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

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**Form 20-F**

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(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR 12(G) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended December 31, 2012.

OR

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

OR

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

Date of event requiring this shell company report \_\_\_\_\_

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-34947

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**BITAUTO HOLDINGS LIMITED**

(Exact name of Registrant as specified in its charter)

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N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

New Century Hotel Office Tower, 6/F  
No. 6 South Capital Stadium Road  
Beijing, 100044

The People's Republic of China  
(Address of principal executive offices)

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

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

<u>Title of Each Class</u>	<u>Name of Exchange on Which Registered</u>
American depositary shares, each representing one ordinary share Ordinary shares, par value US\$0.00004 per share*	New York Stock Exchange

\* Not for trading, but only in connection with the listing on New York Stock Exchange of the American depositary shares.

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

None  
(Title of Class)

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

None  
(Title of Class)

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Indicate the number of outstanding shares of each of the Issuer's classes of capital or common stock as of the close of the period covered by the annual report. 41,640,890 ordinary shares, par value US\$0.00004 per share, as of December 31, 2012.

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

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

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

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

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

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

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

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

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## INTRODUCTION

Unless otherwise indicated and except where the context otherwise requires, references in this annual report on Form 20-F to:

- “we,” “us,” “our company,” “our” and “Bitauto” refer to Bitauto Holdings Limited, a Cayman Islands company, its subsidiaries and special purpose entities, or SPEs;
- “ADSs” refers to our American depositary shares, each of which represents one ordinary share, and “ADRs” refers to American depositary receipts, which, if issued, evidence our ADSs;
- “China” or the “PRC” refers to the People’s Republic of China excluding, for the purpose of this annual report only, Hong Kong, Macau and Taiwan;
- “IFRS” refers to International Financial Reporting Standards, as issued by the International Accounting Standards Board, or IASB;
- “RMB” or “Renminbi” refers to the legal currency of China; and
- “shares” or “ordinary shares” refers to our ordinary shares, par value US\$0.00004 per share, and “preference shares” refers to our Series A preference shares, Series B preference shares, Series C preference shares, Series D-1 preference shares and Series D-2 preference shares, par value US\$0.00004 per share, all of which were automatically converted into our ordinary shares upon the completion of our initial public offering in November 2010.

Our financial statements are expressed in Renminbi, which is our presentation currency. Certain of our financial data in this annual report are translated into U.S. dollars solely for your convenience. Unless otherwise noted, all translations from Renminbi to U.S. dollars in this annual report were made at a rate of RMB6.2301 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on December 31, 2012. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, at the rate stated above, or at all. For more information, see “Exchange Rate Information” on page 4 of this annual report.

## FORWARD-LOOKING STATEMENTS

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

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

- our goals and strategies;
- our future development, financial positions and results of operations;
- the expected growth of the automotive industry and internet marketing industry in China and globally;
- market acceptance of our services;
- our expectations regarding demand for our services;
- competition in the automotive industry and internet marketing industry;
- PRC governmental policies and regulations relating to the automotive industry and internet marketing industry; and
- general economic and business conditions, particularly in China.

You should read thoroughly this annual report and the documents that we refer to herein with the understanding that our actual future results may be materially different from and/or worse than what we expect. Other sections of this annual report, including the Risk Factors and Operating and Financial Review and Prospects, discuss factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

You should not rely upon forward-looking statements as predictions of future events. The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

## PART I

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

### ITEM 3. KEY INFORMATION

#### A. Selected Financial Data

Our selected consolidated statements of comprehensive income data presented below for the years ended December 31, 2008, 2009, 2010, 2011 and 2012 and our selected consolidated statements of financial position data as of December 31, 2008, 2009, 2010, 2011 and 2012 have been derived from our audited consolidated financial statements. The selected consolidated statements of comprehensive income data and the selected consolidated statements of financial position data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” included elsewhere in this annual report. Our audited consolidated financial statements are prepared in accordance with IFRS. Our consolidated financial statements for the years ended December 31, 2010, 2011 and 2012 are included elsewhere in this annual report. Our historical results do not necessarily indicate results expected for any future periods.

Consolidated Statements of Comprehensive Income Data	For the Year Ended December 31,					
	2008	2009	2010	2011	2012	
	RMB	RMB	RMB	RMB	RMB	US\$
	(In thousands, except share and per share data)					
<b>Continuing Operations</b>						
Revenue	238,978	293,313	458,105	669,954	1,056,906	169,645
Cost of revenue	(74,224)	(105,746)	(148,701)	(213,770)	(292,151)	(46,893)
<b>Gross profit</b>	164,754	187,567	309,404	456,184	764,755	122,752
Selling and administrative expenses <sup>(1)</sup>	(99,951)	(125,268)	(212,002)	(347,734)	(557,355)	(89,462)
Product development expenses	(14,437)	(17,090)	(29,778)	(36,635)	(53,795)	(8,635)
<b>Operating profit</b>	50,366	45,209	67,624	71,815	153,605	24,655
Other income	4,180	595	5,358	24,840	6,580	1,056
Other expenses	(1,267)	(1,168)	(1,346)	(2,372)	(7,280)	(1,169)
Changes in fair value of derivative component of convertible preference shares	50,295	(33,305)	(1,270,702)	—	—	—
Changes in fair value of convertible promissory notes	(8,709)	680	—	—	—	—
Interest income	636	373	618	3,963	5,535	888
Interest expense	—	—	(993)	(1,238)	(3,772)	(605)
Finance costs on convertible preference shares	(10,748)	(14,917)	(9,355)	—	—	—
Changes in fair value of financial assets	—	—	—	—	(267)	(43)
Share of losses of an associate and a jointly controlled entity	—	—	—	(77)	(316)	(51)
<b>Profit/(loss) before tax from continuing operations</b>	84,753	(2,533)	(1,208,796)	96,931	154,085	24,731
Income tax expense	(439)	(3,503)	(13,185)	(9,758)	(18,923)	(3,037)
<b>Profit/(loss) from continuing operations</b>	84,314	(6,036)	(1,221,981)	87,173	135,162	21,694
<b>Profit/(loss) for the year<sup>(2)</sup></b>	36,416	(60,348)	(1,273,291)	87,173	135,162	21,694
<b>Total comprehensive income/(loss)<sup>(3)</sup></b>	54,742	(60,150)	(1,247,878)	58,696	134,575	21,601
Profit/(loss) per share from continuing operations attributable to ordinary shareholders						
Basic	3.16	(0.21)	(36.74)	2.11	3.40	0.55
Diluted	1.64	(0.21)	(36.74)	2.06	3.33	0.53
Profit/(loss) per share attributable to ordinary shareholders						
Basic	1.41	(2.07)	(38.29)	2.11	3.40	0.55
Diluted	0.87	(2.07)	(38.29)	2.06	3.33	0.53
Weighted average number of ordinary shares outstanