	505,524	(411,633)	(1,491,133)	(1,397,159)	(1,384,475)	
Comprehensive loss								
Loss for the period		—	—	—	(6,099,375)	(6,099,375)	(6,105,059)	
Currency translation differences	23	—	—	257,553	—	257,553	257,553	
Total comprehensive loss for the period		—	—	257,553	(6,099,375)	(5,841,822)	(5,847,506)	
Transactions with owners in their capacity as owners								
Capital contribution from owners	23	—	—	(6,170)	—	(6,170)	(13,170)	
2017 Reorganization	1	—	—	(403,605)	—	(403,605)	(403,605)	
Share-based compensation under Bitauto ESOP	24	—	—	16,945	—	16,945	16,945	
Total transactions with owners in their capacity as owners		—	—	(392,830)	—	(392,830)	(399,830)	
Balance at June 30, 2017		83	505,524	(546,910)	(7,590,508)	(7,631,811)	(7,631,811)	

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Section II Note	Year ended December 31,			Six months ended June 30,	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from operating activities						
Cash used in operations	32(a)	(1,065)	(2,755,633)	(11,251,397)	(2,263,514)	(5,822,328)
Income tax paid		—	(5,502)	(50,112)	(28,199)	(84,160)
Net cash used in operating activities		<u>(1,065)</u>	<u>(2,761,135)</u>	<u>(11,301,509)</u>	<u>(2,291,713)</u>	<u>(5,906,488)</u>
Cash flows from investing activities						
Interest received		787	5,283	2,581	971	14,024
Proceeds from disposal of property and equipment and intangible assets		7	—	1,220	3	138
Purchase of property and equipment		(393)	(12,457)	(24,759)	(9,031)	(13,392)
Purchase of intangible assets		(8)	(732)	(32,879)	(32,360)	(48,424)
Loans to a related party	35	—	—	—	—	(20,000)
Cash disposed in the disposal of a subsidiary	34	—	—	—	—	(8,350)
Investments in financial assets at fair value through profit or loss	15	—	(15,000)	(150,000)	(150,000)	—
Cash acquired from/(Payments for) business combinations, net	34	—	—	39,406	—	(14,526)
Investments in associates in the form of ordinary shares	14	(100)	—	—	—	—
Placements of restricted cash		—	—	(3,999,678)	(152,904)	(1,777,425)
Maturity of restricted cash		—	—	919,851	—	2,173,714
Net cash generated from/(used in) investing activities		<u>293</u>	<u>(22,906)</u>	<u>(3,244,258)</u>	<u>(343,321)</u>	<u>305,759</u>
Cash flows from financing activities						
Capital contribution from owners		184,477	65,522	—	—	—
Distribution to Bitauto Group in 2017 Reorganization		—	—	—	—	(98,855)
Proceeds from borrowings		—	—	13,716,300	2,433,000	13,302,403
Repayments of borrowings		—	—	(2,396,873)	(325,328)	(7,543,242)
Deposits for borrowings		—	—	(122,829)	—	(197,904)
Proceeds of loans from Bitauto Group		—	816,130	730,362	330,000	—
Repayments of loans from Bitauto Group		—	—	(969,080)	—	(30,000)
Proceeds from issuance of convertible redeemable preferred shares	27	—	2,389,647	3,653,728	—	1,064,819
Payment of issuance costs of convertible redeemable preferred shares	9	—	(9,343)	(21,219)	—	(13,703)
Interest paid		—	(592)	(141,092)	(34,069)	(375,202)
Net cash generated from financing activities		<u>184,477</u>	<u>3,261,364</u>	<u>14,449,297</u>	<u>2,403,603</u>	<u>6,108,316</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

	Section II Note	Year ended December 31,			Six months ended June 30,	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net increase/(decrease) in cash and cash equivalents		183,705	477,323	(96,470)	(231,431)	507,587
Cash and cash equivalents at beginning of year/period		8,711	191,509	710,393	710,393	660,852
Exchange (losses)/gains on cash and cash equivalents		(907)	41,561	46,929	1,758	(23)
Cash and cash equivalents at end of year/period		<u>191,509</u>	<u>710,393</u>	<u>660,852</u>	<u>480,720</u>	<u>1,168,416</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information, reorganization and basis of presentation

1.1 General information

Yixin Group Limited (the “**Company**”, formerly known as Yixin Capital Limited) was incorporated in the Cayman Islands on November 19, 2014 as an exempted company with limited liability under the Cayman Companies Law and carries on business in Hong Kong as Yixin Automotive Technology Group Limited. The address of the Company’s registered office is P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in (i) the provision of automobile financing transaction services, which is primarily comprised of facilitation and value-added services, and advertising and subscription services (“**Transaction Platform Business**”); and (ii) the provision of automobile financing services, which primarily include financing lease services and operating lease services (“**Self-operated Financing Business**”) in the People’s Republic of China (the “**PRC**”). The Transaction Platform Business and the Self-operated Financing Business are collectively referred to as the “**Listing Business**”.

Bitauto Holdings Limited (“**Bitauto**”) is the ultimate controlling shareholder of the Company as of the date of this report. Bitauto and its subsidiary, Bitauto Hong Kong Limited (“**Bitauto HK**”) (Collectively the “**Controlling Shareholders**”) are the controlling shareholders of the companies comprising the Group during the Track Record Period and as of the date of this report. Bitauto and its subsidiaries are collectively referred to as “**Bitauto Group**”.

United States Dollars are defined as “**US\$**” and Hong Kong Dollars are defined as “**HK\$**”.

1.2 History and reorganization of the Group

History of the Group’s Transaction Platform Business

The Group’s Transaction Platform Business was comprised of the Auto Finance Transaction Business and Used Automobile Transaction Business (both as defined below) during the Track Record Period.

As of January 1, 2014, the beginning of the Track Record Period, and before the incorporation of the Company and Beijing Yixin (as defined below), the auto finance transaction business (“**Auto Finance Transaction Business**”), which mainly offers advertising and subscription services to banks and auto finance companies, was carried out by the auto finance department (the “**Auto Finance Department**”) of Bitauto Group, which was established in December 2013 as a business unit across two wholly-owned subsidiaries of Bitauto, namely Beijing Bitauto Internet Information Co., Ltd. (established on January 20, 2006) and Beijing Bitauto Interactive Advertising Co., Ltd. (established on December 12, 2007). The used automobile transaction business (“**Used Automobile Transaction Business**”), which mainly offers transaction facilitation services for used automobiles and advertising and subscription services to automakers and auto dealers, was carried out by Beijing Xinbao Information Technology Co., Ltd. (“**Beijing Xinbao**”), established on February 2, 2008) and KKC Holdings Limited and its subsidiaries (“**KKC**”), of which Bitauto Group acquired the majority equity interest in November 2016 (Note 34(a)).

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**1 General information, reorganization and basis of presentation—continued****1.2 History and reorganization of the Group—continued***History of the Group's Transaction Platform Business—continued*

For the purpose of carrying out the Auto Finance Transaction Business and expanding service offerings, Beijing Yixin Information Technology Co., Ltd. (北京易鑫信息科技有限公司, “**Beijing Yixin**”) was established on January 9, 2015 by Mr. Bin Li, the founder and shareholder of Bitauto, Shenzhen Tencent Industry Investment Fund Co., Ltd., an entity designated by Tencent Holdings Limited and Beijing Jiasheng Investment Management Co., Ltd., an entity designated by JD.com, Inc. (collectively referred to as the “**equity holders of Beijing Yixin**”). The Auto Finance Transaction Business was mainly carried out by Beijing Yixin since then. Pursuant to a series of contractual agreements dated February 15, 2015 and April 20, 2015 among (i) Beijing Yixin, (ii) Shanghai Techuang Advertisements Co., Ltd. (“**Shanghai Techuang**”), a wholly-owned subsidiary incorporated by Yixin Holding Hong Kong Limited (“**Yixin HK**”), a subsidiary of the Company, and (iii) the equity holders of Beijing Yixin, which were subsequently amended on June 27, 2017 upon Mr. Bo Han becoming a shareholder of Beijing Yixin in the place of Mr. Bin Li (collectively referred to as the “**Old Contractual Arrangements**”), Shanghai Techuang is able to effectively control, recognize and receive substantially all the economic benefit of the business and operations of Beijing Yixin. Accordingly, Beijing Yixin is treated as a controlled structured entity of the Company and is consolidated by the Company.

On August 10, 2017, Beijing Yixin, Shanghai Techuang, the equity holders of Beijing Yixin and Beijing KKC Technology Co., Ltd. (“**Beijing KKC**”), a wholly-owned subsidiary of Yixin HK, entered into a series of agreements, pursuant to which (i) the Old Contractual Arrangements were terminated, (ii) the pledge arrangements between the equity holders of Beijing Yixin, Beijing Yixin and Shanghai Techuang were released and deregistered, (iii) the equity holders of Beijing Yixin, Beijing Yixin and Beijing KKC entered into a series of new Contractual Agreements dated August 10, 2017, through which Beijing KKC is able to effectively control, recognize and receive substantially all the economic benefit of the business and operations of Beijing Yixin. Beijing Yixin continues to be treated as a controlled structured entity of the Company and consolidated by the Company.

History of the Group's Self-operated Financing Business

For the purpose of carrying out the Self-operated Financing Business, Shanghai Yixin Financing Lease Co., Ltd. (上海易鑫融资租赁有限公司, “**Shanghai Yixin**”) was established on August 12, 2014 by Bitauto HK, a wholly-owned subsidiary of Bitauto. Through the Group's reorganization in 2015 (as described below), Shanghai Yixin became a wholly-owned subsidiary of Yixin HK.

For the further expansion of the Self-operated Financing Business, Xinche Investment (Shanghai) Co., Ltd. (鑫車投資(上海)有限公司, “**Xinche Investment**”), which was formerly known as Shanghai Rongche Information Technology Co., Ltd., was established on January 16, 2015 by Yixin HK.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**1 General information, reorganization and basis of presentation—continued****1.2 History and reorganization of the Group—continued***History of the Group's Self-operated Financing Business—continued*

For the purpose of introducing overseas investors and preparing for a listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Group underwent two Group reorganizations in 2015 and 2017, respectively (the "**2015 Reorganization**" and "**2017 Reorganization**", and collectively the "**Reorganizations**") to establish the Company as the ultimate holding company of the Listing Business. The Reorganizations mainly involved the following stages:

2015 Reorganization

On February 16, 2015, the Company issued (a) 13,499,896 ordinary shares to Bitauto HK, in exchange for the Auto Finance Transaction Business rendered by Bitauto Group's Auto Finance Department, and (b) 11,534,156 series A preferred shares to Bitauto HK, in exchange for (1) US\$100 million in cash and (2) 100% of the equity interests in Shanghai Yixin. Bitauto Group also agreed to direct all online enquiries regarding automobile financing lease and automobile financing services and products arising from Bitauto Group's websites to the Group (the "**2015 Traffic Support Services**"). The traffic support services are provided free of charge for a term of 3 years commencing from February 16, 2015.

2017 Reorganization

On May 26, 2017, the Company issued 70,934,920 series C preferred shares to Bitauto, and 4,299,090 series C preferred shares to Bitauto HK, in exchange for (1) Bitauto Group's Used Automobile Transaction Business, namely, the business carried out by Beijing Xinbao and KKC, (2) Bitauto Group's non-compete undertakings ("**Non-compete Undertakings**") in relation to the used automobile-related business, and (3) free traffic support from Bitauto Group in relation to automobile financing services and used automobile-related business (the "**2017 Traffic Support Services**") for a period of 3 years and automatically renewable for a further period of 2 years, with a minimum required number of qualified transaction leads to be provided each year, and (4) free access to Bitauto Group's automobile model database ("**Automobile Model Database**") for 20 years.

The 2015 Traffic Support Services, 2017 Traffic Support Services, Non-compete Undertakings and Automobile Model Database are collectively referred to as the "**Business Cooperation Agreements**", and are recognized as intangible assets at fair value at the date of acquisition (Note 13).

Upon completion of the Reorganizations, the Company became the ultimate holding company of the companies now comprising the Group. Following the completion of the Reorganizations, the Group established additional subsidiaries for business development.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1 General information, reorganization and basis of presentation—continued

1.2 History and reorganization of the Group—continued

Particulars of the subsidiaries of the Group as of the date of this report and during the Track Record Period are set out below:

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital	Effective interests held as of					Principal activities	Note
			December 31,			June 30,	Date of this report		
			2014	2015	2016	2017			
Directly held by the Company									
Yixin Holding Hong Kong Limited (formerly known as Yixin Capital Hongkong Limited)	Hong Kong/ November 27, 2014	HK\$10	100%	100%	100%	100%	100%	Investment holding, Hong Kong	(a)
KKC Holdings Limited	the Cayman Islands/April 22, 2014	US\$7,700	—	—	74.8%	100%	100%	Investment holding, the Cayman Islands	(e)
Indirectly held by the Company									
Shanghai Yixin Financing Lease Co., Ltd.	the PRC/ August 12, 2014	US\$1,500,000,000	100%	100%	100%	100%	100%	Leasing services, the PRC	(b)
Shanghai Techuang Advertisements Co., Ltd.	the PRC/ January 29, 2015	US\$20,000,000	—	100%	100%	100%	100%	Advertising services, the PRC	(c)
Xinche Investment (Shanghai) Co., Ltd. (formerly known as Shanghai Rongche Information Technology Limited)	the PRC/ January 16, 2015	US\$2,000,000,000	—	100%	100%	100%	100%	Investment holding, the PRC	(d)
Tianjin Hengtong Jiahe Financing Lease Co., Ltd.	the PRC/ May 18, 2015	US\$500,000,000	—	100%	100%	100%	100%	Leasing services, the PRC	(d)
KKC Holdings Limited	Hong Kong/ May 8, 2014	HK\$1	—	—	74.8%	100%	100%	Investment holding, Hong Kong	(e)
Beijing KKC Technology Co., Ltd.	the PRC/ July 10, 2014	US\$11,400,000	—	—	74.8%	100%	100%	Transaction services, the PRC	(e)(f)
Shanghai Lanshu Information Technology Co., Ltd.	the PRC/ January 29, 2015	RMB20,000,000	—	—	—	100%	100%	Software research and development, the PRC	(g)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1 General information, reorganization and basis of presentation—continued

1.2 History and reorganization of the Group—continued

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital	Effective interests held as of					Principal activities	Note
			December 31,			June 30,	Date of this report		
			2014	2015	2016	2017			
Shenyang Yixin Financial Information Service Co., Ltd.	the PRC/ December 13, 2016	RMB10,000,000	—	—	100%	100%	100%	Financing services, the PRC	
Beijing Yixin Auto Leasing Co., Ltd.	the PRC/ December 15, 2016	RMB9,000,000	—	—	100%	100%	100%	Leasing services, the PRC	
Guangzhou Rongche Leasing Co., Ltd.	the PRC/ March 8, 2017	RMB200,000,000	—	—	—	100%	100%	Leasing services, the PRC	
Tianjin Huibao Advertising Co., Ltd.	the PRC/ August 10, 2017	US\$2,000,000	—	—	—	—	100%	Advertising services, the PRC	
Xinjiang Yin'an Information Technology Co., Ltd.	the PRC/ September 6, 2017	US\$10,000,000	—	—	—	—	100%	Advertising services, the PRC	

Controlled by the Company pursuant to the Contractual Agreements (note(h))

Beijing Yixin Information Technology Co., Ltd.	the PRC/ January 9, 2015	RMB50,000,000	—	100%	100%	100%	100%	Advertising (i) and subscription services, the PRC	
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Notes:

- (a) The statutory auditor of this subsidiary for the years ended December 31, 2014 and 2015 was Messrs. Taka CPA Limited (高眾會計師事務所有限公司). The statutory auditor of this subsidiary for the year ended December 31, 2016 was NG, Linus Po Sze (吳普思執業會計師).
- (b) Shanghai Yixin Financing Lease Co., Ltd. was under the common control of the Controlling Shareholders (Note 1.3) before the 2015 Reorganization. The statutory auditor of this subsidiary for the years ended December 31, 2014, 2015 and 2016 was PricewaterhouseCoopers Zhong Tian LLP, Beijing Branch.
- (c) The statutory auditor of this subsidiary for the years ended December 31, 2015 and 2016 was 上海誠匯會計師事務所有限公司 (Shanghai Chenghui Certified Public Accountants Co., Ltd.), as the subsidiary was newly established in 2015.
- (d) The statutory auditor of these subsidiaries for the years ended December 31, 2015 and 2016 was PricewaterhouseCoopers Zhong Tian LLP, Beijing Branch, as they were newly established in 2015.
- (e) KKC Holdings Limited (Cayman), KKC Holdings Limited (Hong Kong) and Beijing KKC Technology Co., Ltd. were under the common control of the Controlling Shareholders (Note 1.3) before the 2017 Reorganization.
- (f) Beijing KKC Technology Co., Ltd. was established in the PRC on July 10, 2014 and was subsequently acquired by Bitauto Group on November 10, 2016. The statutory auditor of this subsidiary for the year ended December 31, 2016 was 大華會計師事務所 (特殊普通合夥) (Da Hua Certified Public Accountants (Special General Partnership)).
- (g) On April 14, 2017, the Group acquired 100% of the equity interests of this subsidiary.
- (h) The subsidiary is controlled through Contractual Arrangements and the Group does not have legal ownership of equity interests in this subsidiary, as the PRC regulations restrict foreign ownership of companies that provide value-added telecommunications services, which include activities and services operated by the subsidiary.
- (i) The statutory auditor of this subsidiary for the years ended December 31, 2015 and 2016 was 北京天鴻永信會計師事務所 (普通合夥), as the subsidiary was newly established in 2015.

The English names of some of the subsidiaries referred to above represent management's best efforts at translating the Chinese names of these subsidiaries as they do not have official English names.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**1 General information, reorganization and basis of presentation—continued****1.2 History and reorganization of the Group—continued**

All companies comprising the Group have adopted December 31 as their financial year-end date.

The Group's major subsidiaries are based in the PRC and the majority of their transactions are denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange controls promulgated by the PRC government. As of December 31, 2014, 2015 and 2016 and June 30, 2017, other than restrictions from exchange control regulations, there is no significant restriction on the Group's ability to access or use the assets and settle the liabilities of the Group.

1.3 Basis of presentation

The companies now comprising the Group, engaging in the Listing Business, were under common control of the Controlling Shareholders, immediately before and after the Reorganizations. Accordingly, the Reorganizations are regarded as business combinations under common control.

The Historical Financial Information has been prepared by including the historical financial information of the companies engaged in the Listing Business (including the business carried out by Auto Finance Department of Bitauto Group) which were under the common control of the Controlling Shareholders immediately before and after the Reorganizations and now comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the group companies first came under the control of the Controlling Shareholders, whichever is a shorter period.

The net assets of the group companies were consolidated using the existing book values from the Controlling Shareholders' perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

For companies acquired from or disposed to third parties during each of the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, they are included in or excluded from the consolidated financial statements of the Group from the date of the acquisition or disposal.

Inter-company transactions, balances and unrealized gains/losses on transactions between the group companies are eliminated on consolidation.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.1 Basis of preparation**

The Historical Financial Information of the Company has been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

As of June 30, 2017, the Group’s accumulated loss was RMB7,590,508,000, which was mainly due to the accumulated fair value loss of the Group’s convertible redeemable preferred shares during the Track Record Period. Such fair value loss has no cash flow impact to the Group.

Also, as of June 30, 2017, the Group’s current liabilities exceeded its current assets by RMB1,543,454,000. The Group has performed a working capital forecast for the next twelve months. Based on this working capital forecast, the directors believe that the Group will have sufficient cash resources to satisfy its future working capital after considering the cash inflows from the following sources:

- i) internally generated funds;
- ii) proceeds from securitization of its existing finance receivables; and
- iii) existing available credit facilities.

Accordingly, the directors consider that it is appropriate that the Historical Financial Information is prepared on a going concern basis.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning January 1, 2017, are consistently applied to the Group for the Track Record Period.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.1 Basis of preparation—continued****2.1.1 Changes in accounting policy and disclosures**

Standards, amendments and interpretations that have been issued but not yet effective until January 1, 2018 and not been early adopted by the Group during the Track Record Period are as follows:

		Effective for annual periods beginning on or after
IFRS 9	Financial instruments	January 1, 2018
IFRS 15	Revenue from contracts with customers	January 1, 2018
IFRS 4 Amendments	Applying IFRS 9 with IFRS 4 Insurance Contracts	January 1, 2018
Amendment to IFRS 2	Classification and measurement of share-based payment transactions	January 1, 2018
IFRIC 22	Foreign currency transactions and advance consideration	January 1, 2018
Amendment to IAS 40	Transfer of investment property	January 1, 2018
Amendments to IFRSs	Annual improvements to IFRSs 2014-2016 cycle	January 1, 2018
IFRS 16	Lease	January 1, 2019
IFRIC 23	Uncertainty over income tax treatments	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021

None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

IFRS 9, “Financial instruments”

IFRS 9, “Financial instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income, and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income which will not be recycling to profit or loss. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the “hedged ratio” to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The major equity investments held by the Group are currently measured at fair value through profit or loss, which would likely continue to be measured on the same basis under IFRS 9.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.1 Basis of preparation—continued****2.1.1 Changes in accounting policy and disclosures—continued***IFRS 9, “Financial instruments”—continued*

Accordingly, while the Group has yet to complete the detailed assessment of the classification and measurement of financial assets, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. The Group is in the process of undertaking a detailed assessment of how its impairment provisions would be affected by the new model, and it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The standard is effective for accounting periods beginning on or after January 1, 2018. At this stage, the Group does not intend to adopt this standard before its effective date.

Despite the Group has yet to complete the detailed assessment of the requirements for hedging, the Group does not expect the new guidance to have a significant impact as the Group has not entered into any hedging arrangements during the Track Record Period.

While the Group continues to assess all potential impacts of the standard regarding the classification and measurement of the Group's financial assets and financial liabilities, the management currently doesn't believe adopting IFRS 9 would have a significant impact to Group's financial position and performance based on the analysis performed to date, except for the potential impact as a result of the new impairment model introduced.

IFRS 15, “Revenue from contracts with customers”

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related interpretations on revenue recognition. IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (i) identify the contract(s) with customers; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognize revenue when a performance obligation is satisfied. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customers for an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on “earnings processes” to an “asset-liability” approach based on transfer of control. IFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.1 Basis of preparation—continued****2.1.1 Changes in accounting policy and disclosures—continued***IFRS 15, “Revenue from contracts with customers”—continued*

with customers. Under IFRS 15, an entity normally recognizes revenue when a performance obligation is satisfied. Revenue recognition may be impacted when multiple performance obligations are identified. The new standard is not expected to apply until the financial year of 2018. While the Group continues to assess all potential impacts of the standard will have on the consolidated financial statements and related disclosures, management assesses that the Group’s financing lease services and operating lease services are outside the scope of IFRS 15 and currently doesn’t believe adopting IFRS 15 would have a significant impact to the Group’s financial position and performance based on the analysis performed to date.

IFRS 16, “Leases”

IFRS 16, “Leases” addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The accounting for lessors will not significantly change. Accordingly, it is not expected to have a significant impact on the financial position and performance for the Group as a lessor. A key change arising from IFRS 16 is that most operating leases will be accounted for on the balance sheet of lessees. The Group is a lessee of various properties which are currently classified as operating leases. The Group’s current accounting policy for such leases is set out in Note 2.26 with the Group’s future operating lease commitments, which are not reflected in the consolidated balance sheet, set out in Note 33. IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognize certain leases outside of the balance sheet. Instead, almost all leases must be recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group’s consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from the new reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheet. As for the financial performance impact in the consolidated income statement, the operating lease expenses will decrease, while depreciation and amortization and the interest expense will increase. The new standard is not expected to apply until the financial year 2019. The Group’s future aggregate minimum lease payments under non-cancellable operating leases as of June 30, 2017 were RMB60.0 million, with the minimum lease payments due less than one year amounting to approximately RMB18.2 million, those due more than one year and less than five years amounting to approximately RMB39.2 million, and those due more than five years amounting to approximately RMB2.6 million.

2.2 Subsidiaries**2.2.1 Consolidation**

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.2 Subsidiaries—continued****2.2.1 Consolidation—continued**

Intra-Group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(a) Subsidiaries controlled through Contractual Agreements

As described in Note 1, during the Track Record Period, the wholly-owned subsidiary of the Company, Beijing KKC, has entered into the Contractual Agreements, including Exclusive Business Cooperation Agreement, Exclusive Option Agreements, Equity Interest Pledge Agreements, and Powers of Attorney, with Beijing Yixin and its equity holders, which enable Beijing KKC and the Group to:

- govern the financial and operating policies of Beijing Yixin;
- exercise equity holders' voting rights of Beijing Yixin;
- receive substantially all of the economic interest returns generated by Beijing Yixin in consideration for the business support, technical and consulting services provided by Beijing KKC;
- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in Beijing Yixin from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. Beijing KKC may exercise such options at any time until it has acquired all equity interests of Beijing Yixin; and
- obtain a pledge over the entire equity interests of Beijing Yixin from its respective equity holders as collateral security for all of Beijing Yixin's payments due to Beijing KKC and to secure performance of Beijing Yixin's obligation under the Contractual Arrangements.

As a result of the Contractual Arrangements, the Group has right to exercise power over Beijing Yixin, receive variable returns from its involvement with Beijing Yixin, has the ability to affect those returns through its power over Beijing Yixin and thus is considered to control Beijing Yixin. Consequently, the Company regards Beijing Yixin and its subsidiaries as controlled structured entities and consolidated the financial position and results of operations of these entities in the consolidated financial statements of the Group during the Track Record Period (refer to Note 1.3 of Section II above for details of the related presentation basis).

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Beijing Yixin and its subsidiaries. Uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Beijing Yixin and its subsidiaries. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Beijing KKC, Beijing Yixin and its equity holders are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.2 Subsidiaries—continued****2.2.1 Consolidation—continued****(b) Business combinations**

Except for the Reorganizations, the Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions—that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.2 Subsidiaries—continued****2.2.1 Consolidation—continued****(d) Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRS.

2.2.2 Separate financial statements

Investments in subsidiaries (including structured entities) are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

(a) Investments in associates in the form of ordinary shares

Investments in associates in the form of ordinary shares are accounted for using the equity method of accounting in accordance with IAS 28. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in these associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate in the form of ordinary shares is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to consolidated income statement where appropriate.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.3 Associates—continued****(a) Investments in associates in the form of ordinary shares—continued**

The Group's share of the associates' post-acquisition profit or loss is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investments in the associate are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "share of profit of investments accounted for using equity method" in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognized in the consolidated income statement.

(b) Investments in associates in the form of redeemable convertible preferred shares

Investments in associates in the form of ordinary shares with preferential rights or redeemable convertible preferred shares are accounted for as hybrid financial instruments and designated as financial assets measured at fair value through profit or loss (Note 2.9).

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Group.

2.5 Foreign currency translation**(a) Functional and presentation currency**

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is United States dollars ("US\$"). The Company's

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.5 Foreign currency translation—continued****(a) Functional and presentation currency—continued**

primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group during the Track Record Period are within the PRC, the Group determined to present its Historical Financial Information in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within “finance income or expenses”. All other foreign exchange gains and losses are presented in the consolidated income statement within “other (losses)/gains, net”.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equity investments classified as available-for-sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of rates prevailing on the transaction dates, in which cases income and expenses are translated at the rate on the dates of the transactions; and
- all resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

2.6 Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.6 Property and equipment—continued**

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line depreciation method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Office equipment	5 years
— Automobiles for corporate uses	5 years
— Automobiles for operating leases	5 years
— Leasehold improvement	Estimated useful lives or remaining lease terms, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other (losses)/gains, net" in the consolidated income statement.

2.7 Intangible assets**(a) Goodwill**

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.7 Intangible assets—continued****(b) Trademarks and licenses**

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line amortization method to allocate the cost of trademarks and licenses over their estimated useful lives of 5 to 10 years.

(c) Customer relationships

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line amortization method over expected life of approximate 7 to 10 years.

(d) Domain names

Domain names are initially recognized and measured at costs incurred to acquire and bring to use the domain names. The costs are amortized on a straight-line basis over the domain names' estimated useful lives of 10 years.

(e) Computer software and technology

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over their estimated useful lives of 5 years.

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.7 Intangible assets—continued****(e) Computer software and technology—continued**

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. No software development costs have been capitalized by the Group during the Track Record Period.

Research and development expenditures that do not meet these criteria are recognized as “research and development expenses” in the consolidated income statement as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(f) Business Cooperation Agreements

The Business Cooperation Agreements are recognized as intangible assets at fair value at the acquisition date. Any directly attributable transaction costs to acquire the assets are included in the costs of the intangible assets.

For the traffic support acquired upon the completion of 2015 Reorganization, amortization is calculated using the straight-line amortization method over 3 years, which is the term of the 2015 Traffic Support Services Agreement. The straight-line amortization method for the 2015 Traffic Support Services Agreement is considered appropriate given there is not a commitment on the number of transaction leads and the pattern of consumption is the contract period. For the traffic support acquired upon the completion of 2017 Reorganization, given both parties have agreed upon the total number of transaction leads that should be referred to the Group, the Group expected to utilize the intangible asset based on the number of transaction leads referred and determined the amortization measured on an actual usage basis. The actual usage amortization method is applied for the 2017 Traffic Support Services Agreement given the consumption of future economic benefits is through the referral of transaction leads, of which there is a commitment on the number of transaction leads to be provided in the agreement, and the Group has established appropriate system functionality to reliably measure such usage for each reporting period.

For the Non-compete Undertakings in relation to the used automobile-related business, amortization is calculate using the straight-line amortization method over 15 years.

The Automobile Model Database is amortized using the straight-line amortization method over 20 years, which is the contractual term of the access right to the database.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.9 Financial assets****2.9.1 Classification**

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

The Group has the following instruments falling into this category: certain ordinary shares with preferential rights or redeemable convertible preferred shares issued by investee companies, which are hybrid instruments with embedded derivatives not closely related to the host contract. The Company designated the whole instruments as financial assets at fair value through profit or loss instead of bifurcating the embedded derivatives from the host contract.

Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. As of December 31, 2014, 2015 and 2016 and June 30, 2017 the Group's investments in this category are all classified as non-current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "finance receivables", "deposits and other assets", "restricted cash" and "cash and cash equivalents" in the consolidated balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months after the end of the reporting period. As of December 31, 2014, 2015 and 2016 and June 30, 2017, none of the Group's financial assets are classified as available-for-sale financial assets.

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date—the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.9 Financial assets—continued****2.9.2 Recognition and measurement—continued**

assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the consolidated income statement within “other (losses)/gains, net” in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated income statement as part of “other (losses)/gains, net” when the Group’s right to receive payments is established.

Changes in the fair value of financial assets classified as available-for-sale financial assets are recognized in other comprehensive income.

When financial assets classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated income statement as “gains and losses from available-for-sale financial assets”.

Interest on available-for-sale financial assets calculated using the effective interest method is recognized in the consolidated income statement as part of “other (losses)/gains, net”. Dividends on available-for-sale financial assets are recognized in the consolidated income statement as part of “other (losses)/gains, net” when the Group’s right to receive payments is established.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11 Impairment of financial assets**(a) Assets carried at amortized cost**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “**loss event**”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.11 Impairment of financial assets—continued****(a) Assets carried at amortized cost—continued**

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

(b) Assets classified as available-for-sale financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss—measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss—is reclassified from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the financial assets below its cost is also evidence that the assets are impaired. If any such evidence exists, the cumulative loss—measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss—is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.12 Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.13 Cash and cash equivalents**

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity. Convertible redeemable preferred shares (“**Preferred Shares**”) are classified as liabilities (Note 2.16).

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Convertible redeemable preferred shares

Convertible redeemable preferred shares issued by the Company are redeemable upon occurrence of certain future events and at the option of the holders. This instrument can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering of the Company or agreed by majority of the holders as detailed in Note 27.

The Group designated the convertible redeemable preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the consolidated income statement.

Subsequent to initial recognition, the convertible redeemable preferred shares are carried at fair value with changes in fair value recognized in the consolidated income statement.

The convertible redeemable preferred shares are classified as non-current liabilities because the Group has unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.17 Borrowings—continued**

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

The funding costs associated with the borrowings for the Group's self-operated financing business are recognized as cost of revenues. The interest expenses associated with the borrowings for the Group's general operations are recognized as finance expenses.

2.19 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Income tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the income tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax**Inside basis differences**

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognized if they arise from the initial

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.19 Current and deferred income tax—continued**

(b) Deferred income tax—continued

Inside basis differences—continued

recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction neither accounting nor taxable profit or loss is affected. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

(a) Pension obligations

The Group's subsidiaries operating in the PRC have to make contribution to staff retirement scheme managed by local government authorities in accordance with the relevant rules and regulations. Contributions to these schemes are charged to the consolidated income statement as and when incurred. The Group has no legal or constructive obligations to pay further contributions.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.20 Employee benefits—continued****(b) Employee leave entitlements**

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(c) Bonus plans

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for profit sharing and bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

2.21 Share-based payments

Bitauto, the controlling shareholder of the Group, granted share-based awards to a number of the Group's employees, in exchange for their services to the Group's certain subsidiaries. The grant is treated as a capital contribution by Bitauto. The fair value of employee services rendered, measured by reference to the grant date fair value of the award, is recognized over the vesting period as share-based compensation expenses, with a corresponding credit to equity in the Group's consolidated financial statements.

2.22 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.23 Revenue recognition—continued**

probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Transaction Platform Business

The Group mainly provides (i) facilitation and value-added services and (ii) advertising and subscription services to automakers, automobile dealers and insurance companies.

The Group recognizes revenue from facilitation and other services when assisting the customers to complete a used automobile purchase transaction or an automobile financing transaction. The Group also recognizes sales revenue of vehicle telematics devices upon transfer of the title and associated risks and rewards of the devices to its business partners.

Revenue from advertising services is recognized when the advertisements are published over the stated display period, and when the collectability is reasonably assured.

Revenue from subscription services is recognized on a straight-line basis over the subscription or listing period. The Group invoices its customers based on the payment terms stipulated in the executed subscription agreements, which generally ranges from several months to one year. The Group records amounts received prior to revenue recognition in advances from customers, which is included in "other payables and accruals" on the Group's consolidated balance sheet.

The Group also serves auto dealers with designed promotional campaigns. The Group recognizes revenue when the promotional services have been rendered, and the collectability is reasonably assured.

(b) Self-operated Financing Business

The Group mainly provides automobile financing lease services to individual customers and automobile dealers on its self-operated online automobile financial platform through two models: direct financing lease and sales-and-leaseback. In a direct financing lease arrangement, revenue is recognized over the lease period on a systematic and rational basis so as to produce a constant periodic rate of return on the net investment in the financing leases. In a sales-and-leaseback arrangement, the transaction is in substance a collateral financing and revenue is recognized over the lease period using the effective interest rate method. The Group also provides automobile operating lease services to individual and corporate customers. Revenue from these services is recognized on a straight-line basis over the lease period.

The Group also recognizes revenue from direct automobile sales to automobile dealers and institutional customers. The revenue is recorded on a gross basis as the Group acts as the principal, is primarily responsible for the sales arrangements and is subject to inventory risk. Revenue from direct automobile sales is recognized when a sales contract has been executed and the automobiles have been delivered.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.24 Dividend income**

Dividend income is recognized when the right to receive payment is established.

2.25 Government grants

Grants from government are recognized at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate. The Group does not have government grants relating to property and equipment, and other non-current assets.

2.26 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Where the Group is a lessee and a significant portion of the risks and rewards of ownership of an asset or assets are retained by the lessor, the lease is classified as an operating lease. Operating lease payments are recognized as an expense in profit or loss on the straight-line basis over the lease term.

Where the Group is a lessor and the Group does not transfer substantially all the risks and benefits of ownership of an asset or assets, the lease is classified as an operating lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Where the Group is a lessee and the Group has substantially all the risks and rewards of ownership of an asset or assets, the lease is classified as a finance lease. Finance leases are capitalized at inception of the lease at the fair value of the leased property or, if lower, present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Where the Group is a lessor and the Group transfers substantially all the risks and rewards of ownership of an asset or assets to the lessee, the lease is classified as a finance lease. The leased property and equipment held should be presented as a receivable at an amount equal to the net investment in the lease. The finance lease income is recognized over the lease period on a systematic and rational basis so as to produce a constant periodic rate of return on the net investment in the finance lease.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Summary of significant accounting policies—continued****2.27 Dividend distribution**

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the board of directors. The management identifies and evaluates financial risks in close co-operation with the group's operating units.

(a) Market risk

(i) Foreign exchange risk

The transactions of the Company are denominated and settled in its functional currency, US\$. The Group's subsidiaries operate in the PRC and are exposed to foreign exchange risk arising from US\$. The Group's foreign exchange risk primarily arises when the recognized assets and liabilities of the Group's PRC subsidiaries are denominated in US\$.

For the Group's PRC subsidiaries whose functional currency is RMB, if US\$ had strengthened/weakened by 5% against RMB with all other variables held constant, the profit for the year ended December 31, 2014 would have been approximately RMB6,913,000 higher/lower, and the loss for the years ended December 31, 2015 and 2016 and six months ended June 30, 2016 and 2017 would have been approximately RMB3,154,000 lower/higher and RMB421,000 lower/higher and RMB395,000 lower/higher and RMB411,000 lower/higher, respectively, as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in US\$.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from the Group's borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

If interest rates on the borrowings at variable rates had risen/fallen 100 basis points while all other variables had been held constant, the Group's loss for the year ended December 31, 2016 and the six months ended June 30, 2016 and 2017 would have been approximately RMB3,511,000 higher/lower, RMB8,000 higher/lower and RMB15,172,000 higher/lower, respectively. There is no impact on the profit/(loss) for the years ended December 31, 2014 and 2015 as there was no borrowings at variable rates as of December 31, 2014 and 2015.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**3 Financial risk management—continued****3.1 Financial risk factors—continued**

(a) Market risk—continued

(ii) Cash flow and fair value interest rate risk—continued

The convertible redeemable preferred shares expose the Group to fair value interest rate risk (Note 4.1(b)).

(b) Credit risk

Credit risk is managed on a group basis. Credit risk mainly arises from cash and cash equivalents, restricted cash, trade receivables, other receivables and finance receivables.

To manage this risk arising from cash and cash equivalents and restricted cash, the Group only transacts with state-owned or large medium sized joint-stock commercial banks in the PRC and reputable international financial institution outside of the PRC. There has been no recent history of default in relation to these financial institutions.

The Group has policies in place to ensure that trade receivables with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties.

Finance receivables are typically secured with automobiles for financing leases and derived from revenues earned from customers in the PRC, which are exposed to credit risk. The risk is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring process of outstanding balances. The Group maintains reserves for estimated credit losses and these losses have generally been within its expectations.

For other receivables, the Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

The maximum exposure to credit risk at each of the reporting dates is the carrying value of the Group's trade receivables, finance receivables and other receivables.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

(c) Liquidity risk—continued

The following table shows the remaining contractual maturities (or the earliest date a financial liability may become payable in the absence of a fixed maturity date) at the balance sheet date of the Group's financial assets, financial liabilities and off-balance sheet operating lease commitments (Note 33(b)) based on contractual undiscounted cash flows:

	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000
At December 31, 2014			
Financial assets			
Trade receivables	10,216	—	10,216
Deposits and other assets	38,406	—	38,406
Cash and cash equivalents	191,509	—	191,509
	<u>240,131</u>	<u>—</u>	<u>240,131</u>
Financial liabilities			
Trade payables	2,049	—	2,049
Other payables and accruals (excluding advances from customers, staff costs and welfare accruals, and other accruals)	86,908	—	86,908
Off-balance sheet—operating lease commitments	696	—	696
	<u>89,653</u>	<u>—</u>	<u>89,653</u>
Net	<u>150,478</u>	<u>—</u>	<u>150,478</u>
At December 31, 2015			
Financial assets			
Finance receivables	2,387,752	773,848	3,161,600
Trade receivables	127,784	—	127,784
Deposits and other assets	56,762	1,591	58,353
Cash and cash equivalents	710,393	—	710,393
	<u>3,282,691</u>	<u>775,439</u>	<u>4,058,130</u>
Financial liabilities			
Trade payables	97,452	—	97,452
Other payables and accruals (excluding advances from customers, staff costs and welfare accruals, and other accruals)	965,235	—	965,235
Other non-current liabilities	—	29,739	29,739
Off-balance sheet—operating lease commitments	10,073	39,844	49,917
	<u>1,072,760</u>	<u>69,583</u>	<u>1,142,343</u>
Net	<u>2,209,931</u>	<u>705,856</u>	<u>2,915,787</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

(c) Liquidity risk—continued

	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000
At December 31, 2016			
Financial assets			
Finance receivables	7,805,828	8,935,544	16,741,372
Trade receivables	180,145	—	180,145
Deposits and other assets	413,353	85,702	499,055
Restricted cash	3,177,631	—	3,177,631
Cash and cash equivalents	660,852	—	660,852
	<u>12,237,809</u>	<u>9,021,246</u>	<u>21,259,055</u>
Financial liabilities			
Borrowings	8,423,494	3,417,244	11,840,738
Trade payables	508,385	—	508,385
Other payables and accruals (excluding advances from customers, staff costs and welfare accruals, and other accruals)	1,213,918	—	1,213,918
Other non-current liabilities	—	100,089	100,089
Off-balance sheet—operating lease commitments	18,040	39,274	57,314
	<u>10,163,837</u>	<u>3,556,607</u>	<u>13,720,444</u>
Net	<u>2,073,972</u>	<u>5,464,639</u>	<u>7,538,611</u>
At June 30, 2017			
Financial assets			
Finance receivables	10,354,209	12,459,915	22,814,124
Trade receivables	308,913	—	308,913
Deposits and other assets	227,410	214,637	442,047
Restricted cash	2,711,489	—	2,711,489
Cash and cash equivalents	1,168,416	—	1,168,416
	<u>14,770,437</u>	<u>12,674,552</u>	<u>27,444,989</u>
Financial liabilities			
Borrowings	13,019,813	4,839,919	17,859,732
Trade payables	469,650	—	469,650
Other payables and accruals (excluding advances from customers, staff costs and welfare accruals, and other accruals)	963,230	—	963,230
Other non-current liabilities	—	93,428	93,428
Off-balance sheet—operating lease commitments	18,195	41,792	59,987
	<u>14,470,888</u>	<u>4,975,139</u>	<u>19,446,027</u>
Net	<u>299,549</u>	<u>7,699,413</u>	<u>7,998,962</u>

As of December 31, 2015 and 2016 and June 30, 2017, Preferred Shares were classified as non-current liabilities because the Group believes the likelihood of a redemption event occurring is remote and it has unconditional rights to defer settlement of the liability for at least 12 months after the end of each reporting period.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

(c) Liquidity risk—continued

The maximum exposure from the redemption of Preferred Shares is the contractual redemption price, which is equal to 100% of the respective issue price plus 8% per annum interest accrued during the period from the issuance of the Preferred Shares until the date on which the redemption price is paid in full, plus any declared but unpaid dividends if a redemption event occurs as described in Note 27. The Group recognizes the Preferred Shares at fair value through profit or loss. Accordingly, Preferred Shares are managed on a fair value basis rather than by maturity dates.

The Group's financial assets at fair value through profit or loss are the investments in private companies, which are managed on a fair value basis rather than by maturity dates.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' as shown in the consolidated balance sheet and loans due to a related party) less cash and cash equivalents and restricted cash. The Group does not consider the amount of Preferred Shares when calculating net debt. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt.

The Group has no outstanding borrowings as of December 31, 2014. The Group's debt to equity ratio and net position of the Group as of December 31, 2015 and 2016 and June 30, 2017 was as follows:

	As of December 31,		As of June 30,
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Borrowings (Note 28)	—	11,319,427	17,000,901
Loans due to a related party (Note 35(e))	829,360	614,055	581,616
Total borrowings and loans	829,360	11,933,482	17,582,517
Less: cash and cash equivalents and restricted cash (Note 21)	(710,393)	(3,838,483)	(3,879,905)
Net debt	118,967	8,094,999	13,702,612
Total equity	130,359	(1,384,475)	(7,631,811)
Total capital	249,326	6,710,524	6,070,801
Gearing ratio	48%	121%	226%

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as of December 31, 2014, 2015 and 2016 and June 30, 2017, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The amount of the Group's assets and liabilities measured at fair value as of December 31, 2014 was nil.

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Financial assets at fair value through profit or loss	—	—	17,126	17,126
Liabilities:				
Convertible redeemable preferred shares	—	—	2,588,232	2,588,232

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Financial assets at fair value through profit or loss	—	—	150,000	150,000
Liabilities:				
Convertible redeemable preferred shares	—	—	8,071,817	8,071,817

The following table presents the Group's assets and liabilities that are measured at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Financial assets at fair value through profit or loss	—	—	156,829	156,829
Liabilities:				
Convertible redeemable preferred shares	—	—	17,516,756	17,516,756

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**3 Financial risk management—continued****3.3 Fair value estimation—continued**

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(c) Financial instruments in level 3

Level 3 instruments of the Group's assets and liabilities include financial assets at fair value through profit or loss and convertible redeemable preferred shares.

The changes in level 3 instruments of convertible redeemable preferred shares for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 are presented in the Note 27.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.3 Fair value estimation—continued

(c) Financial instruments in level 3—continued

The following table presents the changes in level 3 instruments of financial assets at fair value through profit or loss for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017.

	Financial assets at fair value through profit or loss	
	RMB'000	Total RMB'000
At January 1 and December 31, 2014	—	—
Additions	15,000	15,000
Change in fair value (Note 6)	<u>2,126</u>	<u>2,126</u>
At December 31, 2015	<u>17,126</u>	<u>17,126</u>
Total unrealized gains and change in fair value for the year included in “Other (losses)/gains, net” for financial assets at fair value through profit or loss held at the end of the year	<u>2,126</u>	<u>2,126</u>
Additions	150,000	150,000
Change in fair value (Note 6)	<u>(17,126)</u>	<u>(17,126)</u>
At December 31, 2016	<u>150,000</u>	<u>150,000</u>
Total unrealized losses and change in fair value for the year included in “Other (losses)/gains, net” for financial assets at fair value through profit or loss held at the end of the year	<u>(17,126)</u>	<u>(17,126)</u>
At January 1, 2016	17,126	17,126
Additions	150,000	150,000
Change in fair value (Note 6)	—	—
At June 30, 2016 (Unaudited)	<u>167,126</u>	<u>167,126</u>
Total unrealized losses and change in fair value for the period included in “Other (losses)/gains, net” for financial assets at fair value through profit or loss held at the end of the period	<u>—</u>	<u>—</u>
At January 1, 2017	150,000	150,000
Additions	—	—
Change in fair value (Note 6)	<u>6,829</u>	<u>6,829</u>
At June 30, 2017	<u>156,829</u>	<u>156,829</u>
Total unrealized losses and change in fair value for the period included in “Other (losses)/gains, net” for financial assets at fair value through profit or loss held at the end of the period	<u>6,829</u>	<u>6,829</u>

The Group has a team that manages the valuation exercise of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**3 Financial risk management—continued****3.3 Fair value estimation—continued****(c) Financial instruments in level 3—continued**

The valuation of the level 3 instruments mainly included investments in private companies. As these instruments are not traded in an active market, their fair value have been determined using various applicable valuation techniques, including discounted cash flows, comparable companies etc. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimate of weighted average cost of capital (WACC), recent market transactions, estimated discount for marketing and other exposure etc.

If the fair values of the financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, loss for the years ended December 31, 2015 and 2016 and the six months ended June 30, 2016 and 2017 would have been approximately RMB1,712,000 lower/higher, RMB15,000,000 lower/higher, RMB16,713,000 lower/higher and RMB15,683,000 lower/higher respectively. There is no impact on the profit for the year ended December 31, 2014 as there is no financial asset at fair value through profit or loss as of December 31, 2014.

Fair value of Preferred Shares is affected by changes in the Group's equity value. If the Group's equity value had increased/decreased by 10% with all other variables held constant, loss for the years ended December 31, 2015 and 2016 and the six months ended June 30, 2016 and 2017 would have been approximately RMB203,978,000 higher/ RMB209,170,000 lower, RMB694,944,000 higher/ RMB701,108,000 lower, RMB215,896,000 higher/ RMB220,208,000 lower and RMB1,749,687,000 higher/ RMB1,750,389,000 lower, respectively. There is no impact on the profit for the year ended December 31, 2014 as there is no Preferred Shares as of December 31, 2014.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Fair value of financial assets

The fair value of financial assets that are not traded in an active market (for example, investments in private companies) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**4 Critical accounting estimates and judgments—continued****4.1 Critical accounting estimates and assumptions—continued****(b) Fair value of convertible redeemable preferred shares**

The convertible redeemable preferred shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The directors have used the discounted cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in Note 27.

The estimated carrying amount of convertible redeemable preferred shares as of December 31, 2014, 2015 and 2016 and June 30, 2017, would have been nil, RMB165,082,000 lower/ RMB191,037,000 higher, RMB792,796,000 lower/ RMB941,452,000 higher and RMB1,918,047,000 lower/ RMB2,292,346,000 higher, should the discount rate used in discounted cash flow analysis be higher/lower by 100 basis points from management's estimates.

(c) Impairment provision for trade and other receivables

Management assesses the impairment of trade and other receivables according to the trade and other receivables' aging, prior experiences and customers' conditions as well as applying management's judgments and estimates when determining the impairment to be recognized. Management reassesses the provision at each balance sheet date. Where the basis of judgments and estimates is different from the initial assessment, such differences will impact the provision for impairment and the carrying values of the trade and other receivables.

(d) Provision for credit losses of finance receivables

Management assesses the provision for credit losses of finance receivables collectively based on its estimates on historical experience and on various other assumptions that are believed to be reasonable, including estimated loss percentages of contracts and historical pattern of the migration of overdue balances. Management reassesses the provision at each balance sheet date. Changes in the estimates could have a material impact on the balance of provision for credit losses of finance receivables.

(e) Fair value of intangible assets acquired

The Group records intangible assets acquired at fair value on the date of acquisition. The directors have used a number of valuation of methodologies, including the cost saving method and with and without method, to determine the fair value of the intangible assets. Significant judgment is used to estimate the fair value of the assets acquired, including estimating future cash flows or cost savings generated from the asset, determining key assumptions including discount rate, estimated useful life and other assumptions, which are disclosed in Note 13. Changes in these assumptions and estimates could materially impact on the fair value of these intangible assets.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

5 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive director of the Company that makes strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

- Transaction Platform Business
- Self-operated Financing Business

The CODM assesses the performance of the operating segments mainly based on segment revenues, segment gross profit and segment operating profit. The revenues from external customers reported to CODM are measured as segment revenues, which is the revenues derived from the customers in each segment. The segment gross profit is calculated as segment revenues minus segment cost of revenues. Cost of revenues for the Transaction Platform Business segment primarily comprised of employee benefit expenses for the employees operating the transaction platform and other direct service costs. Cost of revenues for the Self-operated Financing Business segment primarily comprised of funding costs and cost of automobiles sold. The segment operating profit is calculated as segment gross profit minus selling and marketing expenses, administrative expenses, research and development expenses and other (losses)/gains, net associated with the respective segment.

The finance income, finance expenses and fair value loss of convertible redeemable preferred shares are not included in the measurement of the segments' performance which is used by CODM as a basis for the purpose of resource allocation and assessment of segment performance.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these financial statements. There was no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

The segment information provided to the Group's CODM for the operating segments for the Track Record Period is as follows:

The segment results for the year ended December 31, 2014 as follows:

	Year ended December 31, 2014		
	Transaction Platform Business	Self-operated Financing Business	Total
	RMB'000	RMB'000	RMB'000
Revenues	47,990	—	47,990
Gross profit	41,014	—	41,014
Operating loss	(1,616)	—	(1,616)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

5 Segment information—continued

The segment results for the year ended December 31, 2015 as follows:

	Year ended December 31, 2015		
	Transaction Platform Business	Self-operated Financing Business	Total
	RMB'000	RMB'000	RMB'000
Revenues	205,814	65,461	271,275
Gross profit	171,722	59,555	231,277
Operating profit	37,979	25,368	63,347

The segment results for the year ended December 31, 2016 as follows:

	Year ended December 31, 2016		
	Transaction Platform Business	Self-operated Financing Business	Total
	RMB'000	RMB'000	RMB'000
Revenues	212,152	1,275,745	1,487,897
Gross profit	170,218	564,791	735,009
Operating profit	7,322	88,319	95,641

The segment results for the six months ended June 30, 2016 as follows:

(Unaudited)	Six months ended June 30, 2016		
	Transaction Platform Business	Self-operated Financing Business	Total
	RMB'000	RMB'000	RMB'000
Revenues	58,397	397,414	455,811
Gross profit	46,617	176,513	223,130
Operating profit	11,511	39,509	51,020

The segment results for the six months ended June 30, 2017 as follows:

	Six months ended June 30, 2017		
	Transaction Platform Business	Self-operated Financing Business	Total
	RMB'000	RMB'000	RMB'000
Revenues	321,141	1,230,267	1,551,408
Gross profit	248,149	645,713	893,862
Operating profit	87,460	210,548	298,008

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

5 Segment information—continued

The major customers which contributed more than 10% of the total revenues of the Company for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 are listed as below.

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	%	%	%	(Unaudited) %	%
Transaction Platform Business					
Customer A	11.6%	*	*	*	*
Bitauto Group (Note 35)	*	30.4%	*	*	*
Self-operated Financing Business					
Chetuan (Note 35)	—	13.3%	*	*	*
Customer B	—	—	15.6%	*	*
Customer C	—	—	10.3%	22.5%	*

Note: * represents that the amount of revenues from such customer is less than 10% of the total revenues for that period.

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, substantially all of the non-current assets of the Group were located in the PRC.

The reconciliation of operating (loss)/profit to (loss)/profit before income tax for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 is presented in the consolidated income statements of the Group.

Breakdown of the Group's revenues is as follows:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	(Unaudited) RMB'000	RMB'000
Transaction platform business ^(a)	47,990	205,814	212,152	58,397	321,141
Provision of financing leases	—	65,461	767,250	200,672	1,083,813
Provision of operating leases	—	—	12,223	4,213	31,811
Sales of automobiles	—	—	473,017	181,774	103,293
Others	—	—	23,255	10,755	11,350
	<u>47,990</u>	<u>271,275</u>	<u>1,487,897</u>	<u>455,811</u>	<u>1,551,408</u>

Note:

- (a) The revenue generated from transaction platform business for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 includes sales of vehicle telematics devices amounting to nil, nil, nil, nil and RMB81,197,000, respectively.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6 Other (losses)/gains, net

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fair value gain/(loss) on financial assets (Note 15)	—	2,126	(17,126)	—	6,829
Government grants	—	179	18,294	6,503	2,585
(Loss)/Gain on disposal of property and equipment	—	—	(44)	2	(222)
Foreign exchange (losses)/gains, net	(908)	17,222	9,082	3,496	(211)
Others, net	(3)	(88)	7,205	1,461	(4,143)
	<u>(911)</u>	<u>19,439</u>	<u>17,411</u>	<u>11,462</u>	<u>4,838</u>

7 Expenses by nature

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Funding costs	—	592	187,233	27,164	409,175
Employee benefit expenses (Note 8)	32,906	72,984	302,234	94,792	285,802
Marketing and advertising expenditures	4,452	71,335	109,016	31,226	111,447
Cost of automobiles sold	—	—	471,736	180,864	103,110
Depreciation and amortization charges (Note 12, 13)	230	27,842	46,952	20,942	71,298
Leasing related expenses	—	4,100	96,261	19,364	67,787
Office and administrative expenses	6,211	14,572	44,765	16,590	38,460
Provision for credit losses of finance receivables (Note 18)	—	—	29,052	—	35,368
Cost of vehicle telematics devices sold	—	—	—	—	30,585
Office rental expenses	261	7,919	18,628	7,904	13,469
Provision for impairment of trade receivables (Note 19)	204	572	34,951	—	12,956
Provision for impairment of other receivables (Note 20)	—	—	2,606	—	5,697
Listing expenses	—	—	—	—	5,571
Auditors' remuneration	—	—	2,065	—	1,823
Other expenses	4,431	27,451	64,168	17,407	65,690
Total cost of revenues, selling and marketing expenses, administrative expenses and research and development expenses	<u>48,695</u>	<u>227,367</u>	<u>1,409,667</u>	<u>416,253</u>	<u>1,258,238</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

8 Employee benefit expenses

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	23,151	53,912	239,825	74,122	218,417
Pension costs—defined contribution plans	855	4,540	23,987	8,785	20,424
Other social security costs, housing benefits and other employee benefits	5,185	8,245	32,609	10,069	30,016
Share-based compensation expenses (Note 24)	3,715	6,287	5,813	1,816	16,945
Total employee benefit expenses	32,906	72,984	302,234	94,792	285,802

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 include 1, 1, 1, 1 and 1 director whose emoluments are reflected in the analysis shown in Note 36. The emoluments payable to the remaining 4, 4, 4, 4 and 4 individuals for each of the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	2,272	4,845	6,862	2,342	2,770
Pension costs—defined contribution plans	275	161	178	97	69
Other social security costs, housing benefits and other employee benefits	140	193	215	106	65
Share-based compensation expenses	692	392	367	340	3,127
	<u>3,379</u>	<u>5,591</u>	<u>7,622</u>	<u>2,885</u>	<u>6,031</u>

The emoluments fell within the following bands:

	Numbers of individuals				
	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
Nil to HK\$500,000	—	—	—	—	—
HK\$500,001 to HK\$1,000,000	3	—	—	3	2
HK\$1,000,001 to HK\$1,500,000	—	2	—	1	1
HK\$1,500,001 to HK\$2,000,000	1	—	2	—	—
HK\$2,000,001 to HK\$2,500,000	—	2	1	—	—
HK\$2,500,001 to HK\$3,000,000	—	—	1	—	—
HK\$3,000,001 to HK\$3,500,000	—	—	—	—	—
HK\$3,500,001 to HK\$4,000,000	—	—	—	—	1
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9 Finance income and expenses

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance expenses:					
—Interest expenses	—	2,867	8,031	5,389	1,287
—Issuance costs of convertible redeemable preferred shares	—	9,343	21,219	—	14,318
	—	12,210	29,250	5,389	15,605
Finance income:					
—Interest income	(787)	(5,283)	(15,755)	(1,071)	(14,918)
	(787)	(5,283)	(15,755)	(1,071)	(14,918)
Net finance (income)/expenses	<u>(787)</u>	<u>6,927</u>	<u>13,495</u>	<u>4,318</u>	<u>687</u>

10 Income tax expense

The income tax expense of the Group for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 is analyzed as follows:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income tax	3,678	26,602	64,303	30,560	113,955
Deferred income tax (Note 29)	(4,572)	4,572	(5,960)	—	(12,045)
Income tax expense	<u>(894)</u>	<u>31,174</u>	<u>58,343</u>	<u>30,560</u>	<u>101,910</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10 Income tax expense—continued

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the tax rate of 25%, being the tax rate applicable to the major consolidated entities as follows:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(Loss)/Profit before income tax	(829)	2,968	(1,345,995)	29,913	(6,003,149)
Tax calculated at PRC statutory income tax rate of 25%	(207)	742	(336,499)	7,478	(1,500,787)
Tax effects of:					
—Differential income tax rates applicable to certain entities comprising the Group (Note (a), (b))	283	21,580	370,307	9,136	1,585,412
—Income not subject to tax	—	(665)	—	—	—
—Tax effect of preferential tax treatments (Note (c))	—	—	—	—	(15,716)
—Expenses not deductible for tax purposes	4,870	4,822	29,251	18,073	25,510
—Tax losses and temporary differences for which no deferred income tax asset was recognized	—	4,370	—	—	3,593
—Utilization of previously unrecognized tax losses and temporary differences	—	—	(4,370)	(4,370)	—
—Recognition of deferred income tax assets previously unrecognized	(5,840)	—	—	—	—
—Others	—	325	(346)	243	3,898
Income tax expense	<u>(894)</u>	<u>31,174</u>	<u>58,343</u>	<u>30,560</u>	<u>101,910</u>

(a) Cayman Islands Income Tax

The Company is incorporated under the law of the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax. As such, the operating results reported by the Company, including the fair value loss of Preferred Shares (Note 27), is not subject to any income tax.

(b) Hong Kong Income Tax

Hong Kong income tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

(c) PRC Enterprise Income Tax (“EIT”)

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% on the assessable profits for the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof.

Shanghai Lanshu Information Technology Co., Ltd. (“Shanghai Lanshu”) was accredited as a “software enterprise” under the relevant PRC laws and regulations in 2017. Therefore, Shanghai

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**10 Income tax expense—continued**

(c) PRC Enterprise Income Tax (“EIT”)—continued

Lanshu is exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years.

(d) PRC Withholding Tax (“WHT”)

According to the PRC Enterprise Income Tax Law (“EIT Law”), distribution of profits earned by PRC companies since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

During the Track Record Period, the Group did not have any plan to require its PRC subsidiaries to distribute their retained earnings and intended to retain them to operate and expand the business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as of the end of each reporting period.

11 Earnings/(Loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year/period.

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(Loss) attributable to owners of the Company (RMB'000)	65	(28,206)	(1,401,333)	(647)	(6,099,375)
Weighted average number of ordinary shares in issue . . .	<u>110,892,256</u>	<u>134,463,355</u>	<u>134,999,060</u>	<u>134,999,060</u>	<u>134,999,060</u>
Basic earnings/(loss) per share (expressed in RMB per share)	<u>0.00</u>	<u>(0.21)</u>	<u>(10.38)</u>	<u>(0.00)</u>	<u>(45.18)</u>

The ordinary shares issued as part of the 2015 Reorganization, which is accounted for as business combination under common control, and the share subdivision effected in 2015 (Note 22) are included in the calculation of the weighted average number of shares for all periods presented because the consolidated financial statements of the group companies are prepared as if the current group structure had been in existence throughout the periods presented.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**11 Earnings/(Loss) per share—continued****(b) Diluted**

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended December 31, 2014, the Group had no dilutive potential ordinary shares. For the year ended December 31, 2015 and 2016 and the six months ended June 30, 2016 and 2017 the Group had one category of dilutive potential ordinary shares, which is the convertible redeemable preferred shares issued by the Company.

As the Group incurred losses for the years ended December 31, 2015 and 2016, and the six months ended June 30, 2016 and 2017, the dilutive potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive earnings/(loss) per share for the years ended December 31, 2014, 2015 and 2016, and the six months ended June 30, 2016 and 2017 are the same as basic earnings/(loss) per share of the respective years/periods.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12 Property and equipment

	Office equipment	Automobiles for corporate uses	Automobiles for operating leases	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2014					
Cost	979	—	—	755	1,734
Accumulated depreciation	(383)	—	—	(755)	(1,138)
Net book amount	<u>596</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>596</u>
For the year ended December 31, 2014					
Opening net book amount	596	—	—	—	596
Additions	335	—	—	—	335
Depreciation charge	(217)	—	—	—	(217)
Closing net book amount	<u>714</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>714</u>
As of December 31, 2014					
Cost	1,314	—	—	—	1,314
Accumulated depreciation	(600)	—	—	—	(600)
Net book amount	<u>714</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>714</u>
For the year ended December 31, 2015					
Opening net book amount	714	—	—	—	714
Additions	5,454	1,291	—	4,193	10,938
Depreciation charge	(598)	(86)	—	(233)	(917)
Closing net book amount	<u>5,570</u>	<u>1,205</u>	<u>—</u>	<u>3,960</u>	<u>10,735</u>
As of December 31, 2015					
Cost	6,756	1,291	—	4,193	12,240
Accumulated depreciation	(1,186)	(86)	—	(233)	(1,505)
Net book amount	<u>5,570</u>	<u>1,205</u>	<u>—</u>	<u>3,960</u>	<u>10,735</u>
For the year ended December 31, 2016					
Opening net book amount	5,570	1,205	—	3,960	10,735
Additions	15,681	3,053	84,455	2,427	105,616
Disposals	(7)	(1,173)	(116)	(84)	(1,380)
Business combination (Note 34)	463	—	—	748	1,211
Depreciation charge	(2,880)	(488)	(7,765)	(1,303)	(12,436)
Closing net book amount	<u>18,827</u>	<u>2,597</u>	<u>76,574</u>	<u>5,748</u>	<u>103,746</u>
As of December 31, 2016					
Cost	22,637	2,938	84,318	7,284	117,177
Accumulated depreciation	(3,810)	(341)	(7,744)	(1,536)	(13,431)
Net book amount	<u>18,827</u>	<u>2,597</u>	<u>76,574</u>	<u>5,748</u>	<u>103,746</u>
Six months ended June 30, 2016 (Unaudited)					
Opening net book amount	5,570	1,205	—	3,960	10,735
Additions	6,195	607	37,292	917	45,011
Disposals	(1)	—	—	—	(1)
Depreciation charge	(1,048)	(189)	(2,308)	(582)	(4,127)
Closing net book amount	<u>10,716</u>	<u>1,623</u>	<u>34,984</u>	<u>4,295</u>	<u>51,618</u>
As of June 30, 2016					
Cost	12,893	1,898	37,292	5,110	57,193
Accumulated depreciation	(2,177)	(275)	(2,308)	(815)	(5,575)
Net book amount	<u>10,716</u>	<u>1,623</u>	<u>34,984</u>	<u>4,295</u>	<u>51,618</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12 Property and equipment—continued

	Office equipment	Automobiles for corporate uses	Automobiles for operating leases	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended June 30, 2017					
Opening net book amount	18,827	2,597	76,574	5,748	103,746
Additions	8,492	1,217	491,296	1,832	502,837
Disposal	(81)	—	(24,000)	(279)	(24,360)
Distribution to Bitauto Group in 2017					
Reorganization	(493)	—	—	(102)	(595)
Depreciation charge	(2,784)	(318)	(28,342)	(1,418)	(32,862)
Closing net book amount	<u>23,961</u>	<u>3,496</u>	<u>515,528</u>	<u>5,781</u>	<u>548,766</u>
As of June 30, 2017					
Cost	29,574	4,058	545,796	8,714	588,142
Accumulated depreciation	(5,613)	(562)	(30,268)	(2,933)	(39,376)
Net book amount	<u>23,961</u>	<u>3,496</u>	<u>515,528</u>	<u>5,781</u>	<u>548,766</u>

Depreciation expenses have been charged to the consolidated income statements as follows:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of revenues	11	10	7,768	2,311	28,342
Selling and marketing expenses	69	250	2,275	562	1,387
Administrative expenses	57	520	2,177	1,170	2,718
Research and development expenses	80	137	216	84	415
	<u>217</u>	<u>917</u>	<u>12,436</u>	<u>4,127</u>	<u>32,862</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13 Intangible assets

	Goodwill	Trademarks and licenses	Customer relationships	Domain names	Computer software and technology	Business Cooperation Agreements (a)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2014							
Cost	—	7	—	6	64	—	77
Accumulated amortization	—	—	—	—	(3)	—	(3)
Net book amount	—	7	—	6	61	—	74
For the year ended December 31, 2014							
Opening net book amount	—	7	—	6	61	—	74
Additions	—	—	—	—	8	—	8
Disposals	—	—	—	(6)	—	—	(6)
Amortization charge	—	—	—	—	(13)	—	(13)
Closing net book amount	—	7	—	—	56	—	63
As of December 31, 2014							
Cost	—	7	—	—	72	—	79
Accumulated amortization	—	—	—	—	(16)	—	(16)
Net book amount	—	7	—	—	56	—	63
For the year ended December 31, 2015							
Opening net book amount	—	7	—	—	56	—	63
Additions	—	—	—	—	690	—	690
2015 Reorganization	—	—	—	—	—	92,067	92,067
Amortization charge	—	—	—	—	(72)	(26,853)	(26,925)
Closing net book amount	—	7	—	—	674	65,214	65,895
As of December 31, 2015							
Cost	—	7	—	—	762	92,067	92,836
Accumulated amortization	—	—	—	—	(88)	(26,853)	(26,941)
Net book amount	—	7	—	—	674	65,214	65,895
For the year ended December 31, 2016							
Opening net book amount	—	7	—	—	674	65,214	65,895
Additions	—	22,194	—	8,585	868	—	31,647
Business combination (Note 34)	115,848	—	30,700	17,200	16,022	—	179,770
Amortization charge	—	(1,537)	(536)	(767)	(987)	(30,689)	(34,516)
Closing net book amount	115,848	20,664	30,164	25,018	16,577	34,525	242,796
As of December 31, 2016							
Cost	115,848	22,201	30,700	25,785	17,652	92,067	304,253
Accumulated amortization	—	(1,537)	(536)	(767)	(1,075)	(57,542)	(61,457)
Net book amount	115,848	20,664	30,164	25,018	16,577	34,525	242,796

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13 Intangible assets—continued

	Goodwill	Trademarks and licenses	Customer relationships	Domain names	Computer software and technology	Business Cooperation Agreements (a)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended June 30,							
2016 (Unaudited)							
Opening net book amount	—	7	—	—	674	65,214	65,895
Additions	—	21,597	—	8,320	611	—	30,528
Amortization charge	—	(1,075)	—	(347)	(48)	(15,345)	(16,815)
Closing net book amount	—	20,529	—	7,973	1,237	49,869	79,608
As of June 30, 2016							
Cost	—	21,604	—	8,320	1,373	92,067	123,364
Accumulated amortization	—	(1,075)	—	(347)	(136)	(42,198)	(43,756)
Net book amount	—	20,529	—	7,973	1,237	49,869	79,608
For the six months ended June 30,							
2017							
Opening net book amount	115,848	20,664	30,164	25,018	16,577	34,525	242,796
Additions	—	4,551	—	4,209	6,017	—	14,777
Business combination (Note 34)	5,194	13,896	—	—	3,290	—	22,380
Disposals	(4,326)	(13,896)	—	—	(27)	—	(18,249)
2017 Reorganization	—	—	—	—	—	2,252,296	2,252,296
Amortization charge	—	(1,149)	(1,608)	(1,351)	(2,009)	(32,319)	(38,436)
Closing net book amount	116,716	24,066	28,556	27,876	23,848	2,254,502	2,475,564
As of June 30, 2017							
Cost	116,716	26,752	30,700	29,994	26,880	2,344,363	2,575,405
Accumulated amortization	—	(2,686)	(2,144)	(2,118)	(3,032)	(89,861)	(99,841)
Net book amount	116,716	24,066	28,556	27,876	23,848	2,254,502	2,475,564

Notes:

(a) The Business Cooperation Agreements comprise of the 2015 Traffic Support Services acquired upon the completion of 2015 Reorganization, and 2017 Traffic Support Services, Non-compete Undertakings and Automobile Model Database acquired upon the completion of 2017 Reorganization. The amortization charges are included in the "Selling and marketing expenses" of the consolidated income statements.

The 2015 Traffic Support Services is comprised of automobile financing services traffic support. The automobile financing services traffic support refers to all enquiries regarding automobile related financing, leasing, and/or insurance services and products arising from Bitauto Group, and will be directed from Bitauto Group to the Group. It is recognized at its fair value, which is established using the cost saving method. The cost saving is estimated by (i) the forecasted number of transaction leads that will be referred to the Group, multiplied by (ii) the expected unit price of the leads, which is determined from a market participant perspective by referencing to a number of comparable transactions. The Group applied a discount rate of 16.2% for valuing the 2015 Traffic Support Services. The intangible asset is amortized on a straight-line basis over 3 years up to February 16, 2018, which is the term stipulated in the 2015 Traffic Support Services.

The 2017 Traffic Support Services is comprised of automobile financing services traffic support and used automobile-related business traffic support. The automobile financing services traffic support refers to all enquiries regarding automobile related financing, leasing, and/or insurance services and products arising from Bitauto Group, and will be directed from Bitauto Group to the Group commencing on February 17, 2018, that is, upon the expiry of the 2015 Traffic Support Services. The used automobile-related business traffic support refers to all enquiries regarding used automobile-related business arising from Bitauto Group, and is directed from Bitauto Group to the Group commencing on May 26, 2017. Such used automobile-related business traffic support was not included in the 2015 Traffic Support Services. The 2017 Traffic Support Services is recognized at its fair value, which is established using the cost saving method. The cost saving is estimated by (i) the number of transaction leads that will be referred to the Group, which is agreed upon in the 2017 Traffic Support Services, multiplied by (ii) the expected unit price of the leads, which is determined from a market participant perspective by referencing to a number of comparable transactions. The Group further applied a discount rate of 14% to the estimated

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13 Intangible assets—continued

(a) —continued

cost saving for each year to determine the fair value. As there is a commitment on the number of transaction leads, the 2017 Traffic Support Services is/will be amortized on an actual usage basis, i.e. based on the actual number of transaction leads directed to the Group by Bitauto Group during the year or period.

The Non-compete Undertakings is recognized at its fair value, which is established using the with and without method. The Group applied a discount rate of 16% for valuing the Non-compete Undertakings. The intangible asset is amortized on a straight-line basis over 15 years. The Group determined the useful life of the Non-compete Undertakings to be 15 years based on the following reasons: (i) there is no specific contractual expiration date for the Non-compete Undertakings. According to the Business Cooperation Agreements, the undertakings would remain in effect until Bitauto Group holds less than 10% equity interest in the Company and is no longer entitled to nominate director(s) of the Company. Given the significant strategic role of the Group in Bitauto Group's overall business plan, currently and in the foreseeable future, such undertakings would remain and continue in effect; and (ii) for the purpose of fair value assessment, after consultation with its appraisal firm, the Group decided to perform valuation for the assets for up to 15 years, which would be sufficient to capture the vast majority of the cash flow generated from the assets. Management noted that the length of such 15-year period is aligned with the Group's long-term strategies and business development plans.

The Automobile Model Database is recognized at its fair value, which is established using the cost saving method. The Group applied a discount rate of 14% for valuing the Automobile Model Database. The intangible asset is amortized on a straight-line basis over 20 years which is the term stipulated in the Business Cooperation Agreements.

A summary of intangible assets recorded as part of 2017 Reorganization is as follows:

	RMB'000
2017 Traffic Support Services:	
Automobile financing services traffic support	459,654
Used automobile-related business traffic support	872,582
Non-compete Undertakings	309,686
Automobile Model Database	610,374
	<u>2,252,296</u>

As of June 30, 2017, the directors are not aware of any events or changes in circumstances which would indicate that the carrying amount of the intangible assets may not be recoverable.

For the 2017 automobile financing services traffic support that is not yet in use, the Group will perform a test for impairment annually.

(b) Impairment tests for goodwill

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts to the carrying amounts. As of December 31, 2016, the goodwill impairment test was performed at the Group level. The recoverable amount was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a seven-years period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the seven-years period. The Group believes that it is appropriate to cover a seven-year period in its cash flow projection, because it captures the development stage of the Group's businesses during which the Group expects to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. While the industry consultant hired by the Group has provided projections for a five-year period, the management leveraged their extensive experiences in automobile and finance industries and provided forecast for an extended period based on past performance and their expectation of future business plans and market developments.

The key assumptions used by management for value-in-use calculations include (i) average annual revenue growth rate, which is 39.9% for a seven-years period, and (2) discount rate, which is 16.0%. The estimated growth rate used in the value-in-use calculations for period beyond the seven-years period is 3.0%.

The revenue growth rates applied by the Group are consistent with those estimated by the industry reports, and do not exceed the long-term average growth rates of the industry the Company operates. Management estimates budgeted gross margin based on past experiences and forecasts of future market developments. The discount rate used by management is the pre-tax interest rate that is able to reflect the risks.

As of December 31, 2016, the directors are of the view that there was no evidence of impairment of goodwill.

The Group has performed a sensitivity analysis on key assumptions used in management's 2016 annual impairment test of goodwill. As of December 31, 2016, the recoverable amount calculated based on value in use exceeded carrying value by RMB1.1 billion. Had the estimated revenue during the forecast period been 3% percentage lower, the remaining headroom would be decreased to RMB351.9 million. A reasonably possible change in key assumptions used in the impairment test of goodwill would not cause the carrying amount to exceed its recoverable amount as of December 31, 2016.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13 Intangible assets—continued

(b) Impairment tests for goodwill—continued

In accordance with the Group's accounting policies, goodwill is tested for impairment on an annual basis at each year end. As of June 30, 2017, management did not identify any impairment indicators considering (i) the Group's actual financial performance for the six months ended June 30, 2017 is not inconsistent with the forecast utilized in the impairment test as of December 31, 2016; (ii) management is not aware of any significant changes that could have adverse impact on the businesses, and as a result, no impairment assessment as of June 30, 2017 was considered necessary.

Amortization charges were expensed in the following categories in the consolidated income statements:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of revenues	—	—	2,073	1,077	2,712
Selling and marketing expenses	7	26,860	30,903	15,380	34,796
Administration expenses	—	58	1,511	354	904
Research and development expenses	6	7	29	4	24
	<u>13</u>	<u>26,925</u>	<u>34,516</u>	<u>16,815</u>	<u>38,436</u>

14 Investments in associates in the form of ordinary shares

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At beginning of the year/period	—	100	100	100	100
Additions	100	—	—	—	5,933
Distribution to Bitauto Group in 2017					
Reorganization	—	—	—	—	(100)
Share of losses of the associates	—	—	—	—	—
At end of the year/period	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>5,933</u>

Investment in an associate in the form of ordinary shares as of June 30, 2017 is as follows:

<u>Name of entity</u>	<u>Place of business/country of incorporation</u>	<u>% of ownership interest</u>	<u>Nature of the relationship</u>	<u>Measurement method</u>	<u>Investment date</u>
Beijing Meibang Insurance Brokerage Co., Ltd.	PRC	25.00	Note ^(a)	Equity	June 26, 2017

Note:

- (a) On April 6, 2017, the Group acquired 100% of the equity interests of Beijing Meibang Insurance Brokerage Co., Ltd. ("Meibang Insurance"), a Company specializing in insurance brokerage business, for a cash consideration of approximately RMB23,730,000. On June 26, 2017, the Group disposed 75% of the equity interests of Meibang Insurance to an independent third party for a cash consideration of approximately RMB17,798,000.

Summarized financial information of investments in associates in the form of ordinary shares

Set out below is the summarized financial information of Meibang Insurance as of June 30, 2017 which is accounted for using the equity method used by the Group.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14 Investments in associates in the form of ordinary shares—continued

Summarized balance sheets

	As of June 30, 2017
	RMB'000
Current assets	9,734
Non-current assets	18,470
Current liabilities	(998)
Non-current liabilities	(3,474)
Net assets	<u>23,732</u>

Revenue and total comprehensive income of Meibang Insurance for the period since the date the Group obtained significant influence over Meibang Insurance through June 30, 2017 was minimal, so the related financial information is not presented.

Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of the Group's interests in investments in the associates:

	Six months ended June 30, 2017
	RMB'000
Opening investment at beginning of the year/period	—
Additions	5,933
Share of losses of investment in an associate	—
Carrying value at end of the year/period	<u>5,933</u>

15 Financial assets at fair value through profit or loss

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At beginning of the year/period	—	—	17,126	17,126	150,000
Additions	—	15,000	150,000	150,000	—
Fair value gain/(loss)	—	2,126	(17,126)	—	6,829
At end of the year/period	<u>—</u>	<u>17,126</u>	<u>150,000</u>	<u>167,126</u>	<u>156,829</u>

The Group made investments in redeemable convertible preferred shares and ordinary shares with preferential rights of certain private companies. These investments held by the Company contain embedded derivatives that are not closely related to the host contract. After considering the Group's investment objectives and intention, the Group decided to not bifurcate the embedded derivatives from the host instruments and designated the entire hybrid contracts as financial assets at fair value through profit or loss, with the changes in the fair value recorded in "other (losses)/gains, net" in the consolidated income statements.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 Financial assets at fair value through profit or loss—continued

For the years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, the Group recorded fair value gain of nil, RMB2,126,000, fair value loss of RMB17,126,000, nil and fair value gain of RMB6,829,000 against the carrying amount of its investments in the investee companies, respectively, based on results of its fair value assessment.

16 Investments in subsidiaries—Company

	As of December 31,			As of
	2014	2015	2016	June 30,
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Investments in subsidiaries ^(a)	—	—	—	170,071
Deemed investment arising from 2015 Reorganization ^(b) . . .	—	535,525	572,092	558,682
Deemed investment arising from 2017 Reorganization ^(c) . . .	—	—	—	2,233,792
	—	535,525	572,092	2,962,545

Notes:

- (a) On November 27, 2014, the Company established Yixin HK with issued and paid-in capital of HK\$10 (equivalent to approximately RMB8). On May 26, 2017, the Company acquired 100% of the equity interests of KKC of US\$25,105,000 (equivalent to approximately RMB170,071,000) through 2017 Reorganization (Note 1).
- (b) The amount represents the deemed investment arising from the issuance of the Company's ordinary shares to Bitauto HK in exchange for Auto Finance Transaction Business rendered by Bitauto Group's Auto Finance Department and Bitauto Group's traffic support services currently which was deemed to be contributed by the Company to some of its operating entities in China (Note 1). The amount is recorded on a historical basis denominated in US\$, which is the functional currency of the Company. It is further translated into RMB, which is the presentation currency of the Group's consolidated financial statements, with the changes recorded as currency translation differences in other reserves.
- (c) The amount represents the deemed investment arising from the issuance of the Company's series C preferred shares to Bitauto and Bitauto HK in exchange for Used Automobile Transaction Business rendered by Beijing Xinbao and KKC and Bitauto Group's Non-compete Undertakings, 2017 Traffic Support Services and Automobile Model Database which was deemed to be contributed by the Company to some of its operating entities in China (Note 1).

17 Financial instruments by category

	As of December 31,			As of
	2014	2015	2016	June 30,
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Assets as per balance sheet				
Financial assets at fair value through profit or loss:				
—Long-term investments (Note 15)	—	17,126	150,000	156,829
Loans and receivables:				
—Finance receivables (Note 18)	—	2,861,480	14,363,866	19,678,414
—Trade receivables (Note 19)	10,216	127,784	180,145	308,913
—Deposits and other assets (Note 20)	38,406	58,353	499,055	442,047
—Restricted cash (Note 21(b))	—	—	3,177,631	2,711,489
—Cash and cash equivalents (Note 21(a))	191,509	710,393	660,852	1,168,416
	240,131	3,775,136	19,031,549	24,466,108

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17 Financial instruments by category—continued

	As of December 31,			As of
	2014	2015	2016	June 30,
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Liabilities as per balance sheet				
Financial liabilities at fair value through profit or loss:				
—Convertible redeemable preferred shares (Note 27)	—	2,588,232	8,071,817	17,516,756
Financial liabilities at amortized cost:				
—Borrowings (Note 28)	—	—	11,319,427	17,000,901
—Trade payables (Note 25)	2,049	97,452	508,385	469,650
—Other payables (excluding advances from customers, staff costs and welfare accruals, deferred revenue and other accruals) (Note 26)	86,908	965,235	1,213,918	963,230
—Other non-current liabilities (Note 30)	—	29,739	100,089	93,428
	<u>88,957</u>	<u>3,680,658</u>	<u>21,213,636</u>	<u>36,043,965</u>

18 Finance receivables

The Group provides automobile financing lease services on its self-operated financing business. Details of finance receivables as of December 31, 2014, 2015 and 2016 and June 30, 2017 is as below:

	As of December 31,			As of
	2014	2015	2016	June 30,
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Finance receivables				
—Finance receivables, gross	—	3,161,600	16,741,372	22,814,124
—Unearned finance income	—	(300,120)	(2,355,020)	(3,104,963)
Finance receivables, net	—	2,861,480	14,386,352	19,709,161
Less: provision for credit losses	—	—	(22,486)	(30,747)
Carrying amount of finance receivables	—	<u>2,861,480</u>	<u>14,363,866</u>	<u>19,678,414</u>
Finance receivables, gross				
—Within one year	—	2,387,752	7,805,828	10,354,209
—After one year but not more than five years	—	773,848	8,935,544	12,459,915
	—	<u>3,161,600</u>	<u>16,741,372</u>	<u>22,814,124</u>
Finance receivables, net				
—Within one year	—	2,172,475	6,095,478	8,061,245
—After one year but not more than five years	—	689,005	8,290,874	11,647,916
Total	—	<u>2,861,480</u>	<u>14,386,352</u>	<u>19,709,161</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18 Finance receivables—continued

The following table sets forth the carrying amount of finance receivables by major categories:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Finance receivables:				
—Individual customers	—	1,073,792	14,023,136	19,418,800
—Auto dealers	—	1,787,688	340,730	259,614
	—	2,861,480	14,363,866	19,678,414

An aging analysis of finance receivables is as follows:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Not past due	—	2,861,480	14,178,815	19,270,909
Past due				
Up to 1 month	—	—	110,032	263,170
1 to 3 months	—	—	40,331	74,925
3 to 6 months	—	—	37,584	54,948
Over 6 months	—	—	19,590	45,209
Finance receivables, net	—	2,861,480	14,386,352	19,709,161
Less: provision for credit losses	—	—	(22,486)	(30,747)
Carrying amount of finance receivables	—	2,861,480	14,363,866	19,678,414

As of December 31, 2014, 2015 and 2016 and June 30, 2017, carrying amounts of the finance receivables are primarily denominated in RMB and approximate their fair values at each of the reporting dates.

Movements on the Group's provision for credit losses of finance receivables are as follows:

	Provision for credit losses
	RMB'000
Provision Movement:	
At January 1, 2014	—
Charge for the year	—
Write off	—
At December 31, 2014	—
Charge for the year	—
Write off	—
At December 31, 2015	—
Charge for the year	29,052
Write off	(6,566)
At December 31, 2016	22,486

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18 Finance receivables—continued

	Provision for credit losses
	<u>RMB'000</u>
Provision Movement (continued):	
At January 1, 2016	—
Charge for the period	—
Write off	—
At June 30, 2016 (Unaudited)	<u>—</u>
At January 1, 2017	22,486
Charge for the period	35,368
Write off	<u>(27,107)</u>
At June 30, 2017	<u>30,747</u>

19 Trade receivables

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade receivables	11,180	129,320	216,632	354,351
Less: provision for impairment	(964)	(1,536)	(36,487)	(45,438)
Trade receivables—net	<u>10,216</u>	<u>127,784</u>	<u>180,145</u>	<u>308,913</u>

(a) An aging analysis of trade receivables (net of provision for impairment) based on invoice date is as follows:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Up to 3 months	3,776	87,369	84,123	215,416
3 to 6 months	2,642	28,291	16,383	19,935
Over 6 months	3,798	12,124	79,639	73,562
	<u>10,216</u>	<u>127,784</u>	<u>180,145</u>	<u>308,913</u>

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the carrying amounts of trade receivables are primarily denominated in RMB and approximate their fair values at each of the reporting dates.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19 Trade receivables—continued

(b) The Group allows a credit period of no more than 90 days to its customers. As of December 31, 2014, 2015 and 2016 and June 30, 2017, trade receivables of RMB7,349,000, RMB77,982,000, RMB111,561,000 and RMB140,926,000 were past due but not impaired. The aging analysis of these trade receivables is as follows:

	As of December 31,			As of
	2014	2015	2016	June 30,
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Up to 3 months	2,817	43,303	17,634	47,429
3 to 6 months	1,928	24,044	15,994	20,235
Over 6 months	2,604	10,635	77,933	73,262
	<u>7,349</u>	<u>77,982</u>	<u>111,561</u>	<u>140,926</u>

There is no objective evidence that would lead to an impairment charge for the trade receivables past due but not impaired as of December 31, 2014, 2015 and 2016 and June 30, 2017.

Movements on the Group's provision for impairment of trade receivables are as follows:

	Individually impaired
	RMB'000
Provision Movement:	
At January 1, 2014	760
Charge for the year	204
At December 31, 2014	964
Charge for the year	572
At December 31, 2015	1,536
Charge for the year	34,951
At December 31, 2016	36,487
At January 1, 2016	1,536
Charge for the period	—
At June 30, 2016 (Unaudited)	1,536
At January 1, 2017	36,487
Effect of the distribution to Bitauto Group in 2017 Reorganization	(4,005)
Charge for the period	12,956
At June 30, 2017	45,438

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

20 Prepayments, deposits and other assets

Group

	As of December 31,			As of
	2014	2015	2016	June 30,
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Included in non-current assets:				
Prepayment for automobiles ^(a)	—	—	191,360	379,299
Automobiles purchased for future leases	—	—	250,151	510,119
Other prepayments and deposits	—	1,591	120,685	225,803
	—	1,591	562,196	1,115,221
Included in current assets:				
Prepaid taxes	100	8,050	124,217	213,119
Prepayments ^(b)	123	3,773	52,546	84,062
Advances to used car dealers	—	—	14,131	55,535
Operational advance to employees	—	173	35,987	47,491
Other receivables due from related parties (Note 35)	38,377	54,802	332,806	46,532
Others	28	4,052	47,344	104,662
	38,628	70,850	607,031	551,401
Less: provision for impairment	—	—	(2,606)	(5,092)
	38,628	70,850	604,425	546,309
Total	<u>38,628</u>	<u>72,441</u>	<u>1,166,621</u>	<u>1,661,530</u>

Notes:

- (a) The prepayment for automobiles as of December 31, 2014, 2015 and 2016 and June 30, 2017 includes prepayment to Chetuan amounting to nil, nil, nil and RMB150,133,000, respectively (Note 35(c)).
- (b) The prepayments as of December 31, 2014, 2015 and 2016 and June 30, 2017 include prepayments to Beijing Changxing Information Technology Co., Ltd. amounting to nil, nil, RMB28,850,000, RMB28,423,000, and prepayments to Beijing Jingdong Century Information Technology Co., Ltd. amounting to nil, nil, RMB3,831,000 and RMB3,134,000, respectively (Note 35(c)).

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the carrying amounts of prepayments, deposits and other assets are primarily denominated in RMB and approximate their fair values at each of the reporting dates. As of December 31, 2014, 2015 and 2016 and June 30, 2017, there are no significant balances that are past due.

	<u>Individually impaired</u>
	RMB'000
Provision Movement:	
At January 1, 2014	—
Charge for the year	—
At December 31, 2014	—
Charge for the year	—
At December 31, 2015	—
Charge for the year	2,606
At December 31, 2016	<u>2,606</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

20 Prepayments, deposits and other assets—continued

	<u>Individually impaired</u> RMB'000
Provision Movement (continued):	
At January 1, 2016	—
Charge for the period	—
At June 30, 2016 (Unaudited)	—
At January 1, 2017	2,606
Charge for the period	5,697
Write off	(3,211)
At June 30, 2017	<u>5,092</u>

Company

	<u>As of December 31,</u>			<u>As of</u> <u>June 30,</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from subsidiaries ^(a)	—	2,479,400	6,588,476	7,438,107
Amounts due from related parties	—	—	1,508	—
	<u>—</u>	<u>2,479,400</u>	<u>6,589,984</u>	<u>7,438,107</u>

Note:

(a) The amounts due from subsidiaries are in substance the parent's interest in the subsidiaries and carried at cost.

21 Cash and bank balances

(a) Cash and cash equivalents

Group

	<u>As of December 31,</u>			<u>As of</u> <u>June 30,</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	<u>191,509</u>	<u>710,393</u>	<u>660,852</u>	<u>1,168,416</u>

Company

	<u>As of December 31,</u>			<u>As of</u> <u>June 30,</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	<u>—</u>	<u>53,585</u>	<u>11,835</u>	<u>14,551</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21 Cash and bank balances—continued

(a) Cash and cash equivalents—continued

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
US\$	184,343	169,262	38,787	98,321
RMB	7,166	541,131	622,065	1,070,095
	<u>191,509</u>	<u>710,393</u>	<u>660,852</u>	<u>1,168,416</u>

(b) Restricted cash

Cash that is restricted as to withdrawal for use or pledged as security is reported separately on the face of the consolidated balance sheets, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows.

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Term deposits pledged for bank borrowings ^(a)	—	—	3,001,107	2,463,296
Cash deposited in asset-backed securitization vehicles ^(b)	—	—	165,524	219,012
Other deposits in banks	—	—	11,000	29,181
	—	—	<u>3,177,631</u>	<u>2,711,489</u>
	—	—	—	—

Notes:

- (a) The balance represents the term deposits placed with banks and used as pledged assets for the Group's bank borrowings.
(b) The balance represents the cash collected from the finance receivables that are deposited in asset-backed securitization vehicles by the Group. Such balance is restricted from withdrawal by the Group.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the carrying amounts of the Group's restricted cash are denominated in the following currencies:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
US\$	—	—	2,851,107	2,303,296
RMB	—	—	326,524	408,193
	—	—	<u>3,177,631</u>	<u>2,711,489</u>
	—	—	—	—

As of December 31, 2016 and June 30, 2017, the applicable interest rates per annum on restricted cash ranged from 0.30% to 2.75% and from 0.30% to 2.75%, respectively.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

22 Share capital and share premium

	Note	Number of ordinary shares	Nominal value of ordinary shares US\$'000	Number of preferred shares	Nominal value of preferred shares US\$'000
Authorized:					
Ordinary shares upon incorporation	(a)	50,000,000	50	—	—
As of December 31, 2014		<u>50,000,000</u>	<u>50</u>	<u>—</u>	<u>—</u>
Increase of authorized ordinary shares	(b)	50,000,000	50	—	—
Reclassification and re-designation on issuance of series A preferred shares	(d)	(34,602,469)	(35)	34,602,469	35
Effect of share subdivision	(e)	588,577,779	—	311,422,221	—
As of December 31, 2015		<u>653,975,310</u>	<u>65</u>	<u>346,024,690</u>	<u>35</u>
Increase of authorized ordinary shares	(f)	500,000,000	50	—	—
Reclassification and re-designation on issuance of series B preferred shares	(g)	(165,558,860)	(16)	165,558,860	16
As of December 31, 2016		<u>988,416,450</u>	<u>99</u>	<u>511,583,550</u>	<u>51</u>
Reclassification and re-designation on issuance of series C preferred shares	(i)	(108,551,910)	(11)	108,551,910	11
As of June 30, 2017		<u>879,864,540</u>	<u>88</u>	<u>620,135,460</u>	<u>62</u>
	Note	Number of ordinary shares	Nominal value of ordinary shares US\$'000	Equivalent Nominal value of ordinary shares RMB'000	Share premium RMB'000
Issued:					
Ordinary shares issued upon incorporation . . .	(a)	10	—	—	—
As of December 31, 2014		<u>10</u>	<u>—</u>	<u>—</u>	<u>—</u>
Newly issued ordinary shares	(c)	13,499,896	13	83	505,524
Effect of share subdivision	(e)	121,499,154	—	—	—
As of December 31, 2015		<u>134,999,060</u>	<u>13</u>	<u>83</u>	<u>505,524</u>
Newly issued ordinary shares	(h)	41,271,230	—	—	—
As of December 31, 2016		<u>176,270,290</u>	<u>13</u>	<u>83</u>	<u>505,524</u>
Cancellation of ordinary shares	(j)	(41,271,230)	—	—	—
As of June 30, 2017		<u>134,999,060</u>	<u>13</u>	<u>83</u>	<u>505,524</u>

Notes:

- (a) The Company was incorporated on November 19, 2014 with an authorized share capital of US\$50,000 divided into 50,000,000 ordinary shares of US\$0.001 each. On the same date, 10 ordinary shares of US\$0.001 each were issued and fully paid, totaling US\$0.01 (equivalent to approximately RMB0.06), to Bitauto HK.
- (b) On January 9, 2015, the Company increased its authorized share capital by US\$50,000 divided into 50,000,000 shares with a par value of US\$0.001 each.
- (c) On January 9, 2015, the Company entered into a share purchase agreement with Bitauto HK, pursuant to which the Company issued 13,499,896 ordinary shares to Bitauto HK in exchange for Bitauto Group's Auto Finance Transaction Business (Note 1), which was completed on February 16, 2015.
- (d) On January 9, 2015, the Company entered into a share purchase agreement with the series A preferred shares investors ("the Series A Investors") and pursuant to which, the Company issued 34,602,469 shares of series A preferred shares at a price of US\$11.27 per share with total consideration of US\$390,000,000 (equivalent to approximately RMB2,389,647,000). The issuance of series A preferred shares was completed on February 16, 2015.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

22 Share capital and share premium—continued

- (e) Pursuant to the shareholders' resolution passed on October 28, 2015, each issued and unissued ordinary share of US\$0.001 each of the Company will be subdivided into 10 ordinary shares of US\$0.0001 each so that the authorized share capital of the Company shall become US\$100,000 divided into 1,000,000,000 ordinary shares with par value of US\$0.0001 each. Any issued preferred share of US\$0.001 each of the Company will be subdivided into 10 preferred shares of US\$0.0001 each.
- (f) On August 1, 2016, the Company increased its authorized share capital by US\$50,000 divided into 500,000,000 shares with a par value of US\$0.0001 each.
- (g) On August 1, 2016, the Company entered into a share purchase agreement with the series B preferred shares investors ("the **Series B Investors**"), pursuant to which the Company issued 165,558,860 shares of series B preferred shares at a price of US\$3.32 per share with total consideration of US\$550,000,000 (equivalent to approximately RMB3,653,728,000). The issuance of series B preferred shares was completed on October 21, 2016.
- (h) On August 19, 2016, the Company issued 27,514,153 and 13,757,077 ordinary shares to Above Master Limited and Alpha Start Global Limited, respectively, two entities established in British Virgin Islands to implement share award schemes for the employees of the Group (collectively, "**Share Scheme Entities**"). As the Company has the power to govern the financial and operating policies of the Share Scheme Entities and can derive benefits from the contributions of the eligible persons who are awarded shares by the schemes, the directors of the Company consider that it is appropriate to consolidate the Share Scheme Entities.
- (i) On May 11, 2017, the Company entered into a share subscription agreement with the Series C preferred shares investors and pursuant to which, (i) the Company issued 70,934,920 shares of series C preferred shares to Bitauto, and 4,299,090 shares of series C preferred shares to Bitauto HK, in exchange for (1) Bitauto Group's Used Automobile Transaction Business, namely, the business carried out by Beijing Xinhao and KKC, (2) Bitauto Group non-compete undertakings in relation to the used automobile-related business, (3) free traffic support from Bitauto Group in relation to automobile financing services and used automobile-related business for a period of 3 years and automatically renewable for a further period of 2 years, with a minimum required number of qualified transaction leads to be provided each year, and (4) free access to Bitauto Group's automobile model database for a total of 20 years; (ii) the Company issued 33,317,900 shares of series C preferred shares at a price of US\$4.65 per share with total cash consideration of US\$155,000,000 (equivalent to approximately RMB1,064,819,000). The issuance of series C preferred shares was completed on May 26, 2017.
- (j) On May 26, 2017, in conjunction with the Company's adoption of Pre-IPO Share Option Scheme and First Share Award Scheme (Note 24(b)), all ordinary shares held by Above Master Limited and Alpha Start Global Limited have been cancelled.
- (k) On October 12, 2017, the Company modified the share option agreement with 20 grantees, including 1 director, 6 other senior management members, and 13 other employees, by immediately vesting a total of 15,957,262 share options held by the grantees. On the same date, the grantees exercised the share options in full for 15,957,262 ordinary shares issued by the Company and transferred 7,167,993, 3,439,269 and 5,350,000 ordinary shares to Xindu Limited, Spring Forests Limited and Yidu Limited, respectively, which are trusts established to hold the shares for and on behalf of the grantees. The grantees' entitlement of the trusts are subject to vesting conditions that are substantially the same as those in the share option agreement before abovementioned modification.
- (l) Pursuant to the shareholders' resolution passed on November 1, 2017, subject to the share premium account of the Company being credited by an amount of US\$462,655.0692 as a result of the issue of shares pursuant to the Global Offering, the Company will, on the Listing Date allot and issue a total of 4,626,550,692 ordinary shares of US\$0.0001 each credited as fully paid at par to the shareholders and convertible redeemable preferred shareholders of the Company whose names appear on the register of members of the Company on the day preceding the Listing Date in proportion to their then existing shareholdings in the Company by capitalizing US\$462,655.0692 from the share premium account of the Company. The ordinary shares allotted and issued pursuant to the above capitalization issue will rank pari passu in all respects with the existing issued ordinary shares.
- (m) Pursuant to the shareholders' resolution passed on November 1, 2017, immediately upon the conversion of the convertible redeemable preferred shares into ordinary shares, the Company will increase its authorized share capital by US\$1,350,000 divided into 13,500,000,000 shares with a par value of US\$0.0001 each to US\$1,500,000 divided into 15,000,000,000 shares with a par value of US\$0.0001 each. Each ordinary share to be created will rank pari passu in all respects with the ordinary shares in issue.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

23 Other reserves

Group

	Note	Capital reserve RMB'000	Statutory surplus reserve (b) RMB'000	Share- based compensation reserve RMB'000	Currency translation differences (c) RMB'000	Total RMB'000
At January 1, 2014		5,000	—	803	—	5,803
Capital contribution from owners ^(a) ..		184,477	—	—	—	184,477
Share-based compensation under Bitauto ESOP	24	—	—	3,715	—	3,715
At December 31, 2014		189,477	—	4,518	—	193,995
Currency translation differences		—	—	—	(134,145)	(134,145)
2015 Reorganization	1	(618,734)	—	—	—	(618,734)
Capital contribution from owners ^(a) ..		250,000	—	—	—	250,000
Share-based compensation under Bitauto ESOP	24	—	—	6,287	—	6,287
Appropriation to statutory reserves ...		—	2,233	—	—	2,233
At December 31, 2015		(179,257)	2,233	10,805	(134,145)	(300,364)
Currency translation differences		—	—	—	(289,476)	(289,476)
Capital contribution from owners ^(a) ..		157,478	—	—	—	157,478
Share-based compensation under Bitauto ESOP	24	—	—	5,813	—	5,813
Appropriation to statutory reserves ...		—	14,916	—	—	14,916
At December 31, 2016		(21,779)	17,149	16,618	(423,621)	(411,633)
At January 1, 2016		(179,257)	2,233	10,805	(134,145)	(300,364)
Currency translation differences		—	—	—	(70,057)	(70,057)
Share-based compensation under Bitauto ESOP	24	—	—	1,816	—	1,816
At June 30, 2016 (Unaudited)		(179,257)	2,233	12,621	(204,202)	(368,605)
At January 1, 2017		(21,779)	17,149	16,618	(423,621)	(411,633)
Currency translation differences		—	—	—	257,553	257,553
Capital contribution from owners ^(a) ..		(6,170)	—	—	—	(6,170)
2017 Reorganization	1	(403,605)	—	—	—	(403,605)
Share-based compensation under Bitauto ESOP	24	—	—	16,945	—	16,945
At June 30, 2017		(431,554)	17,149	33,563	(166,068)	(546,910)

Notes:

- (a) Capital contribution from owners of the Group arises from capital contribution by Bitauto Group to entities that were subsequently acquired by the Group in 2015 Reorganization and 2017 Reorganization.
- (b) The Company's subsidiaries incorporated in the PRC are required to make appropriations to statutory reserves from their profits for the year after offsetting accumulated losses carried forward from prior years and before distribution to equity holders. The percentages to be appropriated to such statutory reserves are determined according to the relevant regulations in the PRC, and further appropriation is optional when the accumulated statutory surplus reserve fund is 50% or more of the registered capital of the subsidiaries.
- (c) Currency translation differences represent the differences arising from the translation of the financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

23 Other reserves—continued

Company

	Currency translation differences (a)
	RMB'000
At January 1 and December 31, 2014	—
Currency translation differences	27,444
At December 31, 2015	27,444
Currency translation differences	(32,600)
At December 31, 2016	(5,156)
At January 1, 2016	27,444
Currency translation differences	9,628
At June 30, 2016 (Unaudited)	37,072
At January 1, 2017	(5,156)
Currency translation differences	111,484
At June 30, 2017	106,328

Note:

- (a) Currency translation differences represent the difference arising from the translation of the financial statements of the Company, of which the functional currency is US\$, into the financial statements of the Company presented in RMB.

24 Share-based payments

(a) Bitauto ESOP

Bitauto, the controlling shareholder of the Group, granted share-based awards to a number of the Group's employees, under Bitauto's Employee Stock Incentive Plans ("**Bitauto ESOP**"), in exchange for their services to certain of the Group's subsidiaries.

On December 31, 2006, Bitauto implemented an Employee Stock Incentive Plan ("**Bitauto 2006 Plan**") under which Bitauto has reserved 1,028,512.5 ordinary shares for employees. The Board of Directors of Bitauto granted employees of the Group options to subscribe Bitauto's ordinary shares.

On February 8, 2010, Bitauto implemented an Employee Stock Incentive Plan ("**Bitauto 2010 Plan**") under which Bitauto has reserved 3,089,887.5 ordinary shares for employees. The 2010 Plan stipulates that if options granted are forfeited, the forfeited options can be added back to the option pool to be granted to other employees. The board of Bitauto granted employees of Bitauto options to subscribe Bitauto's ordinary shares.

On August 7, 2012, Bitauto implemented an Employee Stock Incentive Plan ("**Bitauto 2012 Plan**") under which Bitauto has reserved 1,908,180.0 ordinary shares to motivate, attract and retain employees, and directors. The 2012 Plan permits the awards of options and restricted shares units ("**RSUs**").

On November 17, 2016, Bitauto implemented an Employee Stock Incentive Plan ("**Bitauto 2016 Plan**") under which Bitauto has reserved 2,500,000.0 ordinary shares to attract and retain the best

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24 Share-based payments—continued

(a) Bitauto ESOP—continued

available personnel and provide additional incentives to employees, officers, directors and advisors of Bitauto. The Bitauto 2016 Plan permits the awards of options and RSUs.

The total expenses recognized in the consolidated income statements for share-based awards granted under Bitauto ESOP to the Group's employees are RMB3,715,000, RMB6,287,000, RMB5,813,000, RMB1,816,000 and RMB16,945,000 for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017.

Bitauto share options granted to the Group's employees

Bitauto granted share options on December 31, 2006, February 8, 2010, December 28, 2010 and August 7, 2012, respectively. Options granted typically expire in ten years from the respective grant dates, except for options granted on December 31, 2006 of which expiration date was extended to December 31, 2026. The options have graded vesting terms, and vest in equal tranches from the grant date over three or four years, on condition that employees remain in service without any performance requirements.

Movements in the number of Bitauto share options granted to the Group's employees and their related weighted average exercise prices are as follows:

	<u>Number of share options</u>	<u>Weighted average exercise price</u>
		(US\$)
Outstanding as of January 1, 2014	688,438	4.16
Exercised during the year	(287,938)	4.68
Forfeited during the year	(25,000)	4.03
Outstanding as of December 31, 2014	<u>375,500</u>	3.76
Exercisable as of December 31, 2014	<u>225,500</u>	3.59
Outstanding as of January 1, 2015	375,500	3.76
Exercised during the year	(93,934)	4.52
Outstanding as of December 31, 2015	<u>281,566</u>	3.51
Exercisable as of December 31, 2015	<u>206,566</u>	3.32
Outstanding as of January 1, 2016	281,566	3.51
Exercised during the year	(241,566)	3.56
Outstanding as of December 31, 2016	<u>40,000</u>	3.20
Exercisable as of December 31, 2016	<u>40,000</u>	3.20
Outstanding as of January 1, 2016	281,566	3.51
Exercised during the period	(75,000)	3.54
Outstanding as of June 30, 2016 (Unaudited)	<u>206,566</u>	3.50
Exercisable as of June 30, 2016 (Unaudited)	<u>131,566</u>	3.20

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24 Share-based payments—continued

(a) Bitauto ESOP—continued

Bitauto share options granted to the Group's employees—continued

	<u>Number of share options</u>	<u>Weighted average exercise price</u> (US\$)
Outstanding as of January 1, 2017	40,000	3.20
Exercised during the period	<u>(40,000)</u>	3.20
Outstanding as of June 30, 2017	—	—
Exercisable as of June 30, 2017	<u>—</u>	—

Fair value of Bitauto share options

The directors have used Binomial option-pricing model to determine the fair value of the share options as of the grant dates. Key assumptions are set as below:

	<u>February 8, 2010</u>	<u>December 28, 2010</u>	<u>August 7, 2012</u>
Fair value per share	US\$3.02	US\$10.16	US\$4.20
Exercise price	US\$3.20	US\$10.20	US\$4.03
Risk-free interest rate	3.62%	3.58%	1.72%
Dividend yield	0.00%	0.00%	0.00%
Weighted-average fair value per option granted	US\$3.60	US\$ 5.36	US\$2.34
Expected volatility	60%	69%	53%
Expected terms	10 years	10 years	10 years

The directors estimated the risk-free interest rate based on the yield of curve of US Treasury strips with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on the directors' estimation at the grant date.

Bitauto RSUs granted to the Group's employees

Starting from 2013, Bitauto granted RSUs to the Group's employees under share incentive plans. The RSUs granted would vest (i) on the anniversary of the grant date, or in equal tranches from the grant date over three or four years, on condition that employees remain in service without any performance requirements; or (ii) on specific dates, or in equal tranches from the grant date over three or four years, if the grantees' key performance indicators were achieved on each vest date. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24 Share-based payments—continued

(a) Bitauto ESOP—continued

Bitauto RSUs granted to the Group's employees—continued

Movements in the number of Bitauto RSUs granted to the Group's employees and the respective weighted-average grant date fair value are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU (US\$)
Outstanding as of January 1, 2014	7,000	29.01
Granted during the year	9,450	81.06
Vested and sold during the year	(308)	29.01
Forfeited during the year	(300)	81.06
Outstanding as of December 31, 2014	<u>15,842</u>	59.07
Vested as of December 31, 2014	<u>1,442</u>	29.01
Outstanding as of January 1, 2015	15,842	59.07
Granted during the year	15,300	56.26
Vested and sold during the year	(6,979)	78.14
Forfeited during the year	(3,000)	56.26
Outstanding as of December 31, 2015	<u>21,163</u>	51.15
Vested as of December 31, 2015	<u>5,363</u>	53.88
Outstanding as of January 1, 2016	21,163	51.15
Granted during the year	109,444	21.62
Vested and sold during the year	(9,929)	59.52
Forfeited during the year	(15,700)	18.79
Outstanding as of December 31, 2016	<u>104,978</u>	24.41
Vested as of December 31, 2016	<u>9,484</u>	46.48
Outstanding as of January 1, 2016	21,163	51.15
Granted during the period	50,500	18.84
Vested and sold during the period	(4,588)	56.80
Outstanding as of June 30, 2016 (Unaudited)	<u>67,075</u>	26.44
Vested as of June 30, 2016 (Unaudited)	<u>13,075</u>	55.10
Outstanding as of January 1, 2017	104,978	24.41
Granted during the period	506,687	21.44
Vested and sold during the period	(28,246)	23.70
Forfeited during the period	(18,250)	20.70
Outstanding as of June 30, 2017	<u>565,169</u>	21.90
Vested as of June 30, 2017	<u>6,113</u>	38.81

The fair value of Bitauto RSUs is determined based on the closing price of Bitauto's publicly traded ordinary shares on the date of grant.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**24 Share-based payments—continued****(b) Pre-IPO Share Option Scheme, First and Second Share Award Scheme**

On May 26, 2017, the Board of Directors of the Company approved the establishment of the Pre-IPO Share Option Scheme which was amended on September 1, 2017, the purpose of which is to provide an incentive for employees and persons contributing to the Group. The Pre-IPO Share Option Scheme shall be valid and effective for 10 years from the grant date. The maximum number of shares that may be issued pursuant to all awards (including incentive share options) under 2017 Share Incentive Plan shall be 59,780,609 shares.

On May 26, 2017, the Board of Directors of the Company approved the establishment of the First Share Award Scheme which was amended on September 1, 2017, the purpose of which is to provide an incentive for employees and persons contributing to the Group. The First Share Award Scheme shall be valid and effective for 10 years from the grant date. The maximum number of shares that may be issued pursuant to all awards (including incentive share options) under First Share Award Scheme shall be 10,118,631 shares.

During the Track Record Period, no share-based awards have been granted by the Group to its employees.

Subsequently from July 2017 to October 2017, 56,477,387 share options were granted to 149 grantees of the Group, including 2 directors, 7 other senior management members and 140 other employees. Subject to the grantee continuing to be an employee of the Group, 49.0%, 17.7%, 12.0%, 12.0%, 9.0% and 0.3% of the share options shall vest in 2017, 2018, 2019, 2020, 2021 and 2022, respectively. The exercise price of the share options is US\$0.01 per share.

On October 12, 2017, the Company modified the share option agreement with 20 grantees, including 1 director, 6 other senior management members, and 13 other employees, by immediately vesting a total of 15,957,262 share options held by the grantees. On the same date, the grantees exercised the share options in full for 15,957,262 ordinary shares issued by the Company and transferred 7,167,993, 3,439,269 and 5,350,000 ordinary shares to Xindu Limited, Spring Forests Limited and Yidu Limited, respectively, which are trusts established to hold the shares for and on behalf of the grantees. The grantees' entitlement of the trusts are subject to vesting conditions that are substantially the same as those in the share option agreement before abovementioned modification.

On September 1, 2017, the Board of Directors of the Company approved the establishment of the Second Share Award Scheme with the purpose of which is to provide an incentive for employees and persons contributing to the Group. The maximum number of shares that may be issued pursuant to all awards (including incentive share options) under Second Share Award Scheme shall be 5% of the total number of issued shares without Shareholders' approval, subject to an annual limit of 3% of the total number of issued shares at the relevant time.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25 Trade payables

	As of December 31,			As of
	2014	2015	2016	June 30,
	RMB'000	RMB'000	RMB'000	2017
Trade payables	2,049	97,452	508,385	469,650
	<u>2,049</u>	<u>97,452</u>	<u>508,385</u>	<u>469,650</u>

An ageing analysis of trade payables based on invoice date is as follows:

	As of December 31,			As of
	2014	2015	2016	June 30,
	RMB'000	RMB'000	RMB'000	2017
Up to 3 months	1,171	93,660	446,185	419,939
3 to 6 months	—	2,293	23,625	24,442
6 months to 1 year	102	7	37,077	22,360
Over 1 year	776	1,492	1,498	2,909
	<u>2,049</u>	<u>97,452</u>	<u>508,385</u>	<u>469,650</u>

26 Other payables and accruals

Group

	As of December 31,			As of
	2014	2015	2016	June 30,
	RMB'000	RMB'000	RMB'000	2017
Loans payable to Bitauto Group (Note 35)	—	832,349	628,853	583,808
Deposits payable	—	18,683	72,007	180,143
Advances from customers	3,898	10,216	59,869	109,408
Other payables to related parties for goods and services (Note 35)	86,846	112,297	435,355	88,845
Interest payable	—	—	42,364	72,156
Staff costs and welfare accruals	1,361	6,228	54,621	43,547
Others	2,098	19,300	82,002	120,221
	<u>94,203</u>	<u>999,073</u>	<u>1,375,071</u>	<u>1,198,128</u>

Company

	As of December 31,			As of
	2014	2015	2016	June 30,
	RMB'000	RMB'000	RMB'000	2017
Amounts due to subsidiaries	—	12,560	1,532	1,567
Loans payable to Bitauto Group	—	—	119,700	117,892
Interest payable	—	—	356	852
	<u>—</u>	<u>12,560</u>	<u>121,588</u>	<u>120,311</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**26 Other payables and accruals—continued**

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the carrying amounts of the Group's other payables and accruals, excluding advance from customers, staff costs and welfare accruals and other accruals, approximate their fair values at each of the reporting dates. They are primarily denominated in RMB, with the exception of certain loans payable to Bitauto Group, which are denominated in US\$ and amounted to nil, RMB652,349,000, RMB104,055,000 and RMB102,468,000 as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.

27 Convertible redeemable preferred shares

Since the date of incorporation, the Company has completed three rounds of financing by issuing convertible redeemable preferred shares, namely, series A preferred shares issued in 2015, series B preferred shares issued in 2016, and series C preferred shares issued in 2017.

On January 9, 2015, the Company entered into a share subscription agreement with the Series A Investors and pursuant to which, the Company issued 34,602,469 shares of series A preferred shares at a price of US\$11.27 per share (equivalent to 346,024,690 shares of series A preferred shares at a price of US\$1.13 per share after the effect of share subdivision (Note 22)) with total cash consideration of US\$390,000,000 (equivalent to approximately RMB2,389,647,000). The issuance of series A preferred shares was completed on February 16, 2015.

On August 1, 2016, the Company entered into a share subscription agreement with the Series B Investors and pursuant to which, the Company issued 165,558,860 shares of series B preferred shares at a price of US\$3.32 per share with total cash consideration of US\$550,000,000 (equivalent to approximately RMB3,653,728,000). The issuance of series B preferred shares was completed on October 21, 2016.

On May 11, 2017, the Company entered into a share subscription agreement with the Series C Investors and pursuant to which, (i) the Company issued 70,934,920 series C preferred shares to Bitauto, and 4,299,090 series C preferred shares to Bitauto HK, in exchange for (1) Bitauto Group's Used Automobile Transaction Business, namely, the business carried out by Beijing Xinbao and KKC, (2) Bitauto Group non-compete undertakings in relation to the used automobile-related business (3) free traffic support from Bitauto Group in relation to automobile financing services and used automobile-related business for a period of 3 years and automatically renewable for a further period of 2 years, with a minimum required number of qualified transaction leads to be provided each year, and (4) free access to Bitauto Group's automobile model database for a total of 20 years; (ii) the Company issued 33,317,900 shares of series C preferred shares at a price of US\$4.65 per share with total cash consideration of US\$155,000,000 (equivalent to approximately RMB1,064,819,000). The issuance of series C preferred shares was completed on May 26, 2017.

The key terms of the Preferred Shares are summarized as follows:

(a) Dividends rights

The holders of Preferred Shares are entitled to receive dividends, out of any assets legally available therefor, prior and in preference to any declaration or payment of any dividend on the ordinary shares or any other class or series of shares of the Company at the rate and in the amount as the Board of Directors considers appropriate. No dividends or other distributions shall be declared,

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**27 Convertible redeemable preferred shares—continued**

(a) Dividends rights—continued

paid or distributed (whether in cash or otherwise) on any ordinary share or any other class or series of shares unless and until (i) all declared but unpaid dividends on the Preferred Shares have been paid in full and (ii) a dividend in the like amount and kind has first been declared on the Preferred Shares on an as-if-converted basis and has been paid in full to the preferred shareholders.

(b) Conversion feature

The Preferred Share shall be automatically converted into fully-paid, non-assessable Ordinary Shares, based on the then-effective applicable conversion price for such share: (i) immediately prior to the closing of a Qualified Initial Public Offering (“**QIPO**”) or (ii) (A) on the date specified on a written request for such conversion from the holders of no less than seventy-five (75%) of outstanding series A preferred shares (calculated on an as converted basis) with respect to the conversion of the series A preferred shares, (B) on the date specified on a written request for such conversion from the holders of no less than seventy-five (75%) of outstanding series B preferred shares (calculated on an as converted basis) with respect to the conversion of the series B shares, or (C) on the date specified on a written request for such conversion from the holders of no less than seventy-five (75%) of outstanding series C preferred shares (calculated on an as converted basis) with respect to the conversion of the series C shares.

QIPO means a firm commitment underwritten public offering of Ordinary Shares of the Company or of the listing vehicle (or securities representing such Ordinary Shares) on a Recognized Exchange which meets the following requirements:(i) the offering price per share values the Company at US\$5,000,000,000 or more on a fully diluted basis immediately following the completion of such offering, and (ii) such offering results in gross proceeds of at least US\$400,000,000. A QIPO shall also include an IPO that does not satisfy the foregoing valuation and gross proceeds, provided that the holders of at least 70% of the then issued and outstanding Preferred Shares voting as a single class on an as-converted basis, have expressly agreed in writing that such an offering shall be deemed a “**Qualified IPO**”. Recognized Exchange means the main board of the Stock Exchange of Hong Kong, NASDAQ, New York Stock Exchange, Shanghai Stock Exchange or Shenzhen Stock Exchange.

(c) Redemption feature

From and after the fifth anniversary of the series C preferred shares issue Date, and prior to the consummation of a Qualified IPO, each holder of the Preferred Shares shall have the right at any time to require and demand the Company to redeem all of its Preference Shares, and the Company shall redeem all of the preference shares held by such holder at a per share price equal to the redemption price as applicable, within thirty (30) days from the date of the redemption notice given to the Company, unless a longer period of time is required under the relevant redemption notice.

The redemption price shall be paid by the Company to the Preferred Shares holders in an amount equal to: (i) one hundred percent (100%) of the original issue price on each Preferred Shares, plus (ii) an eight percent (8%) per annum interest of the original issue price on each Preferred Shares accrued during the period from the issue date of each Preferred Shares until the date on which the redemption price of is paid in full, and (iii) any accrued but unpaid dividends thereon.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

27 Convertible redeemable preferred shares—continued

(d) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the Preferred Shares holders shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of any other class or series of shares, the liquidation preference amount per share equal to the greater of: (i) 100% of the original issue price on each Preferred Shares, plus interest on the original issue price on each Preferred Shares at 8% per annum, compounded annually from the date of issuance to the date of completion of the Liquidation Event, plus any dividends declared and unpaid with respect to the Preferred Shares and (ii) the amount that each Preferred Share would receive on an as converted basis assuming that the assets and surplus funds are to be distributed to holders of the Preferred Shares and the holders of the Ordinary Shares on a pro rata basis.

The liquidation preference amount will be paid to the Preferred Shareholders in the following order: first to holders of Series C Preferred Shares, second to holders of Series B Preferred Shares, and third to holders of Series A Preferred Shares. After distributing or paying in full the liquidation preference amount to all of the Preferred Shareholders, the remaining assets of the Company available for distribution to members, if any, shall be distributed to the holders of ordinary shares and the Preferred Shareholders on a pro rata basis, based on the number of ordinary shares then held by each shareholder on an as converted basis. If the value of the remaining assets of the Company is less than aggregate liquidation preference amount payable to the holders of a particular series of Preferred Shares, then the remaining assets of the Company shall be distributed pro rata amongst the holders of all outstanding Preferred Shares of that series.

The Group does not bifurcate any embedded derivatives from the host instruments and designates the entire instruments as financial liabilities at fair value through profit or loss with the changes in the fair value recorded in the consolidated income statements.

	RMB'000
At January 1, 2014 and 2015	—
Issuance of series A preferred shares	2,389,647
Changes in fair value	53,452
Currency translation differences	145,133
At December 31, 2015	<u>2,588,232</u>
Total unrealized gains and change in fair value for the year included in “Fair value loss of convertible redeemable preferred shares”	<u>53,452</u>
At January 1, 2016	2,588,232
Issuance of series B preferred shares	3,653,728
Changes in fair value	1,428,141
Currency translation differences	401,716
At December 31, 2016	<u>8,071,817</u>
Total unrealized gains and change in fair value for the year included in “Fair value loss of convertible redeemable preferred shares”	<u>1,428,141</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

27 Convertible redeemable preferred shares—continued

(d) Liquidation preferences—continued

	RMB'000
At January 1, 2016	2,588,232
Changes in fair value	16,789
Currency translation differences	55,104
At June 30, 2016 (Unaudited)	<u>2,660,125</u>
Total unrealized gains and change in fair value for the period included in “Fair value loss of convertible redeemable preferred shares”	<u>16,789</u>
At January 1, 2017	8,071,817
Issuance of series C preferred shares	3,469,249
Changes in fair value	6,300,470
Currency translation differences	(324,780)
At June 30, 2017	<u>17,516,756</u>
Total unrealized gains and change in fair value for the period included in “Fair value loss of convertible redeemable preferred shares”	<u>6,300,470</u>

The directors have used the discounted cash flow method to determine the underlying share value of the Company and adopted equity allocation model to determine the fair value of the Preferred Shares as of the dates of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the fair value of Preferred Shares are as follows:

	<u>As of December 31,</u>			<u>As of June 30,</u>	
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2016</u>	<u>2017</u>
				(Unaudited)	
Discount rate	—	14.00%	16.00%	15.00%	16.00%
Risk-free interest rate	—	1.71%	2.00%	0.89%	1.97%
Volatility	—	30.22%	32.74%	33.22%	46.93%

Discount rate was estimated by weighted average cost of capital as of each valuation date. The directors estimated the risk-free interest rate based on the yield curve of US Treasury strips as of the valuation date. Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for the period before valuation date and with similar span as time to exit. Probability weight under each of the redemption feature and liquidation preferences was based on the directors' best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Preferred Shares on each valuation date.

Changes in fair value of Preferred Shares were recorded in “fair value loss of convertible redeemable preferred shares.” Management considered that fair value changes in the Preferred Shares that are attributable to changes of credit risk of this liability are not significant.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28 Borrowings

	As of December 31,			As of
	2014	2015	2016	June 30,
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Included in non-current liabilities:				
Pledge borrowings ^(a)	—	—	150,000	100,000
Asset-backed securitization debt ^(c)	—	—	1,630,663	1,983,411
Other secured borrowings ^(d)	—	—	1,432,971	2,418,218
Unsecured borrowings ^(e)	—	—	—	57,320
	—	—	<u>3,213,634</u>	<u>4,558,949</u>
Included in current liabilities:				
Pledge borrowings ^(a)	—	—	2,736,400	2,341,237
Borrowings guaranteed by Bitauto Group ^(b)	—	—	1,770,401	1,696,689
Asset-backed securitization debt ^(c)	—	—	2,799,958	4,974,032
Other secured borrowings ^(d)	—	—	799,034	3,101,314
Unsecured borrowings ^(e)	—	—	—	328,680
	—	—	<u>8,105,793</u>	<u>12,441,952</u>
Total borrowings	—	—	<u><u>11,319,427</u></u>	<u><u>17,000,901</u></u>

Notes:

- (a) The pledge borrowings are collateralized by term deposits with carrying values of RMB3,001,107,000 and RMB2,463,296,000 as of December 31, 2016 and June 30, 2017, respectively (Note 21).
- (b) As of December 31, 2016 and June 30, 2017, borrowings amounting to RMB1,770,401,000 and RMB1,696,689,000 have been guaranteed by certain of Bitauto's subsidiaries (Note 35).
- (c) The Group securitizes finance receivables arising from its consumers through transfer of those assets to asset-backed securitization vehicles. The securitization vehicles usually issue senior tranche debt securities to third party investors, collateralized by the transferred assets, and subordinate tranche debt securities to the Group. In limited circumstances, the Group may also subscribe a portion of the senior tranche debt securities. The asset-backed debt securities issued by the securitization vehicles to third party investors are recourse to the Group. The securitization vehicles are considered controlled structured entities of the Group, and the asset-backed debt securities subscribed by third party investors are reported as current and non-current borrowings in the consolidated balance sheets based on their respective expected repayment dates. As of December 31, 2016 and June 30, 2017, the carrying amount of finance receivables that we collateralized in the asset-backed securitization transactions was RMB5,120,807,000 and RMB8,382,185,000, respectively.
- (d) As of December 31, 2016, borrowings amounting to RMB1,837,005,000 and RMB395,000,000 are secured by the cash proceeds of certain of the Group's finance receivables and the cash proceeds from the subordinate tranche asset-backed securities held by the Group, respectively.

As of June 30, 2017, borrowings amounting to RMB3,890,232,000 and RMB395,000,000 are secured by the cash proceeds of certain of the Group's finance receivables and the cash proceeds from the subordinate tranche asset-backed securities held by the Group, respectively. In addition, borrowings amounting to RMB1,234,300,000 were extended to the Group to expand the self-operated financing business. All finance receivables generated by the Group utilizing the proceeds of the borrowings shall be pledged to secure the borrowings. As of June 30, 2017, the finance receivables amounting to RMB218,596,000 are used as pledge for the borrowings.

- (e) As of June 30, 2017, (1) borrowings amounting to RMB100,000,000 are guaranteed by the Group's two subsidiaries, namely Xince Investment and Yixin HK, and Mr. Andy Xuan Zhang, the Group's executive director; (2) borrowings amounting to RMB86,000,000 are guaranteed by Xince Investment; (3) borrowings amounting to RMB200,000,000 are unsecured.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28 Borrowings—continued

The borrowings are repayable as follows:

	As of December 31,			As of
	2014	2015	2016	June 30,
	RMB'000	RMB'000	RMB'000	2017
Within 1 year	—	—	8,105,793	12,441,952
Between 1 and 2 years	—	—	2,787,424	3,962,082
Between 2 and 5 years	—	—	426,210	596,867
	—	—	11,319,427	17,000,901
	==	==	==	==

As of December 31, 2016 and June 30, 2017, the applicable interest rates per annum on long-term borrowings range from 3.80% to 11.21% and 3.80% to 11.21%, respectively.

As of December 31, 2016 and June 30, 2017, the applicable interest rates per annum on short-term borrowings range from 3.92% to 5.00% and 3.92% to 7.30%, respectively.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the carrying amounts of borrowings are primarily denominated in RMB and approximate their fair values at each of the reporting dates.

29 Deferred income taxes

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As of December 31,			As of
	2014	2015	2016	June 30,
	RMB'000	RMB'000	RMB'000	2017
Deferred income tax assets:				
—To be recovered within 12 months	4,572	—	5,622	16,525
Deferred income tax liabilities:				
—To be recovered after 12 months	—	—	(13,609)	(14,465)
—To be recovered within 12 months	—	—	(2,030)	(2,661)
	—	—	(15,639)	(17,126)
Deferred income tax assets/(liabilities) (net)	<u>4,572</u>	<u>—</u>	<u>(10,017)</u>	<u>(601)</u>
	==	==	==	==

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

29 Deferred income taxes—continued

The gross movements on the deferred income tax account are as follows:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1	—	4,572	—	—	(10,017)
Business combination (Note 34)	—	—	(15,977)	—	(4,297)
Distribution to Bitauto Group in 2017					
Reorganization	—	—	—	—	(1,806)
Disposal of a subsidiary	—	—	—	—	3,474
Credited/(Charged) to consolidated income statements	4,572	(4,572)	5,960	—	12,045
At end of the year/period	<u>4,572</u>	<u>—</u>	<u>(10,017)</u>	<u>—</u>	<u>(601)</u>

The movements in deferred income tax assets and liabilities during the year/period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

<u>Deferred income tax liabilities</u>	<u>Intangible assets acquired in business combination</u>
	RMB'000
At December 31, 2014 and 2015	—
Business combination (Note 34(a))	(15,977)
Credited to consolidated income statement	338
At December 31, 2016	(15,639)
Business combination (Note 34(b), (c))	(4,297)
Disposal of a subsidiary	3,474
Charged to consolidated income statement	(664)
At June 30, 2017	<u>(17,126)</u>

<u>Deferred income tax assets</u>	<u>Provision for credit losses of finance receivables</u>	<u>Tax losses</u>	<u>Others</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2014	—	—	—	—
Credited to consolidated income statement	—	4,231	341	4,572
At December 31, 2014	—	4,231	341	4,572
Charged to consolidated income statement	—	(4,231)	(341)	(4,572)
At December 31, 2015	—	—	—	—
Credited to consolidated income statement	5,622	—	—	5,622
At December 31, 2016	5,622	—	—	5,622
Distribution to Bitauto Group in 2017 Reorganization	—	(1,806)	—	(1,806)
Credited to consolidated income statement	8,841	3,868	—	12,709
At June 30, 2017	<u>14,463</u>	<u>2,062</u>	<u>—</u>	<u>16,525</u>

Deferred income tax assets are recognized for deductible temporary differences to the extent that the realization of the related tax benefits through future taxable profits is probable.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

29 Deferred income taxes—continued

At December 31, 2014, 2015 and 2016 and June 30, 2017, the Group did not recognize deferred income tax assets of nil, RMB4,370,000, RMB18,997,000 and RMB22,590,000 in respect of deductible temporary differences including cumulative tax losses amounting to nil, RMB17,480,000, RMB75,988,000 and RMB90,359,000 that can be carried forward against future taxable income.

30 Other non-current liabilities

	As of December 31,			As of
	2014	2015	2016	June 30,
	RMB'000	RMB'000	RMB'000	2017
Long-term deposits payable	—	9,284	37,062	34,611
Other liabilities related to leasing businesses	—	20,455	63,027	58,817
	—	29,739	100,089	93,428

31 Dividends

No dividends have been paid or declared by the Company during each of the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017.

32 Cash flow information

(a) Cash used in operations

	Year ended December 31,			Six months ended	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Loss)/Profit before income tax	(829)	2,968	(1,345,995)	29,913	(6,003,149)
Adjustments for:					
- Provision for impairment of trade receivables (Note 19)	204	572	34,951	—	12,956
- Provision for credit losses of finance receivables (Note 18)	—	—	29,052	—	35,368
- Provision for impairment of other receivables (Note 20)	—	—	2,606	—	5,697
- Depreciation of automobiles for operating leases (Note 12)	—	—	7,765	2,308	28,342
- Depreciation of other property and equipment (Note 12)	217	917	4,671	1,819	4,520
- Amortization of intangible assets (Note 13)	13	26,925	34,516	16,815	38,436
- Loss/(Gain) on disposals of property and equipment (Note 6)	—	—	44	(2)	222
- Gain on disposals of a subsidiary (Note 34)	—	—	—	—	(45)
- Share-based compensations (Note 24)	3,715	6,287	5,813	1,816	16,945
- Fair value loss of convertible redeemable preferred shares (Note 27)	—	53,452	1,428,141	16,789	6,300,470

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32 Cash flow information—continued

(a) Cash used in operations—continued

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
- Fair value (gain)/loss of financial assets at fair value through profit or loss (Note 6)	—	(2,126)	17,126	—	(6,829)
- Interest income (Note 9)	(787)	(5,283)	(15,755)	(1,071)	(14,918)
- Interest expenses (Note 9)	—	2,867	8,031	5,389	1,287
- Funding costs (Note 7)	—	592	187,233	27,164	409,175
- Foreign exchange losses/(gains), net (Note 6)	908	(17,222)	(9,082)	(3,496)	211
- Issuance costs of convertible redeemable preferred shares (Note 9)	—	9,343	21,219	—	14,318
Changes in assets and liabilities (excluding the effects of acquisition and currency translation differences on consolidation):					
- Increase in automobiles for operating leases	—	—	(84,339)	(37,292)	(467,296)
- Increase in trade receivables	(3,845)	(118,140)	(81,262)	(129,176)	(159,278)
- Increase in finance receivables	—	(2,861,480)	(11,531,438)	(2,456,285)	(5,349,916)
- Increase in prepayments, deposits and other assets	(32,795)	(54,820)	(914,918)	(390,388)	(576,770)
- (Decrease)/Increase in trade payables	(221)	95,403	410,813	228,375	75,051
- Increase/(Decrease) in other payables and accruals	32,355	74,373	469,060	330,110	(180,464)
- Increase/(Decrease) in other non-current liabilities	—	29,739	70,351	93,698	(6,661)
Cash used in operations	<u>(1,065)</u>	<u>(2,755,633)</u>	<u>(11,251,397)</u>	<u>(2,263,514)</u>	<u>(5,822,328)</u>

(b) Major non-cash transactions

Other than the Reorganizations described in Note 1, there were no material non-cash transactions accrued during the Track Record Period.

33 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the year/period but not yet incurred is as follows:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Automobiles for future leases	—	—	499,822	335,073
	—	—	499,822	335,073
	—	—	499,822	335,073

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**33 Commitments—continued**

(b) Operating lease commitments

The Group leases office under non-cancellable operating lease agreements. The lease terms are mainly between 1 to 5 years, and majority of the lease agreements are renewable at the end of the lease at market rate.

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As of December 31,			As of
	2014	2015	2016	June 30,
	RMB'000	RMB'000	RMB'000	RMB'000
No later than 1 year	696	10,073	18,040	18,195
Later than 1 year and no later than 5 years	—	36,162	39,274	39,186
Later than 5 years	—	3,682	—	2,606
	<u>696</u>	<u>49,917</u>	<u>57,314</u>	<u>59,987</u>

34 Business combination

(a) Acquisition of KKC

In April 2015 and September 2016, Bitauto Group acquired in aggregate 4.8% of ordinary shares issued and approximately 54.8%, on a fully diluted basis, of the equity interests of KKC, an unlisted entity located in the PRC and engaged in the used car business. Although holding the majority of equity interests, Bitauto Group did not obtain control over KKC due to lack of the majority of voting power at the Board of Directors of KKC.

In November 2016, Bitauto Group acquired more equity interests of KKC, increasing its equity interests to 49.7% of ordinary shares issued and approximately 74.8%, on a fully diluted basis of KKC, and at that time obtained control over KKC.

As a result of the 2017 Reorganization, KKC was merged into the Listing Business and the transaction was accounted for as a business combination under common control (Note 1). Accordingly, for the purpose of this report, the operating results of KKC have been consolidated into the Group following Bitauto Group's acquisition of KKC in November 2016.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34 Business combination—continued

(a) Acquisition of KKC—continued

The following table summarizes the consideration paid for KKC, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Total consideration paid by Bitauto Group	RMB'000 157,478
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	39,406
Property and equipment (Note 12)	1,211
Intangible assets (Note 13)	
—Domain names	17,200
—Customer relationships	30,700
—Computer software and technology	16,022
Other assets	41,778
Current liabilities	(73,021)
Deferred income tax liabilities (Note 29)	(15,977)
Total identifiable net assets	57,319
Non-controlling interest	(15,689)
Goodwill (Note 13)	115,848
	157,478

The acquisition-related costs are minimal for the year ended December 31, 2016.

The fair value of the non-controlling interest in KKC was estimated by using the enterprise value of KKC, as adjusted for the lack of control and lack of marketability that market participants would consider.

The revenue included in the consolidated income statement for the year ended December 31, 2016 since the date of acquisition contributed by KKC was RMB12,821,000. KKC also contributed losses of RMB5,907,000 over the same period. Had KKC been consolidated from January 1, 2016, the consolidated income statement for the year ended December 31, 2016 would show pro-forma revenue of RMB1,518,559,000 and a loss of RMB1,449,887,000.

In May 2017, Bitauto Group acquired the remaining equity interests of KKC from the minority shareholders for a total cash consideration of RMB13,170,000. It is considered as an equity transaction and the difference between the consideration paid and the carrying amount of the non-controlling interest is recorded in equity.

(b) Acquisition of Shanghai Lanshu

In April 2017, the Group acquired 100% of the equity interests in Shanghai Lanshu, an unlisted entity located in the PRC and engaged in software research and development business, and at that time obtained control over Shanghai Lanshu.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34 Business combination—continued

(b) Acquisition of Shanghai Lanshu—continued

The following table summarizes the consideration paid for Shanghai Lanshu, the fair value of assets acquired, liabilities assumed at the acquisition date.

Total consideration paid by the Group	RMB'000 2,750
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	645
Intangible assets (Note 13)	
- Computer software and technology	3,290
Other assets	1,675
Current liabilities	(2,905)
Deferred income tax liabilities (Note 29)	(823)
Total identifiable net assets	1,882
Goodwill (Note 13)	868
	2,750

The acquisition-related costs are minimal for the six months ended June 30, 2017.

The revenue included in the consolidated income statement for the six months ended June 30, 2017, since the date of acquisition contributed by Shanghai Lanshu was RMB50,000. Shanghai Lanshu also contributed losses of RMB6,270,000 over the same period. Had Shanghai Lanshu been consolidated from January 1, 2017, the consolidated income statement for the six months ended June 30, 2017 would show pro-forma revenue of RMB1,551,458,000 and a loss of RMB6,112,514,000.

(c) Acquisition of Meibang Insurance

In April 2017, the Group acquired 100% of the equity interests in Meibang Insurance, an unlisted entity located in the PRC and engaged in insurance brokerage business and consulting services, and at that time obtained control over Meibang Insurance.

The following table summarizes the consideration paid for Meibang Insurance, the fair value of assets acquired, liabilities assumed at the acquisition date.

Total consideration paid by the Group	RMB'000 23,730
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	8,729
Intangible assets (Note 13)	
- Trademark and licenses	13,896
Other assets	1,251
Current liabilities	(998)
Deferred income tax liabilities (Note 29)	(3,474)
Total identifiable net assets	19,404
Goodwill (Note 13)	4,326
	23,730

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34 Business combination—continued

(c) Acquisition of Meibang Insurance—continued

The acquisition-related costs are minimal for the six months ended June 30, 2017.

The revenue included in the consolidated income statement for the six months ended June 30, 2017 since the date of acquisition contributed by Meibang Insurance was minimal. Meibang Insurance also contributed a minimal loss over the same period.

On June 26, 2017, the Group disposed 75% of the equity interests of Meibang Insurance to an independent third party. The retained interest in Meibang Insurance is accounted for as an investment in associates in the form of ordinary shares (Note 14). All assets and liabilities of Meibang Insurance are de-recognized of and a disposal gain of RMB45,000 was recognized in other gains in the consolidated income statement for the six months ended June 30, 2017 accordingly.

35 Related party transactions

The following significant transactions were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

<u>Company</u>	<u>Relationship</u>
Bitauto Holdings Limited and its subsidiaries (“ Bitauto Group ”)	Controlling shareholder and its subsidiaries
Beijing Changxing Information Technology Co., Ltd. 北京暢行信息技術有限公司	Significantly influenced by the controlling shareholder
Beijing Jingzheng Information Technology Co., Ltd.	Significantly influenced by the controlling shareholder
Shanghai Eclicks Network Co., Ltd. 上海易點時空 網絡有限公司	Significantly influenced by the controlling shareholder
Shanghai Chetuan Network Information Technology Co., Ltd. (上海車團網絡信息技術有限公司, “ Chetuan ”)	Significantly influenced by the controlling shareholder
Wuhan Kuantu Investment Co., Ltd. (武漢寬途致遠投資有限公司, “ Wuhan Kuantu ”)	Significantly influenced by the controlling shareholder
Beijing KKC Technology Co., Ltd.	Significantly influenced by the controlling shareholder (prior to the acquisition of KKC in November 2016 (Note 34))
Beijing Zhengdong Jinkong Information Service Co., Ltd. (“ Zhengdong ”)	Subsidiary of a shareholder that has significant influence over the Group
Beijing Jingdong Century Information Technology Co., Ltd.	Subsidiary of a shareholder that has significant influence over the Group

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35 Related party transactions—continued

(b) Significant transactions with related parties

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(i) Provision of transaction services to related parties					
Bitauto Group	1,562	77,164	91,626	5,504	61,974
Chetuan	—	—	—	—	1,556
Beijing KKC Technology Co., Ltd.	—	814	2,042	981	—
	<u>1,562</u>	<u>77,978</u>	<u>93,668</u>	<u>6,485</u>	<u>63,530</u>
(ii) Provision of financing services to related parties					
Bitauto Group	—	5,396	—	—	—
Chetuan	—	36,098	37,996	25,422	6,081
	<u>—</u>	<u>41,494</u>	<u>37,996</u>	<u>25,422</u>	<u>6,081</u>
(iii) Purchases of advertising services from related parties					
Bitauto Group	—	8,258	23,286	12,264	22,889
Beijing Changxing Information Technology Co., Ltd.	—	—	1,085	682	403
	<u>—</u>	<u>8,258</u>	<u>24,371</u>	<u>12,946</u>	<u>23,292</u>
(iv) Purchases of traffic support services from related parties					
Bitauto Group ^(a)	—	62,341	33,543	—	—
Shanghai Eclicks Network Co., Ltd.	—	2,830	15,094	7,547	7,862
	<u>—</u>	<u>65,171</u>	<u>48,637</u>	<u>7,547</u>	<u>7,862</u>
(v) Purchases of used automobile transaction services from a related party					
Beijing KKC Technology Co., Ltd.	—	—	15,001	3,627	—
	<u>—</u>	<u>—</u>	<u>15,001</u>	<u>3,627</u>	<u>—</u>
(vi) Purchases of used car valuation services from a related party					
Beijing Jingzhengu Information Technology Co., Ltd.	—	—	3,366	221	5,867
	<u>—</u>	<u>—</u>	<u>3,366</u>	<u>221</u>	<u>5,867</u>
(vii) Purchases of automobiles from a related party					
Chetuan	—	—	86,632	86,632	—
	<u>—</u>	<u>—</u>	<u>86,632</u>	<u>86,632</u>	<u>—</u>
(viii) Purchases of promotional materials from a related party					
Beijing Jingdong Century Information Technology Co., Ltd.	—	—	—	—	12,852
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,852</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35 Related party transactions—continued

(b) Significant transactions with related parties—continued

- (ix) From time to time, Bitauto Group may provide guarantees for the Group's borrowings. As of December 31, 2016 and June 30, 2017, borrowings amounting to RMB1,770,401,000 and RMB1,696,689,000 are collateralized by a pledge of Bitauto Group's term deposits with carrying values of RMB1,884,250,000 and RMB2,046,832,000, respectively.

Note:

- (a) In addition to the amounts disclosed above, as part of the 2015 Traffic Support Services (Note 1), the Group obtained traffic support services from Bitauto Group free of charge for a term of 3 years commencing from February 16, 2015, in which all online enquiries regarding automobile finance lease and automobile financing services and products arising from Bitauto Group's websites would be directed to the Group.

Also, as part of the 2017 Traffic Support Services (Note 1), the Group obtained used automobile traffic support services from Bitauto Group free of charge for a term of 3 years and automatically renewable for a further period of 2 years commencing from May 26, 2017, in which all online enquiries regarding used automobile-related business arising from Bitauto Group's websites would be directed to the Group.

(c) Year end balances with related parties

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
(i) Trade receivables due from a related party				
Bitauto Group	918	13,423	56,752	9
	<u>918</u>	<u>13,423</u>	<u>56,752</u>	<u>9</u>
(ii) Finance receivables due from related parties ^(a)				
Bitauto Group	—	71,915	34,904	—
Chetuan	—	1,524,428	293,483	251,963
	—	<u>1,596,343</u>	<u>328,387</u>	<u>251,963</u>
(iii) Other receivables due from related parties				
Bitauto Group	20,287	749	285,301	26,208
Beijing Jingzhengu Information Technology Co., Ltd.	18,090	43,453	43,100	—
Wuhan Kuantu ^(b)	—	—	—	20,129
Key management personnel	—	10,600	4,405	195
	<u>38,377</u>	<u>54,802</u>	<u>332,806</u>	<u>46,532</u>
(iv) Trade and other payables due to related parties for goods and services				
Bitauto Group	86,846	186,549	474,016	90,332
Shanghai Eclicks Network Co., Ltd.	—	1,500	—	3,333
	<u>86,846</u>	<u>188,049</u>	<u>474,016</u>	<u>93,665</u>
(v) Prepayments made to related parties				
Chetuan	—	—	—	150,133
Beijing Changxing Information Technology Co., Ltd.	—	—	28,850	28,423
Beijing Jingdong Century Information Technology Co., Ltd.	—	—	3,831	3,134
	—	—	<u>32,681</u>	<u>181,690</u>
(vi) Advance from a related party				
Beijing KKC Technology Co., Ltd.	—	546	—	—
	—	<u>546</u>	—	—

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35 Related party transactions—continued

(c) Year end balances with related parties—continued

Notes:

- (a) For the years ended December 31, 2015 and 2016 and the six months ended June 30, 2016 and 2017, the Group provided financing services to Bitauto Group and Chetuan in the form of financing leases. The finance receivables are secured with automobiles, with an original maturity of 1 year, and the applicable interest rate per annum is ranging from 6.00% to 16.52% for all periods presented above.
- (b) In January and February 2017, the Group provided unsecured loans for a total of RMB20,000,000 to Wuhan Kuantu with an initial term of 12 months at an interest rate of 1.5% per annum.

Except for the related parties transactions disclosed under Note 35(c)(ii) and Note 35(e) and (f), balances with other related parties were all unsecured, interest-free, and repayable on demand.

(d) Key management personnel compensations

Key management includes executive director and other members of the Company's senior management team. The compensations paid or payable to key management for employee services are shown below:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	1,741	4,192	7,009	1,718	4,792
Pension costs and social security costs	188	262	402	162	338
Share-based compensation expenses	598	309	316	75	10,767
	<u>2,527</u>	<u>4,763</u>	<u>7,727</u>	<u>1,955</u>	<u>15,897</u>

(e) Loans from Bitauto Group

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1	—	—	832,349	832,349	628,853
Loans advanced	—	816,130	730,362	330,000	—
Loans repayment made	—	—	(969,080)	—	(30,000)
Interest charged	—	4,226	22,680	11,574	9,176
Interest paid	—	(1,359)	(10,748)	—	(21,782)
Currency translation differences	—	13,352	23,290	13,835	(2,439)
At end of the year/period	—	<u>832,349</u>	<u>628,853</u>	<u>1,187,758</u>	<u>583,808</u>
Including: principal of loans	—	<u>829,360</u>	<u>614,055</u>	<u>1,173,120</u>	<u>581,616</u>
accrued interests	—	<u>2,989</u>	<u>14,798</u>	<u>14,638</u>	<u>2,192</u>

During the Track Record Period, Bitauto Group provided financial assistance to the Group in the form of loans through certain subsidiaries of Bitauto. All loans are unsecured and payable on demand, with the applicable interest rate per annum ranging from nil, 1.50% to 4.36%, 1.00% to 4.36%, 1.50% to 4.36% and 1.00% to 4.36% for years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, respectively.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35 Related party transactions—continued

(f) Loan from Zhengdong

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At January 1	—	—	—	—	—
Loans advanced	—	—	—	—	835,000
Loans repayment made	—	—	—	—	(835,000)
Interest charged	—	—	—	—	13,324
Interest paid	—	—	—	—	(13,324)
At end of the year/period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

On March 3, 2017, Zhengdong, a subsidiary of a shareholder that has significant influence over the Group, subscribed to a total of RMB835 million in the Group's asset-backed securitization transactions with the applicable interest rate per annum of 6.20% and 8.94% in the two separate tranches of asset-backed debt securities, respectively. The Group also agreed to repurchase the securities in three months at a price comprised of the cost of the investment and any accrued interests. The transaction is accounted for as a collateral loan from Zhengdong. On June 2, 2017, the loan was repaid in full by the Group.

36 Benefits and interests of directors

The remuneration of every director for the year ended December 31, 2014 is set out as below:

Name	Wages, salaries and bonuses	Pension costs and social security costs	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Director				
Andy Xuan Zhang	<u>1,101</u>	<u>32</u>	<u>549</u>	<u>1,682</u>
	<u>1,101</u>	<u>32</u>	<u>549</u>	<u>1,682</u>

The remuneration of every director for the year ended December 31, 2015 is set out as below:

Name	Wages, salaries and bonuses	Pension costs and social security costs	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Director				
Andy Xuan Zhang	1,410	35	257	1,702
Non-executive Directors				
Juhong Chen	—	—	—	—
Bin Li	—	—	—	—
Jingning Shao	—	—	—	—
	<u>1,410</u>	<u>35</u>	<u>257</u>	<u>1,702</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36 Benefits and interests of directors—continued

The remuneration of every director for the year ended December 31, 2016 is set out as below:

<u>Name</u>	<u>Wages, salaries and bonuses</u> RMB'000	<u>Pension costs and social security costs</u> RMB'000	<u>Share-based compensation expenses</u> RMB'000	<u>Total</u> RMB'000
Executive Director				
Andy Xuan Zhang	1,641	38	93	1,772
Non-executive Directors				
Juhong Chen	—	—	—	—
Bin Li	—	—	—	—
Sidney Xuande Huang	—	—	—	—
Leiwen Yao	—	—	—	—
Shengqiang Chen	—	—	—	—
Wei Cai	—	—	—	—
	<u>1,641</u>	<u>38</u>	<u>93</u>	<u>1,772</u>

The remuneration of every director for the six months ended June 30, 2016 is set out as below:

<u>Name</u>	<u>Wages, salaries and bonuses</u> RMB'000	<u>Pension costs and social security costs</u> RMB'000	<u>Share-based compensation expenses</u> RMB'000	<u>Total</u> RMB'000
(Unaudited)				
Executive Director				
Andy Xuan Zhang	328	19	75	422
Non-executive Directors				
Juhong Chen	—	—	—	—
Bin Li	—	—	—	—
Jingning Shao	—	—	—	—
	<u>328</u>	<u>19</u>	<u>75</u>	<u>422</u>

The remuneration of every director for the six months ended June 30, 2017 is set out as below:

<u>Name</u>	<u>Wages, salaries and bonuses</u> RMB'000	<u>Pension costs and social security costs</u> RMB'000	<u>Share-based compensation expenses</u> RMB'000	<u>Total</u> RMB'000
Executive Director				
Andy Xuan Zhang	424	20	7,784	8,228
Non-executive Directors				
Juhong Chen (resigned in June 2017)	—	—	—	—
Bin Li (resigned in June 2017)	—	—	—	—
Sidney Xuande Huang (resigned in June 2017)	—	—	—	—
Leiwen Yao (resigned in June 2017)	—	—	—	—
Shengqiang Chen (resigned in June 2017)	—	—	—	—
Wei Cai (resigned in June 2017)	—	—	—	—
James Gordon Mitchell (appointed in June 2017)	—	—	—	—
Jimmy Chi Ming Lai (appointed in June 2017)	—	—	—	—
Chenkai Ling (appointed in June 2017)	—	—	—	—
Xuyang Zhang (appointed in June 2017)	—	—	—	—
	<u>424</u>	<u>20</u>	<u>7,784</u>	<u>8,228</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**36 Benefits and interests of directors—continued**

No retirement or termination benefits have been paid to the Company's directors for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017.

No loans, quasi-loans or other dealings are entered into by the Company in favor of directors, controlled bodies corporate by and connected entities with such directors for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017.

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the Track Record Period.

37 Contingencies

The Group did not have any material contingent liabilities or guarantees as of December 31, 2014, 2015 and 2016 and June 30, 2017.

38 Events after the reporting period

Except as disclosed elsewhere in this report, there are no material subsequent events undertaken by the Company or by the Group after June 30, 2017.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2017 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2017.

The information set forth in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the Accountant's Report set forth in Appendix I.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted consolidated net tangible assets is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as of June 30, 2017 as if the Global Offering had taken place on that date.

Our unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of June 30, 2017 or at any future dates following the Global Offering. It is prepared based on our audited consolidated net tangible assets as of June 30, 2017 as set out in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below. No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to June 30, 2017:

	Audited Consolidated Net Tangible Liabilities of the Group Attributable to Owners of the Company as of June 30, 2017 (Note 1)	Estimated Net Proceeds from the Global Offering (Note 2)	Estimated Impact to the Net Assets upon the Conversion of the Preferred Shares (Note 3)	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Attributable to Owners of the Company	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets per Share (Note 4)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$6.60 per Share	<u>(10,107,375)</u>	<u>4,736,675</u>	<u>17,516,756</u>	<u>12,146,056</u>	<u>1.94</u>	<u>2.27</u>
Based on an Offer Price of HK\$7.70 per Share	<u>(10,107,375)</u>	<u>5,531,226</u>	<u>17,516,756</u>	<u>12,940,607</u>	<u>2.06</u>	<u>2.42</u>

Notes:

- (1) The audited consolidated net tangible liabilities attributable to the owners of the Company as of June 30, 2017 is extracted from the Accountant's Report set out in Appendix I, which is based on the audited consolidated net liabilities of the Group attributable to the owners of the Company as of June 30, 2017 of RMB7,631,811,000 with an adjustment for the intangible assets as of June 30, 2017 of RMB2,475,564,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$6.60 and HK\$7.70 per Share after deduction of the underwriting commissions, incentive fees and other related expenses payable by the Company.
- (3) On the Listing Date, all of the Preferred Shares will be automatically converted into Shares pursuant to the respective share subscription agreements. Prior to the conversion, the Preferred Shares were accounted for as a liability to the Company. Accordingly, for the purpose of the unaudited pro forma adjusted consolidated net tangible assets, the unaudited pro forma adjusted consolidated net tangible assets attributable to Owners of the Company will be increased by RMB17,516,756,000, being the carrying amounts of the Preferred Shares as of June 30, 2017.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 6,276,322,474 Shares were in issue immediately upon completion of the Global Offering (including the options granted under the Pre-IPO Share Option Scheme exercised on October 12, 2017, the completion of the conversion of the Preferred Shares into Shares and the Capitalization Issue to be effected upon Listing), which is assumed to be on June 30, 2017 for the purpose of this unaudited pro forma financial information, and assuming the options granted under the Pre-IPO Share Option Scheme that remained unexercised immediately following the completion of the Global Offering are not exercised, no Shares are granted under the First Share Award Scheme and the Over-allotment Option is not exercised.

Apart from the options in respect of 15,957,262 Shares (adjusted to 111,700,834 Shares as a result of the Capitalization Issue) granted under the Pre-IPO Share Option Scheme exercised on October 12, 2017 mentioned above, no other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group subsequent to June 30, 2017.

For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.1738. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**TO THE DIRECTORS OF YIXIN GROUP LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yixin Group Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as of June 30, 2017, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on page II-1 of the Company’s prospectus dated November 6, 2017, in connection with the initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on page II-1.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the initial public offering on the Group’s financial position as of June 30, 2017 as if the initial public offering had taken place at June 30, 2017. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s financial information for the period ended June 30, 2017, on which an accountant’s report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the initial public offering at June 30, 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, November 6, 2017

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on November 1, 2017 with effect from the Listing Date and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed “Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection.”

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on November 1, 2017 with effect from the Listing Date and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US\$1,500,000 divided into 15,000,000,000 shares of US\$0.0001 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Cayman Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Cayman Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Cayman Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates

has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN COMPANIES LAW**

- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall

mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Cayman Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Cayman Companies Law.

2.6 Special resolution—majority required

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN COMPANIES LAW**

to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Companies Law or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to

every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled)

and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favor of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as canceled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Cayman Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by check or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every check or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such check or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending checks for

dividend entitlements or dividend warrants after the first occasion on which such a check or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not

preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such

rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such

assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all checks or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Cayman Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 19, 2014 under the Cayman Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Cayman Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account called the “share premium account.” At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company.

The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Cayman Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Cayman Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Cayman Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Cayman Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Cayman 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) “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 (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting

shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisors on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation**

Our Company, formerly known as Yixin Capital Limited, was incorporated in the Cayman Islands on November 19, 2014 as an exempted company with limited liability. Our registered office address is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III.

Our principal place of business in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on July 10, 2017 with the Registrar of Companies in Hong Kong. We adopted and carry on business in Hong Kong under the name "Yixin Automotive Technology Group Limited," as approved by the Registrar of Companies on August 17, 2017 and registered with the Registrar of Companies on August 30, 2017.

Ms. Pik Yuk Cheng (鄭碧玉) and Ms. Ling Lung Siy (施玲瓏) have been appointed as the authorized representatives of our Company for the acceptance of service of process in Hong Kong. The address for service of process is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Our Company's head office is located at Building 3, 12/F, Lujiazui Century Financial Plaza, 799 Yanggao South Road, Pudong District, Shanghai 200127, PRC.

2. Changes in share capital of our Company

Our Company was incorporated with an authorized share capital of US\$50,000 divided into 50,000,000 ordinary shares with a par value of US\$0.001 each.

The following sets out the changes in the Company's issued share capital since its incorporation:

- (a) On November 19, 2014, the Company issued ordinary shares with a par value of US\$0.001 each in the following manner:
 - (i) one share to Offshore Incorporations (Cayman) Limited, which was transferred to Bitauto HK on the same day; and
 - (ii) nine shares to Bitauto HK.
- (b) On February 16, 2015, the Company increased the authorized share capital of the Company to US\$100,000, comprising of 65,397,531 ordinary shares with a par value of US\$0.001 each and 34,602,469 preferred shares with a par value of US\$0.001 each, of which 34,602,469 are designated as Series A Preferred Shares.
- (c) On February 16, 2015, the Company issued shares in the following manner:
 - (i) 13,499,896 ordinary shares to Bitauto HK;
 - (ii) 11,534,156 Series A Preferred Shares to Bitauto HK;
 - (iii) 13,308,642 Series A Preferred Shares to Dongting Lake;

- (iv) 8,872,428 Series A Preferred Shares to JD Financial Investment Limited; and
 - (v) 887,243 Series A Preferred Shares to Hammer Capital Management Limited.
- (d) On October 28, 2015, each issued and unissued share of US\$0.001 par value each of the Company was subdivided into 10 shares of US\$0.0001 par value each, and each issued Series A Preferred Share of US\$0.001 par value each of the Company was subdivided into 10 Series A Preferred Shares of US\$0.0001 par value each, so that the issued shares and issued Series A Preferred Shares of the Company were divided into 134,999,060 ordinary shares of US\$0.0001 par value each and 346,024,690 Series A Preferred Shares of US\$0.0001 par value each.
- (e) On August 19, 2016, the Company increased the authorized share capital of the Company to US\$150,000, comprising of 988,416,450 ordinary shares with a par value of US\$0.0001 each, 346,024,690 Series A Preferred Shares with a par value of US\$0.0001 each and 165,558,860 Series B Preferred Shares with a par value of US\$0.0001 each.
- (f) On August 19, 2016, the Company issued ordinary shares in the following manner:
- (i) 27,514,153 shares to Above Master Limited; and
 - (ii) 13,757,077 shares to Alpha Start Global Limited.
- (g) On August 19, 2016, the Company issued Series B Preferred Shares in the following manner:
- (i) 72,544,880 shares to Bitauto HK;
 - (ii) 38,229,050 shares to Morespark Limited;
 - (iii) 9,030,480 shares to JD Financial Investment Limited;
 - (iv) 9,632,520 shares to HCM IV Limited;
 - (v) 4,515,240 shares to BAI GmbH; and
 - (vi) 4,515,240 shares to Genius Concept Limited.
- (h) On October 21, 2016, the Company issued 27,091,450 Series B Preferred Shares to Baidu HK.
- (i) On May 11, 2017, the Company redesignated the share capital of the Company to US\$150,000, comprising 879,864,540 ordinary shares with a par value of US\$0.0001 each, 346,024,690 Series A Preferred Shares with a par value of US\$0.0001 each, 165,558,860 Series B Preferred Shares with a par value of US\$0.0001 each and 108,551,910 Series C Preferred Shares with a par value of US\$0.0001 each.
- (j) On May 26, 2017, the Company issued Series C Preferred Shares in the following manner:
- (i) 4,299,090 shares to Bitauto HK;
 - (ii) 70,934,920 shares to Bitauto;
 - (iii) 16,121,570 shares to Tencent Mobility Limited;
 - (iv) 8,598,170 shares to China Orient Asset Management (International) Holding Limited;
 - (v) 2,149,540 shares to Pacific Treasure Global Limited;
 - (vi) 5,923,710 shares to IDG China Capital Fund III L.P.; and
 - (vii) 524,910 shares to IDG China Capital III Investors L.P.

- (k) On May 26, 2017, 41,271,230 ordinary shares held by Above Master Limited and Alpha Start Global Limited were surrendered to the Company and canceled.
- (l) On October 12, 2017, the Company issued 15,957,262 ordinary shares to 20 grantees pursuant to the exercise of certain options granted to employees and management of the Group under the Pre-IPO Share Option Scheme. Of the 20 grantees, one grantee was a Director of the Company, seven grantees were senior managers of the Company and three grantees were directors of subsidiaries of the Company.
- (m) On October 12, 2017, the following share transfers were effected:
 - (i) Dong Jiang, Wei Zheng, Wei Li and Bo Han transferred a total of 7,167,993 ordinary shares to Xindu Limited;
 - (ii) one senior manager of the Company transferred 3,439,269 ordinary shares to Spring Forests Limited; and
 - (iii) six senior managers of the Company and nine management employees transferred a total of 5,350,000 ordinary shares to Yidu Limited.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountant's Report as set out in Appendix I.

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this prospectus:

Xinche Investment

On September 9, 2016, the registered capital of Xinche Investment was increased from US\$20 million to US\$1 billion.

On September 18, 2017, the registered capital of Xinche Investment was increased from US\$1 billion to US\$2 billion.

Shanghai Yixin

On September 27, 2016, the registered capital of Shanghai Yixin was increased from US\$300 million to US\$560 million.

On May 25, 2017, the registered capital of Shanghai Yixin was increased from US\$560 million to US\$815 million.

Shanghai Lanshu

On September 4, 2017, the registered capital of Shanghai Lanshu was increased from RMB5 million to RMB20 million.

Tianjin Hengtong

On November 11, 2016, the registered capital of Tianjin Hengtong was increased from US\$50 million to US\$160 million.

On September 7, 2017, the registered capital of Tianjin Hengtong was increased from US\$160 million to US\$500 million.

Shanghai Techuang

On April 20, 2017, the registered capital of Shanghai Techuang was increased from US\$1 million to US\$20 million.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus. See the section headed “History and Corporate Structure” for further details of the Company’s history.

Save for the subsidiaries mentioned in the Accountant’s Report set out in Appendix I, our Company has no other subsidiaries.

4. Resolutions of our Shareholders dated November 1, 2017

Written resolutions of our Shareholders were passed on November 1, 2017, pursuant to which, among others:

- (a) conditional on (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as to be stated in this prospectus and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; (ii) the Offer Price having been determined; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements; and (iv) the Underwriting Agreements having been duly executed by the Underwriters and the Company:
 - (1) the Global Offering (including the Over-allotment Option) was approved, and the proposed allotment and issue of the Offer Shares under the Global Offering were approved, and the Directors were authorized to determine the Offer Price for, and to allot and issue the Offer Shares;
 - (2) a general and unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the Global Offering, rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or, pursuant to an award which may be granted

under the Pre-IPO Share Option Scheme or allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering, (excluding any Shares which may be issued under the Over-allotment Option and any Shares to be allotted and issued upon the exercise of the options which has been granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Capitalization Issue and the Global Offering and any Shares that may be granted under the First Share Award Scheme);

- (3) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase its own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering, (excluding any Shares which may be issued under the Over-allotment Option and any Shares to be allotted and issued upon the exercise of the options which has been granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Capitalization Issue and the Global Offering and any Shares that may be granted under the First Share Award Scheme); and
- (4) the general unconditional mandate as mentioned in paragraph (2) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (3) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering, excluding any Shares which may be issued under the Over-allotment Option and any Shares to be allotted and issued upon the exercise of the options which has been granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Capitalization Issue and the Global Offering and any Shares that may be granted under the First Share Award Scheme);
- (5) on the Listing Date, each of the Preferred Shares held by the Preferred Shareholders be converted into ordinary Shares of our Company by way of redesignation as ordinary Shares; and
- (6) conditional on the share premium account of our Company being credited by an amount of US\$462,655.0692 as a result of the issue of the Offer Shares pursuant to the Global Offering, our Company will, on the Listing Date allot and issue a total of 4,626,550,692 Shares credited as fully paid at par to the holders of Shares and Preferred Shares whose names appear on the register of members of our Company on the day preceding the Listing Date in proportion to their then existing shareholdings in our Company by capitalizing the sum of US\$462,655.0692 from the share premium account of our Company. The Shares allotted and issued pursuant to the above capitalization issue will rank *pari passu* in all respects with the existing issued Shares.

- (b) our Company conditionally approved and adopted the Memorandum and Articles of Association with effect from the Listing.

Each of the general mandates referred to in paragraphs (a)(2), (a)(3) and (a)(4) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

(a) *Provision of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on November 1, 2017, the Repurchase Mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued under the Over-allotment Option and any Shares to be allotted and issued upon the exercise of the options which has been granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Capitalization Issue and the Global Offering and any Shares that may be granted under the First Share Award Scheme), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Islands Companies Law. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Islands Companies Law.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically canceled and the relative certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as canceled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman law.

(v) *Suspension of Repurchase*

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) *Reporting Requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) *Core Connected Persons*

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) *Reasons for Repurchases*

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) *Funding of Repurchases*

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles of Association and subject to Cayman Companies Law, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 6,276,322,474 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering, but (assuming the Over-allotment Option is not exercised, the options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Global Offering are not exercised, and no Shares are granted under the First Share Award Scheme) could accordingly result in up to approximately 627,632,247 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% or any other lower percentage determined pursuant to a waiver granted by the Stock Exchange of the Shares then in issue could only be implemented if the Stock Exchange

agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a business cooperation agreement dated May 11, 2017, entered into between Bitauto Holdings Limited and Yixin Capital Limited, pursuant to which Bitauto Holdings Limited agreed to, among other things, provide traffic support by directing all enquiries regarding various automobile-related financing, leasing, and/or insurance services and products and various used automobile-related business arising from Bitauto Holdings Limited to Yixin Capital Limited and its subsidiaries;
- (b) a contribution agreement dated May 11, 2017, entered into between Bitauto Holdings Limited and Yixin Capital Limited, pursuant to which, among other things: (i) Bitauto Holdings Limited and/or its designated entity shall subscribe for and Yixin Capital Limited shall issue and deliver to Bitauto Holdings Limited and/or its designated entity an aggregate number of 75,234,010 series C preference shares of Yixin Capital Limited, with a par value of US\$0.0001 per share; (ii) Bitauto Holdings Limited shall, and shall cause its relevant subsidiaries to, transfer to Yixin Capital Limited and/or its relevant subsidiaries and Yixin Capital Limited shall, and shall cause its relevant subsidiaries to, purchase from Bitauto Holdings Limited and/or its relevant subsidiaries the used automobile business (including KKC Holdings Limited and its subsidiaries listed out in the agreement); and (iii) Bitauto Holdings Limited and Yixin Capital Limited agreed to enter into a business cooperation agreement in respect of traffic support and non-compete undertakings;
- (c) the series C preference shares subscription agreement dated May 11, 2017, entered into among Yixin Capital Limited, Bitauto Holdings Limited and Tencent Mobility Limited, as amended by the amendment to share subscription agreement dated May 25, 2017 among the same parties, pursuant to which, among other things, Tencent Mobility Limited subscribed for, and Yixin Group Limited (formerly known as Yixin Capital Limited) issued 16,121,570 series C preference shares of Yixin Group Limited with a par value of US\$0.0001 each, for a total purchase price of US\$75,000,000;
- (d) the series C preference shares subscription agreement dated May 11, 2017, entered into among Yixin Capital Limited, China Orient Asset Management (International) Holding Limited and Pacific Treasure Global Limited, as amended by the amendment to share subscription agreement dated May 26, 2017 entered into among the same parties, pursuant to which China Orient Asset Management (International) Holding Limited and Pacific Treasure Global Limited subscribed for, and Yixin Group Limited (formerly known as

Yixin Capital Limited) issued, a total of 10,747,710 series C preference shares of Yixin Group Limited with a par value of US\$0.0001 each, for a total purchase price of US\$50,000,000;

- (e) the series C preference shares subscription agreement dated May 24, 2017, entered into among Yixin Group Limited, IDG China Capital Fund III L.P. and IDG China Capital III Investors L.P., pursuant to which IDG China Capital Fund III L.P. and IDG China Capital III Investors L.P. subscribed for, and Yixin Group Limited issued, a total of 6,448,620 series C preference shares of Yixin Group Limited with a par value of US\$0.0001 each, for a total purchase price of US\$30,000,000;
- (f) an exclusive business cooperation agreement dated August 10, 2017, entered into between Beijing Kankanche Technology Co., Ltd. (北京看看車科技有限公司) and Beijing Yixin Information Technology Co., Ltd. (北京易鑫信息科技有限公司) pursuant to which Beijing Kankanche Technology Co., Ltd. agreed to exclusively provide Beijing Yixin Information Technology Co., Ltd. with comprehensive technical support, consulting services and other services in exchange for service fees;
- (g) an exclusive option agreement dated August 10, 2017, entered into among Beijing Kankanche Technology Co., Ltd., Bo HAN (韓波) and Beijing Yixin Information Technology Co., Ltd. pursuant to which Bo HAN agreed to exclusively, irrevocably and unconditionally grant Beijing Kankanche Technology Co., Ltd. an irrevocable and exclusive right to purchase, or designate one or more persons to purchase the equity interests in Beijing Yixin Information Technology Co., Ltd. then held by Bo HAN in part or in whole for a total consideration of RMB27,850,000;
- (h) an exclusive option agreement dated August 10, 2017, entered into among Beijing Kankanche Technology Co., Ltd., Shenzhen Tencent Industry Investment Fund Co., Ltd. (深圳市騰訊產業投資基金有限公司) and Beijing Yixin Information Technology Co., Ltd. pursuant to which Shenzhen Tencent Industry Investment Fund Co., Ltd. agreed to exclusively, irrevocably and unconditionally grant Beijing Kankanche Technology Co., Ltd. an irrevocable and exclusive right to purchase, or designate one or more persons to purchase the equity interests in Beijing Yixin Information Technology Co., Ltd. then held by Shenzhen Tencent Industry Investment Fund Co., Ltd. in part or in whole for a total consideration of RMB13,300,000;
- (i) an exclusive option agreement dated August 10, 2017, entered into among Beijing Kankanche Technology Co., Ltd., Beijing Jiasheng Investment Management Co., Ltd. (北京甲盛投資管理有限公司) and Beijing Yixin Information Technology Co., Ltd. pursuant to which Beijing Jiasheng Investment Management Co., Ltd. agreed to exclusively, irrevocably and unconditionally grant Beijing Kankanche Technology Co., Ltd. an irrevocable and exclusive right to purchase, or designate one or more persons to purchase the equity interests in Beijing Yixin Information Technology Co., Ltd. then held by Beijing Jiasheng Investment Management Co., Ltd. in part or in whole for a total consideration of RMB8,850,000;
- (j) a power of attorney dated August 10, 2017, executed by Bo HAN in favor of Beijing Kankanche Technology Co., Ltd. and agreed and acknowledged by Beijing Yixin Information Technology Co., Ltd. pursuant to which Bo HAN agreed to, among other things, authorize Beijing Kankanche Technology Co., Ltd. or its designee(s) to represent

Bo HAN to exercise all of his rights as shareholder of Beijing Yixin Information Technology Co., Ltd.;

- (k) a power of attorney dated August 10, 2017, executed by Shenzhen Tencent Industry Investment Fund Co., Ltd. in favor of Beijing Kankanche Technology Co., Ltd. and agreed and acknowledged by Beijing Yixin Information Technology Co., Ltd. pursuant to which Shenzhen Tencent Industry Investment Fund Co., Ltd. agreed to, among other things, authorize Beijing Kankanche Technology Co., Ltd. or its designee(s) to represent Shenzhen Tencent Industry Investment Fund Co., Ltd. to exercise all of its rights as shareholder of Beijing Yixin Information Technology Co., Ltd.;
- (l) a power of attorney dated August 10, 2017, executed by Beijing Jiasheng Investment Management Co., Ltd. in favor of Beijing Kankanche Technology Co., Ltd. and agreed and acknowledged by Beijing Yixin Information Technology Co., Ltd. pursuant to which Beijing Jiasheng Investment Management Co., Ltd. agreed to, among other things, authorize Beijing Kankanche Technology Co., Ltd. or its designee(s) to represent Beijing Jiasheng Investment Management Co., Ltd. to exercise all of its rights as shareholder of Beijing Yixin Information Technology Co., Ltd.;
- (m) an equity interest pledge agreement dated August 10, 2017, entered into among Beijing Kankanche Technology Co., Ltd., Bo HAN and Beijing Yixin Information Technology Co., Ltd. pursuant to which Bo HAN agreed to pledge all of his existing and future equity interests in Beijing Yixin Information Technology Co., Ltd. to Beijing Kankanche Technology Co., Ltd.;
- (n) an equity interest pledge agreement dated August 10, 2017, entered into among Beijing Kankanche Technology Co., Ltd., Shenzhen Tencent Industry Investment Fund Co., Ltd. and Beijing Yixin Information Technology Co., Ltd. pursuant to which Shenzhen Tencent Industry Investment Fund Co., Ltd. agreed to pledge all of its existing and future equity interests in Beijing Yixin Information Technology Co., Ltd. to Beijing Kankanche Technology Co., Ltd.;
- (o) an equity interest pledge agreement dated August 10, 2017, entered into among Beijing Kankanche Technology Co., Ltd., Beijing Jiasheng Investment Management Co., Ltd. and Beijing Yixin Information Technology Co., Ltd. pursuant to which Beijing Jiasheng Investment Management Co., Ltd. agreed to pledge all of its existing and future equity interests in Beijing Yixin Information Technology Co., Ltd. to Beijing Kankanche Technology Co., Ltd.;
- (p) a deed of undertaking dated October 31, 2017 executed by Bitauto Holdings Limited in favor of Yixin Group Limited and The Stock Exchange of Hong Kong Limited, pursuant to which Bitauto Holdings Limited undertakes to, among other things: (i) ensure the composition of its board of directors is comprised of a majority of PRC nationals, (ii) in the event of Bitauto Holdings Limited transferring or disposing of a shareholding that may result in the transferee(s) acquiring “control” over Yixin Group Limited (as defined in the discussion draft of the Foreign Investment Law proposed by Ministry of Commerce in January 2015 or the new Foreign Investment Law, as enacted), Bitauto Holdings Limited will procure that the transferee(s) provide a substantially similar undertaking to Yixin Group Limited and The Stock Exchange of Hong Kong Limited, and (iii) demonstrate to the reasonable satisfaction of Yixin Group Limited and The Stock Exchange of Hong

Kong Limited that the Contractual Arrangements will continue to be viewed as a domestic investment under the discussion draft of the Foreign Investment Law proposed by Ministry of Commerce in January 2015 or the new Foreign Investment Law, as enacted; and

(q) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

(a) Trademarks

(i) Trademarks Registered in China

As of the Latest Practicable Date, we had registered the following trademarks in the PRC which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date (MM/DD/YYYY)
1.	易鑫车贷	Beijing Yixin	38	17883825	10/20/2026
		Beijing Yixin	41	17883889	10/20/2026
		Beijing Yixin	45	17884203	10/20/2026
2.	易鑫	Beijing Yixin	36	17883620	10/20/2026
		Beijing Yixin	38	17883881	10/20/2026
		Beijing Yixin	41	17883931	10/20/2026
		Beijing Yixin	45	17884273	10/20/2026
3.	daikuan.com	Beijing Yixin	9	19043437	6/6/2027
		Beijing Yixin	12	19043867	6/6/2027
		Beijing Yixin	35	19044781	3/6/2027
		Beijing Yixin	36	19045343	3/6/2027
		Beijing Yixin	41	19046247	3/6/2027
		Beijing Yixin	42	19048756	3/13/2027
		Beijing Yixin	45	19049017	6/6/2027


(ii) Trademarks Applications Pending in China

As of the Latest Practicable Date, we had applied for the registration of the following trademarks in the PRC which we consider to be material to our business:

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date (MM/DD/YYYY)
1.		Beijing Yixin	45	14786411	9/6/2025
		Beijing Yixin	9	14551196	8/13/2026
		Beijing Yixin	42	14551228	8/13/2026
		Beijing Yixin	12	14551197	10/6/2026
2.		Beijing Yixin	45	14786465	9/6/2025
		Beijing Yixin	12	14551140	7/13/2026
		Beijing Yixin	9	14551139	8/6/2026
		Beijing Yixin	42	14551151	8/13/2026

(iii) Trademarks Applications Pending in Hong Kong

As of the Latest Practicable Date, we had applied for the registration of the following trademarks in Hong Kong which we consider to be material to our business:

No.	Trademark	Applicant	Class	Application Number	Application Date
1.		Company	9	304182994	6/23/2017
			12	304182994	6/23/2017
			35	304182994	6/23/2017
			36	304182994	6/23/2017
			38	304182994	6/23/2017
			42	304182994	6/23/2017

(b) Copyrights

As of the Latest Practicable Date, we had registered the following copyrights in the PRC which are material in relation to our Group's business:

No.	Copyright	Version	Registration number	Registration Date (MM/DD/YYYY)
1.	Taoche software (Android) (淘車軟件)	3.9.1	2017SR266243	6/14/2017
2.	Taoche software (iOS) (淘車軟件)	3.9	2017SR266252	6/14/2017
3.	Yixin Chedai Client-side Android software (易鑫車貸客戶端 Android 版軟件)	V1.0	2016SR282637	9/30/2016
4.	Yixin Chedai Client-side iOS software (易鑫車貸客戶端iOS版軟件)	V1.0	2016SR282638	9/30/2016

(c) Domain names

As of the Latest Practicable Date, we owned the following domain names which we consider to be material to our business:

No.	Domain Name	Registered Owner	Expiry Date (MM/DD/YYYY)
1.	daikuan.com	Beijing Yixin	7/23/2025
2.	taoche.com	Beijing Yixin	12/18/2018
3.	taoche.cn	Beijing Yixin	12/9/2020
4.	yixincars.com	Beijing Yixin	5/16/2020

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS**1. Particulars of Directors' service contracts and appointment letters****(a) Executive Director**

Mr. Andy Xuan Zhang and Mr. Dong Jiang (姜東) have each entered into service contracts with our Company on November 1, 2017. The initial term of their service contracts shall commence from the date of their respective appointments and continue for a period of three years or until the third annual general meeting of the Company since the Listing Date, whichever is earlier, and shall be automatically renewed for successive periods of three years (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing. Under the service contracts, our executive directors are not entitled to any remuneration as the executive Directors.

(b) Non-executive Directors and independent non-executive Directors

Each of the non-executive Directors has entered into an appointment letter with our Company on November 1, 2017. The initial term for their appointment letters shall commence from the date of their appointments and shall continue for three years after or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing. Under these appointment letters, our non-executive Directors are not entitled to any remuneration and benefits as the non-executive Directors.

Each of the independent non-executive Directors has entered into an appointment letter with our Company on November 1, 2017. The initial term for their appointment letters shall be three years from the date of this prospectus or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. Under these appointment letters, each of Mr. Tin Fan Yuen (袁天凡), Mr. Chester Tun Ho Kwok (郭淳浩), Ms. Lily Li Dong (董莉) will receive an annual director's fee, comprised of cash and

share based compensation, of approximately HK\$2.1 million, HK\$2.1 million and HK\$1.2 million respectively.

2. Remuneration of Directors

- (a) The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors for the years ended December 31, 2014, 2015 and 2016, and the six months ended June 30, 2017 was approximately RMB1.7 million, RMB1.7 million, RMB1.8 million and RMB8.2 million, respectively.
- (b) Under the arrangements currently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending December 31, 2017, is expected to be approximately RMB1.8 million in aggregate (excluding discretionary bonus and any options granted pursuant to the Pre-IPO Share Option Scheme). For details regarding grants of options to our Directors pursuant to our Pre-IPO Share Option Scheme, please see the section headed “—Pre-IPO Share Option and Share Award Schemes—Pre-IPO Share Option Scheme—Outstanding options granted” in this appendix.
- (c) None of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Disclosure of interests

(a) *Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Global Offering*

Immediately following completion of the Capitalization Issue and the Global Offering assuming no Shares are issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and no grants under the First Share Award Scheme, the interests and/or short positions (as applicable) of our Directors and chief executives in the shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) *Interest in Shares*

<u>Name of Director and chief executive</u>	<u>Name of interest</u>	<u>Relevant company</u>	<u>Number and class of securities</u>	<u>Approximate percentage of issued shares immediately after completion of the Global Offering</u>
Andy Xuan Zhang	Beneficial owner	the Company	257,601,260 Shares ⁽¹⁾	4.10%
Dong Jiang	Beneficial owner	the Company	38,519,810 Shares ⁽²⁾	0.61%

Notes:

- (1) Includes Mr. Andy Xuan Zhang's entitlement to receive up to 257,601,260 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (2) Includes Mr. Dong Jiang's entitlement to receive up to 38,519,810 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme and held on trust by the Xindu Trust.

(ii) *Interest in associated corporations*

<u>Name of director or chief executive</u>	<u>Nature of interest</u>	<u>Associated corporations</u>	<u>Number of shares</u>	<u>Percentage of shareholding in the associated corporation</u>
Mr. Andy Xuan Zhang	Beneficial owner (Long Position)	Bitauto Holdings Limited	1,250,000 ⁽¹⁾	1.74% ⁽²⁾

Notes:

- (1) Includes Mr. Andy Xuan Zhang's entitlement to shares related to outstanding options and restricted stock units granted under Bitauto's employee incentive plans.
- (2) Based on the total number of shares in issue as appears on the register of members of Bitauto as of the Latest Practicable Date.

(b) *Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO*

For information on the persons who will, immediately following the completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be

issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and grants under the First Share Award Scheme, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, please see the section headed “Substantial Shareholders.”

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and grants under the First Share Award Scheme, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such Capital.

4. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;
- (b) none of the Directors or the experts named in the section headed “Other Information—Consents of Experts” below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this prospectus;
- (d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (e) taking no account of any Shares which may be taken up under the Global Offering and allotted and issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and grants under the First Share Award Scheme, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Capitalization Issue and the Global Offering, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and
- (f) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated

corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon.

D. PRE-IPO SHARE OPTION AND SHARE AWARD SCHEMES

1. Pre-IPO Share Option Scheme

Summary

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme of the Company as approved by the Board on May 26, 2017 and amended on September 1, 2017. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Scheme will not involve the grant of options by us to subscribe for ordinary shares with a par value of US\$0.0001 each once we have become a listed issuer.

(a) Purpose

The purpose of the Pre-IPO Share Option Scheme is to promote the success and enhance the value of the Company, by linking the personal interests of the members of the Board, employees, consultants and other individuals to those of the Shareholders and, by providing such individuals with an incentive for outstanding performance, to generate superior returns to the Shareholders. The Pre-IPO Share Option Scheme is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of recipients upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

(b) Who may join

Those eligible to participate in the Pre-IPO Share Option Scheme include employees, consultants, all members of the Board, and other individuals, as determined, authorized and approved by the Board or a committee authorized by the board (the "**Committee**"). The Committee may, from time to time, select from among all eligible individuals ("**Participants**") to whom options will be granted and will determine the nature and amount of each option. No individual has any right to be granted options pursuant to the Pre-IPO Share Option Scheme. Nil consideration is required to be paid by the grantees for the grant of options under the Pre-IPO Share Option Scheme.

(c) Maximum number of ordinary shares with a par value of US\$0.0001 each

The overall limit on the number of underlying Shares which may be issued pursuant to the Pre-IPO Share Option Scheme is 59,780,609 shares with a par value of US\$0.0001 each.

(d) Administration

The Pre-IPO Share Option Scheme is administered by the Board and/or the Committee who has the authority to grant or amend options to Participants other than any of the Committee members.

Subject to any specific designation in the Pre-IPO Share Option Scheme, the Committee has the exclusive power, authority and discretion to:

- (i) designate Participants to receive options;
- (ii) determine the number of options to be granted and the number Shares to which an option will relate;
- (iii) determine the terms and conditions of any options granted pursuant to the Pre-IPO Share Option Scheme, including, but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the option, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an option, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an option, based in each case on such considerations as the Committee in its sole discretion determines;
- (iv) determine whether, to what extent, and pursuant to what circumstances an option may be settled in, or the exercise price of an option may be paid in, cash, ordinary shares, other options, or other property, or an option may be canceled, forfeited, or surrendered;
- (v) prescribe the form of each Award Agreement (as defined below), which need not be identical for each Participant;
- (vi) decide all other matters that must be determined in connection with an option;
- (vii) establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Pre-IPO Share Option Scheme;
- (viii) interpret the terms of, and any matter arising pursuant to, the Pre-IPO Share Option Scheme or any Award Agreement;
- (ix) Reduce the exercise price per share underlying the option; and
- (x) make all other decisions and determinations that may be required pursuant to the Pre-IPO Share Option Scheme or as the Committee deems necessary or advisable to administer the Pre-IPO Share Option Scheme.

(e) Option grants

The Committee is authorized to grant options to purchase a specified number of Shares at a specified price during specified time periods. Options granted will be evidenced by an agreement (“**Award Agreement**”) between the Company and the Participant. The Award Agreement includes additional provisions specified by the Committee.

(f) Term of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme commenced on May 26, 2017 (the “**Effective Date**”). Any options that are outstanding on the tenth anniversary of the Effective Date shall remain in force according to the terms of the Pre-IPO Share Option Scheme and the applicable Award Agreement.

(g) Exercise of option

The Committee shall determine the time or times at which an option may be exercised in whole or in part, including exercise prior to vesting; provided that the term of any option granted under the

Pre-IPO Share Option Scheme shall not exceed ten years, subject to a shareholder approval of extension of the exercise period for an option beyond ten years from the date of the grant. The Committee shall also determine any conditions, if any, that must be satisfied before all or part of an option may be exercised.

(h) Exercise price

The exercise price per Share subject to an option shall be determined by the Committee and set forth in the Award Agreement and may be a fixed or variable price related to the fair market value of the Shares.

The exercise price per Share subject to an Option may be amended or adjusted in the absolute discretion of the Committee, the determination of which shall be final, binding and conclusive. For the avoidance of doubt, the exercise price per Shares shall not be less than the par value of such Share and to the extent not prohibited by applicable laws, a downward adjustment of the exercise prices of Options mentioned in the preceding sentence shall be effective without the approval of the Company's shareholders or the approval of the affected Participants.

(i) Transfer restrictions

The Participant shall give the Company prompt notice of any disposition of shares acquired by exercise of an option within (i) two years from the date of grant of such option or (ii) one year after the transfer of such Shares to the Participant.

(j) Rights on death or disability

Unless otherwise provided in the Award Agreement, if a Participant's employment by or service to the Service Recipient terminates as a result of the Participant's death or disability, (i) the Participant (or the legal representatives or beneficiary, in the case of disability or death, respectively), will be entitled to exercise the option in whole or in part within a period of 12 months following the date of the Participant's termination of employment to the extent that such options were vested and exercisable on that date; (ii) options that are not vested and exercisable on that date shall terminate upon the Participant's termination of employment or service on account of death or disability; and (iii) options that are exercisable for the 12-month period following the Participant's termination of employment and not exercised shall terminate at the close of business on the last day of the 12-month period.

(k) Right of the Committee to transfer award in lieu of termination

Notwithstanding the provisions regarding termination of employment or service, the Committee shall have the right to determine that any options that would otherwise terminate pursuant to such provisions be transferred to any other existing or additional Participants or permitted transferees that the Committee may in its sole discretion determine, and the Committee may reflect any such determination in a written notice to such person(s).

(l) Adjustments

In the event of any share dividend, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other distribution (other than

normal cash dividends) of Company assets to its shareholders, or any other change affecting the shares or the price of a share, the Committee shall make such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change with respect to:

- (i) the aggregate number and type of shares that may be issued under the Pre-IPO Share Option Scheme;
- (ii) the terms and conditions of any outstanding options (including, without limitation, any applicable performance targets or criteria with respect thereto); and
- (iii) the grant or exercise price per share for any outstanding options under the Pre-IPO Share Option Scheme provided that such price per share of the Company is not less than the par value of such share.

(m) Amendment, modification and termination

The Board and/or the Committee may, at any time or from time to time, terminate, amend or modify the Plan. With the approval of the Board, at any time and from time to time, the Committee may terminate, amend or modify the Pre-IPO Share Option Scheme.

Except with respect to amendments made pursuant to the above, no termination, amendment, or modification of the Pre-IPO Share Option Scheme shall adversely affect in any material way any option previously granted pursuant to the Pre-IPO Share Option Scheme without the prior written consent of the Participant.

Outstanding options granted

The proposal to grant the options under the Pre-IPO Share Option Scheme to the grantees as set out below was approved by the Board on June 26, 2017 and September 1, 2017. The overall limit on the number of shares to be granted under the Pre-IPO Share Option Scheme is 418,464,263 Shares (assuming completion of the Capitalization Issue), representing approximately 6.67% of the issued Shares immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised, and options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Capitalization Issue and the Global Offering are not exercised and no Shares are granted under the First Share Award Scheme).

The number of Shares underlying the outstanding and unexercised options granted under the Pre-IPO Share Option Scheme amounts to 283,640,875 Shares, representing approximately 4.52% of the issued Shares immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised, and options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Capitalization Issue and the Global Offering are not exercised and no Shares are granted under the First Share Award Scheme).

Between July 3, 2017 and October 1, 2017, we granted options in respect of a total of 56,477,387 Shares (or 395,341,709 Shares assuming the completion of the Capitalization Issue and the Global Offering) to 149 employees of the Group pursuant to the Pre-IPO Share Option Scheme. On October 12, 2017, 20 grantees exercised their options with respect to a total of 15,957,262 Shares pursuant to the Pre-IPO Share Option Scheme.

As of the Latest Practicable Date, we have conditionally granted options to 129 participants under the Pre-IPO Share Option Scheme. All the options under the Pre-IPO Share Option Scheme were granted between July 3, 2017 and October 1, 2017 (both days inclusive) and the Company will not grant further options under the Pre-IPO Share Option Scheme. The exercise price of all the options granted under the Pre-IPO Share Option Scheme is US\$0.01 (approximately US\$0.0014 assuming completion of the Capitalization Issue).

(a) Directors and senior management

Our Directors and senior management have been granted options under the Pre-IPO Share Option Scheme to subscribe for a total of 258,301,260 Shares assuming completion of the Capitalization Issue as set out in the section headed “History and Corporate Structure—Shareholding Changes of our Company—Major Shareholding Changes of our Company”, and approximately 4.12% of the issued share capital of our Company upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised, and options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Global Offering are not exercised and no Shares are granted under the First Share Award Scheme).

Below is a list of the Directors and senior management who are grantees under the Pre-IPO Share Option Scheme:

Name of grantee	Role	Address	Number of Shares under the Pre-IPO Share Option Scheme outstanding ⁽¹⁾	Date of grant	Option period	Approximate percentage of issued shares immediately after completion of the Global Offering ⁽¹⁾
Andy Xuan Zhang	Executive Director and Chief Executive Officer	Flat A, 3/F Valiant Court 33 Cross Street Wan Chai Hong Kong	192,599,071	July 3, 2017	10 years from date grant	4.10%
Zhifeng Jia (賈志峰)	Senior Vice President of Technology	No. 932 Yu Jing Garden Hou Sha Yu, Shunyi District Beijing, China	700,000	July 3, 2017	10 years from date grant	0.01%
Subtotal:	two grantees		258,301,260			4.12%

Note:

(1) The table above assumes the completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised, and options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Global Offering are not exercised and no Shares are granted under the First Share Award Scheme.

(b) Connected persons who are not Directors or senior management

As of the Latest Practicable Date, one connected person of the Company (who is not a Director or senior management) was granted options under the Pre-IPO Share Option Scheme representing approximately 0.02% of the issued share capital of our Company upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised, and options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Capitalization Issue and the Global Offering are not exercised and no Shares are granted under the First Share Award Scheme).

Below is a list of connected persons of our Company (who are not our Directors or senior managers) who are grantees under the Pre-IPO Share Option Scheme:

Name of grantee	Role	Address	Number of Shares under the Pre-IPO Share Option Scheme ⁽¹⁾	Date of grant	Option period	Approximate percentage of issued shares immediately after completion of the Global Offering ⁽¹⁾
Dong Han (韓冬)	Director of Shanghai Lanshu	No. 103, 16/F, Zhongguancun North 2nd Alley, Haidian District, Beijing, China	1,400,000	July 3, 2017	10 years from date grant	0.02%
Subtotal:	one grantee		1,400,000			

Note:

(1) The table above assumes the completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised, and options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Global Offering are not exercised and no Shares are granted under the First Share Award Scheme.

(c) Other grantees

As of the Latest Practicable Date, other than one Director and one senior manager (who is not a Director) and one connected person of our Company (who is not a Director or senior manager), no options were granted to any Directors, senior management or connected person of the Group under the Pre-IPO Share Option Scheme. Among the other grantees, 126 grantees have been granted options under the Pre-IPO Share Option Scheme which are outstanding to subscribe for a total of 23,939,615 Shares, representing approximately 0.38% of the issued share capital of our Company upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised, and options granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Capitalization Issue and the Global Offering are not exercised and no Shares are granted under the First Share Award Scheme) with the number of Shares to be issued upon exercise of the relevant options ranging from 749 Shares to 3,764,159 Shares.

The table below shows the details of options granted to other grantees under the Pre-IPO Share Option Scheme which are outstanding:

Number of Shares under the Pre-IPO Share Option Scheme outstanding ⁽¹⁾	Date of grant	Option period	Approximate percentage of issued shares immediately after completion of the Global Offering ⁽¹⁾
23,939,615	Between July 3, 2017 and October 1, 2017	10 years from date of grant	0.38%
Subtotal	126 grantees		
	23,939,615		
	Shares		

Note:

(1) The table above assumes the completion of the Capitalization Issue and the Global Offering, assuming no Shares are granted under the First Share Award Scheme.

2. First Share Award Scheme

The following is a summary of the principal terms of the First Share Award Scheme conditionally adopted by the written resolutions our Shareholders on May 26, 2017, amended on September 1, 2017, and effective from the Listing Date. The First Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules. As of the Latest Practicable Date, the Company has not established a trust in connection with the First Share Award Scheme (“**Trust**”) and has not appointed an independent third party as trustee (“**Trustee**”) to administer the Trust. The Company will establish a Trust and appoint a Trustee prior to the grant of any award by the Board (an “**Award**”) which may vest in the form of Shares (“**Award Shares**”) or the actual selling price of the Award Shares in cash in accordance with the First Share Award Scheme.

(a) Eligible Persons to the First Share Award Scheme

Any individual, being an employee, director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate (an “**Eligible Person**” and, collectively “**Eligible Persons**”) who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an Award. However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the First Share Award Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the First Share Award Scheme.

(b) Purpose of the First Share Award Scheme

The purpose of the First Share Award Scheme is to align the interests of Eligible Persons’ with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Group.

(c) Awards

An Award gives a selected participant a conditional right, when the Award Shares vest, to obtain the Award Shares or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, the cash equivalent from the sale of the Award Shares. An Award includes all cash income from dividends in respect of those Shares from the date the Award is granted (the “**Grant Date**”) to the date the Award vests (the “**Vesting Date**”). For the avoidance of doubt, the Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.

(d) Grant of Award

(i) Making the Grant

The Board or the committee of the Board or person(s) to which the Board has delegated its authority may, from time to time, at their absolute discretion, grant an Award to a selected participant (in the case of the Board’s delegate(s), to any selected participant other than a Director or an officer of

the Company) by way of an award letter (“**Award Letter**”). The Award Letter will specify the Grant Date, the number of Award Shares underlying the Award, the vesting criteria and conditions, the Vesting Date and such other details as the Board or its delegate(s) may consider necessary.

Each grant of an Award to any Director or the chairman of the Company shall be subject to the prior approval of the independent non-executive Directors of the Company (excluding any independent non-executive Director who is a proposed recipient of an Award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Shares to connected persons of the Company.

(ii) Restrictions on Grants and Timing of Grants

The Board and its delegate(s) may not grant any Award Shares to any selected participant in any of the following circumstances:

- (A) where any requisite approval from any applicable regulatory authorities has not been granted;
- (B) where any member of the Group will be required under applicable securities laws, rules or regulations to issue a prospectus or other offer documents in respect of such Award or the First Share Award Scheme, unless the Board determines otherwise;
- (C) where such Award would result in a breach by any member of the Group or its directors of any applicable securities laws, rules or regulations in any jurisdiction;
- (D) where such grant of Award would result in a breach of the First Share Award Scheme Limit (as defined below) or would otherwise cause the Company to issue Shares in excess of the permitted amount in the mandate approved by the Shareholders;
- (E) where any Director of the Company is in possession of unpublished inside information in relation to the Company or where dealings by Directors of the Company are prohibited under any code or requirement of the Listing Rules and all applicable laws, rules or regulations, from time to time;
- (F) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (G) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

(e) Maximum Number of Shares to be Granted

The aggregate number of Shares underlying all grants made pursuant to the First Share Award Scheme (excluding Award Shares which have been forfeited in accordance with the First Share Award Scheme) will not exceed 10,118,631 Shares subject to an increase of 3,303,222 Shares, being the equivalent to the aggregate number of Shares underlying the options that are not granted under the Pre-IPO Share Option Plan prior to the Global Offering, without further Shareholders’ approval (the “**Share Award Scheme Limit**”).

(f) Scheme Mandate

To the extent that the First Share Award Scheme Limit is subsequently increased by way of alteration of the First Share Award Scheme and the Company is required to issue and allot new shares to satisfy any Awards in excess of any amount previously approved by the Shareholders, the Company shall at a general meeting propose, and the Shareholders shall consider and, if thought fit, pass an ordinary resolution approving a mandate specifying:

- (i) the maximum number of new Shares that may be issued for this purpose; and
- (ii) that the Board has the power to issue, allot, procure the transfer of and otherwise deal with the Shares in connection with the First Share Award Scheme.

The mandate will remain in effect during the period from the passing of the ordinary resolution granting the mandate until the variation or revocation of such mandate by an ordinary resolution of the Shareholders in a general meeting.

(g) Rights attached to the Award

Save that the Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Award Shares be paid to the selected participants even though the Award Shares have not yet vested, the selected participant only has a contingent interest in the Award Shares underlying an Award unless and until such Award Shares are actually transferred to the selected participant, nor does he/she have any rights to any related income until the Award Shares vest.

Neither the selected participant nor the Trustee may exercise any voting rights in respect of any Award Shares that have not yet vested.

(h) Rights attached to the Shares

Any Award Shares transferred to a selected participant in respect of any Awards will be subject to all the provisions of the Memorandum and the Articles and will form a single class with the fully paid Shares in issue on the relevant date.

(i) Issue of Shares and/or transfer of funds to the trustee

The Company shall, as soon as reasonably practicable and no later than 30 business days from the Grant Date, (i) issue and allot Shares to the Trustee under the specific mandate sought from Shareholders during the general meeting and/or (ii) transfer to the Trustee the necessary funds and instruct the Trustee to acquire Shares through on-market transactions at the prevailing market price, so as to satisfy the Awards.

(j) Assignment of Awards

Any Award Shares granted under the First Share Award Scheme but not yet vested are personal to the selected participants to whom they are granted and cannot be assigned or transferred. A selected participant shall not in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any Award, or enter into any agreement to do so.

(k) Vesting of Awards

The Board or its delegate(s) may from time to time while the First Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

Within a reasonable time period as agreed between the Trustee and the Board from time to time prior to any Vesting Date, the Board or its delegate(s) will send a vesting notice to the relevant selected participant and instruct the Trustee the extent to which the Award Shares held in the Trust shall be transferred and released from the Trust to the selected participant. Subject to the receipt of the vesting notice and notification from the Board or its delegate(s), the Trustee will transfer and release the relevant Award in the manner as determined by the Board or its delegate(s).

If, in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, solely due to legal or regulatory restrictions with respect to the selected participant's ability to receive the Award in Shares or the Trustee's ability to give effect to any such transfer to the selected participant, the Board or its delegate(s) will direct and procure the Trustee to sell, on-market at the prevailing market price, the number of Award Shares so vested in respect of the selected participant and pay the selected participant the proceeds arising from such sale based on the actual selling price of such Award Shares in cash as set out in the vesting notice.

If there is an event of change in control of the Company by way of a merger, a privatization of the Company by way of a scheme or by way of an offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall at their sole discretion determine whether the Vesting Dates of any Awards will be accelerated to an earlier date.

(l) Consolidation, subdivision, bonus issue and other distribution

In the event the Company undertakes a subdivision or consolidation of the Shares, corresponding changes will be made to the number of outstanding Award Shares that have been granted provided that the adjustments shall be made in such manner as the Board determines to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the First Share Award Scheme for the selected participants. All fractional shares (if any) arising out of such consolidation or subdivision in respect of the Award Shares of a selected participant shall be deemed as returned shares and shall not be transferred to the relevant selected participant on the relevant Vesting Date. The Trustee shall hold returned shares to be applied towards future Awards in accordance with the provisions of the First Share Award Scheme rules for the purpose of the First Share Award Scheme.

In the event of an issue of Shares by the Company credited as fully paid to the holders of the Shares by way of capitalization of profits or reserves (including share premium account), the Shares attributable to any Award Shares held by the Trustee shall be deemed to be an accretion to such Award Shares and shall be held by the Trustee as if they were Award Shares purchased by the Trustee hereunder and all the provisions hereof in relation to the original Award Shares shall apply to such additional Shares.

In the event of any non-cash distribution or other events not referred to above by reason of which the Board considers an adjustment to an outstanding Award to be fair and reasonable, an adjustment shall be made to the number of outstanding Award Shares of each selected participant as

the Board shall consider as fair and reasonable, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the First Share Award Scheme for the selected participants. The Company shall provide such funds, or such directions on application of the returned shares or returned trust funds, as may be required to enable the Trustee to purchase Shares on-market at the prevailing market price to satisfy the additional Award.

In the event the Company undertakes an open offer of new securities, the Trustee shall not subscribe for any new Shares. In the event of a rights issue, the Trustee shall seek instructions from the Company on the steps or actions to be taken in relation to the nil-paid rights allotted to it.

(m) Retirement, death or permanent physical or mental disability of an eligible person

If a selected participant ceases to be an Eligible Person by reason of retirement of the selected participant, any outstanding Award Shares and related income not yet vested shall continue to vest in accordance with the Vesting Dates set out in the Award Letter, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant ceases to be an Eligible Person by reason of (i) death of the selected participant, (ii) termination of the selected participant's employment or contractual engagement with the Group or an affiliate by reason of his/her permanent physical or mental disablement, (iii) termination of the selected participant's employment or contractual engagement with the Group by reason of redundancy, any outstanding Award Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant, being an employee whose employment is terminated by the Group or an affiliate by reason of the employer terminating the contract of employment without notice or payment in lieu of notice, or the selected participant having been convicted of any criminal offense involving his or her integrity or honesty, any outstanding Award Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant is declared bankrupt or becomes insolvent or makes any arrangements or composition with his or her creditors generally, any outstanding Award Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant ceases to be an Eligible Person for reasons other than those stated in this paragraph, any outstanding Award Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

(n) Alteration of the First Share Award Scheme

The First Share Award Scheme may be altered in any respect (save for the First Share Award Scheme Limit) by a resolution of the Board provided that no such alteration shall operate to affect adversely any subsisting rights of any selected participant unless otherwise provided for in the rules of the First Share Award Scheme, except:

- (i) with the consent in writing of selected participants amounting to three-fourths in nominal value of all Award Shares held by the Trustee on that date; or

- (ii) with the sanction of a special resolution that is passed at a meeting of the selected participants amounting to three-fourths in nominal value of all Award Shares held by the Trustee on that date.

(o) Termination

The First Share Award Scheme shall terminate on the earlier of:

- (i) the end of the period of ten years commencing on the earlier of the passing of a shareholders' resolution approving the adoption of the First Share Award Scheme or the Listing Date except in respect of any non-vested Award Shares granted hereunder prior to the expiration of the First Share Award Scheme, for the purpose of giving effect to the vesting of such Award Shares or otherwise as may be required in accordance with the provisions of the First Share Award Scheme; and
- (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the First Share Award Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the Award Shares already granted to a selected participant.

(p) Administration of the First Share Award Scheme

The Board has the power to administer the First Share Award Scheme in accordance with the rules of the First Share Award Scheme and, where applicable, the Trust deed, including the power to construe and interpret the rules of the First Share Award Scheme and the terms of the Awards granted under the First Share Award Scheme. The Board may delegate the authority to administer the First Share Award Scheme to a committee of the Board or other person(s) as deemed appropriate at the sole discretion of the Board. The Board or its delegate(s) may also appoint one or more independent third party contractors to assist in the administration of the First Share Award Scheme as they think fit.

(q) Grant of Shares under the First Share Award Scheme

As of the date of this prospectus, no Shares had been granted or agreed to be granted under the First Share Award Scheme.

An application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may be issued pursuant to the First Share Award Scheme.

3. Second Share Award Scheme

The following is a summary of the principal terms of the Second Share Award Scheme conditionally adopted by the resolutions in writing of all of our Shareholders on September 1, 2017, and effective from the Listing Date. The Second Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules. Under the Second Share Award Scheme, the Company may transfer to the Trustee the necessary funds and instruct the Trustee to acquire Shares through on-market transactions at the prevailing market price. As of the Latest Practicable Date, the Company has not established a trust in connection with the Second Share Award Scheme (“**Trust**”) and has not appointed an independent third party as trustee (“**Trustee**”) to

administer the Trust. The Company will establish a Trust and appoint a Trustee prior to the grant of any award by the Board (an “**Award**”) which may vest in the form of Shares (“**Award Shares**”) or the actual selling price of the Award Shares in cash in accordance with the Second Share Award Scheme.

(a) Eligible Persons to the Second Share Award Scheme

Any individual, being an employee, director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate (an “**Eligible Person**” and, collectively “**Eligible Persons**”) who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an Award. However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Second Share Award Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Second Share Award Scheme.

(b) Purpose of the Second Share Award Scheme

The purpose of the Second Share Award Scheme is to align the interests of Eligible Persons’ with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Group.

(c) Awards

An Award gives a selected participant a conditional right, when the Award Shares vest, to obtain the Award Shares or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, the cash equivalent from the sale of the Award Shares. An Award includes all cash income from dividends in respect of those Shares from the date the Award is granted (the “**Grant Date**”) to the date the Award vests (the “**Vesting Date**”). For the avoidance of doubt, the Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.

(d) Grant of Award

(i) Making the Grant

The Board or the committee of the Board or person(s) to which the Board has delegated its authority may, from time to time, at their absolute discretion, grant an Award to a selected participant (in the case of the Board’s delegate(s), to any selected participant other than a Director or an officer of the Company) by way of an award letter (“**Award Letter**”). The Award Letter will specify the Grant Date, the number of Award Shares underlying the Award, the vesting criteria and conditions, the Vesting Date and such other details as the Board or its delegate(s) may consider necessary.

Each grant of an Award to any Director or the chairman of the Company shall be subject to the prior approval of the independent non-executive Directors of the Company (excluding any independent

non-executive Director who is a proposed recipient of an Award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Shares to connected persons of the Company.

(ii) Restrictions on Grants and Timing of Grants

The Board and its delegate(s) may not grant any Award Shares to any selected participant in any of the following circumstances:

- (A) where any requisite approval from any applicable regulatory authorities has not been granted;
- (B) where any member of the Group will be required under applicable securities laws, rules or regulations to issue a prospectus or other offer documents in respect of such Award or the Second Share Award Scheme, unless the Board determines otherwise;
- (C) where such Award would result in a breach by any member of the Group or its directors of any applicable securities laws, rules or regulations in any jurisdiction;
- (D) where such grant of Award would result in a breach of the Share Award Scheme Limit (as defined below);
- (E) where any Director of the Company is in possession of unpublished inside information in relation to the Company or where dealings by Directors of the Company are prohibited under any code or requirement of the Listing Rules and all applicable laws, rules or regulations, from time to time;
- (F) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (G) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

(e) Maximum Number of Shares to be Granted

The aggregate number of Shares underlying all grants made pursuant to the Second Share Award Scheme (excluding Award Shares which have been forfeited in accordance with the Second Share Award Scheme) will not exceed 5% of the total number of issued Shares without Shareholders' approval (the "**Share Award Scheme Limit**"), subject to an annual limit of 3% of the total number of issued Shares at the relevant time.

(f) Rights attached to the Award

Save that the Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Award Shares be paid to the selected participants even though the Award Shares have not yet vested, the selected participant only has a contingent interest in the Award Shares underlying an Award unless and until such Award Shares are actually transferred to the selected participant, nor does he/she have any rights to any related income until the Award Shares vest.

Neither the selected participant nor the Trustee may exercise any voting rights in respect of any Award Shares that have not yet vested.

(g) Rights attached to the Shares

Any Award Shares transferred to a selected participant in respect of any Awards will be subject to all the provisions of the Memorandum and the Articles and will form a single class with the fully paid Shares in issue on the relevant date.

(h) Transfer of funds to the trustee

The Company shall, as soon as reasonably practicable and no later than 30 business days from the Grant Date, transfer to the Trustee the necessary funds and instruct the Trustee to acquire Shares through on-market transactions at the prevailing market price, so as to satisfy the Awards.

(i) Assignment of Awards

Any Award Shares granted under the Second Share Award Scheme but not yet vested are personal to the selected participants to whom they are granted and cannot be assigned or transferred. A selected participant shall not in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any Award, or enter into any agreement to do so.

(j) Vesting of Awards

The Board or its delegate(s) may from time to time while the Second Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

Within a reasonable time period as agreed between the Trustee and the Board from time to time prior to any Vesting Date, the Board or its delegate(s) will send a vesting notice to the relevant selected participant and instruct the Trustee the extent to which the Award Shares held in the Trust shall be transferred and released from the Trust to the selected participant. Subject to the receipt of the vesting notice and notification from the Board or its delegate(s), the Trustee will transfer and release the relevant Award in the manner as determined by the Board or its delegate(s).

If, in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, solely due to legal or regulatory restrictions with respect to the selected participant's ability to receive the Award in Shares or the Trustee's ability to give effect to any such transfer to the selected participant, the Board or its delegate(s) will direct and procure the Trustee to sell, on-market at the prevailing market price, the number of Award Shares so vested in respect of the selected participant and pay the selected participant the proceeds arising from such sale based on the actual selling price of such Award Shares in cash as set out in the vesting notice.

If there is an event of change in control of the Company by way of a merger, a privatization of the Company by way of a scheme or by way of an offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall at their sole discretion determine whether the Vesting Dates of any Awards will be accelerated to an earlier date.

(k) Consolidation, subdivision, bonus issue and other distribution

In the event the Company undertakes a subdivision or consolidation of the Shares, corresponding changes will be made to the number of outstanding Award Shares that have been granted provided that the adjustments shall be made in such manner as the Board determines to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Second Share Award Scheme for the selected participants. All fractional shares (if any) arising out of such consolidation or subdivision in respect of the Award Shares of a selected participant shall be deemed as returned shares and shall not be transferred to the relevant selected participant on the relevant Vesting Date. The Trustee shall hold returned shares to be applied towards future Awards in accordance with the provisions of the Second Share Award Scheme rules for the purpose of the Second Share Award Scheme.

In the event of an issue of Shares by the Company credited as fully paid to the holders of the Shares by way of capitalization of profits or reserves (including share premium account), the Shares attributable to any Award Shares held by the Trustee shall be deemed to be an accretion to such Award Shares and shall be held by the Trustee as if they were Award Shares purchased by the Trustee hereunder and all the provisions hereof in relation to the original Award Shares shall apply to such additional Shares. In the event of any non-cash distribution or other events not referred to above by reason of which the Board considers an adjustment to an outstanding Award to be fair and reasonable, an adjustment shall be made to the number of outstanding Award Shares of each selected participant as the Board shall consider as fair and reasonable, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Second Share Award Scheme for the selected participants. The Company shall provide such funds, or such directions on application of the returned shares or returned trust funds, as may be required to enable the Trustee to purchase Shares on-market at the prevailing market price to satisfy the additional Award.

In the event the Company undertakes an open offer of new securities, the Trustee shall not subscribe for any new Shares. In the event of a rights issue, the Trustee shall seek instructions from the Company on the steps or actions to be taken in relation to the nil-paid rights allotted to it.

(l) Retirement, death or permanent physical or mental disability of an eligible person

If a selected participant ceases to be an Eligible Person by reason of retirement of the selected participant, any outstanding Award Shares and related income not yet vested shall continue to vest in accordance with the Vesting Dates set out in the Award Letter, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant ceases to be an Eligible Person by reason of (i) death of the selected participant, (ii) termination of the selected participant's employment or contractual engagement with the Group or an affiliate by reason of his/her permanent physical or mental disablement, (iii) termination of the selected participant's employment or contractual engagement with the Group by reason of redundancy, any outstanding Award Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant, being an employee whose employment is terminated by the Group or an affiliate by reason of the employer terminating the contract of employment without notice or payment in lieu of notice, or the selected participant having been convicted of any criminal offense

involving his or her integrity or honesty, any outstanding Award Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant is declared bankrupt or becomes insolvent or makes any arrangements or composition with his or her creditors generally, any outstanding Award Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant ceases to be an Eligible Person for reasons other than those stated in this paragraph, any outstanding Award Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

(m) Alteration of the Second Share Award Scheme

The Second Share Award Scheme may be altered in any respect (save for the Share Award Scheme Limit) by a resolution of the Board provided that no such alteration shall operate to affect adversely any subsisting rights of any selected participant unless otherwise provided for in the rules of the Second Share Award Scheme, except:

- (i) with the consent in writing of selected participants amounting to three-fourths in nominal value of all Award Shares held by the Trustee on that date; or
- (ii) with the sanction of a special resolution that is passed at a meeting of the selected participants amounting to three-fourths in nominal value of all Award Shares held by the Trustee on that date.

(n) Termination

The Second Share Award Scheme shall terminate on the earlier of:

- (i) the end of the period of ten years commencing on the earlier of the passing of a shareholders' resolution approving the adoption of the Second Share Award Scheme or the Listing Date except in respect of any non-vested Award Shares granted hereunder prior to the expiration of the Second Share Award Scheme, for the purpose of giving effect to the vesting of such Award Shares or otherwise as may be required in accordance with the provisions of the Second Share Award Scheme; and
- (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the Second Share Award Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the Award Shares already granted to a selected participant.

(o) Administration of the Second Share Award Scheme

The Board has the power to administer the Second Share Award Scheme in accordance with the rules of the Second Share Award Scheme and, where applicable, the Trust deed, including the power to construe and interpret the rules of the Second Share Award Scheme and the terms of the Awards granted under the Second Share Award Scheme. The Board may delegate the authority to administer

the Second Share Award Scheme to a committee of the Board or other person(s) as deemed appropriate at the sole discretion of the Board. The Board or its delegate(s) may also appoint one or more independent third party contractors to assist in the administration of the Second Share Award Scheme as they think fit.

(p) Grant of Shares under the Second Share Award Scheme

As of the date of this prospectus, no Shares had been granted or agreed to be granted under the Second Share Award Scheme.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in this prospectus and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and any Shares to be allotted and issued upon the exercise of the options which has been granted under the Pre-IPO Share Option Scheme that remain unexercised immediately following the completion of the Capitalization Issue and the Global Offering and Shares which may be granted under the First Share Award Scheme).

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of US\$1 million for acting as the sponsor for the Listing.

4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
Citigroup Global Markets Asia Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO
Credit Suisse (Hong Kong) Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Han Kun Law Offices	Qualified PRC Lawyers
Jingtian & Gongcheng	Qualified PRC Lawyers
Maples and Calder (Hong Kong) LLP	Cayman Islands attorneys-at-law
PricewaterhouseCoopers	Certified public accountants
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

6. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary Expenses

The preliminary listing expenses of the Global Offering are estimated to be approximately RMB223.9 million and are payable by our Company.

8. Other Disclaimers

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.
- (b) Save as disclosed in this prospectus:
 - (i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
 - (ii) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
 - (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.
- (c) Save as disclosed in the paragraph headed “—Further Information about our Business—Summary of Material Contracts” in this section, none of our Directors or proposed Directors or experts (as named in this prospectus), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.
- (d) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.
- (e) There is no arrangement under which future dividends are waived or agreed to be waived.
- (f) There is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) a copy of each of the **white**, **yellow** and **green** Application Forms;
- (b) the written consents referred to under the section headed “Statutory and General Information—Other Information—Consents of Experts” in Appendix IV; and
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and General Information—Further Information about Our Business—Summary of Material Contracts” in Appendix IV.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Skadden, Arps, Slate, Meagher & Flom at 42/F Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountant’s Report and the report on the unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the texts of which are set out in Appendices I and II;
- (c) the audited consolidated financial statements of our Company for the three financial years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017;
- (d) the PRC legal opinions issued by Han Kun Law Offices, our legal advisor on PRC law, in respect of certain general corporate matters and property interests of our Group and in respect of certain aspects of PRC law referred to in the section headed “Contractual Arrangements”;
- (e) the PRC legal opinions issued by Jingtian & Gongcheng, the Joint Sponsors’ legal advisor on PRC law, in respect of certain aspects of PRC law referred to in the section headed “Contractual Arrangements”;
- (f) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisor on Cayman Islands law, summarizing the constitution of the Company and certain aspects of the Cayman Companies Law referred to in Appendix III;
- (g) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisor on Cayman Islands Law, summarizing certain aspects of Cayman Islands law referred to in the section headed “Contractual Arrangements”;
- (h) the Cayman Companies Law;
- (i) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed “Industry Overview;”
- (j) the written consents referred to under the section headed “Statutory and General Information—Other Information—Consents of Experts” in Appendix IV;
- (k) the material contracts referred to in “Statutory and General Information—B. Further Information about Our Business—Summary of Material Contracts” in Appendix IV;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (l) the service contracts and the letters of appointment with our Directors referred to in “Statutory and General Information—Further Information about our Directors—Particulars of Directors’ service contracts and appointment letters” in Appendix IV;
- (m) the terms of the Pre-IPO Share Option Scheme and a list of grantees under the Pre-IPO Share Option Scheme;
- (n) the terms of the First Share Award Scheme; and
- (o) the terms of the Second Share Award Scheme.

易鑫集團
YIXIN GROUP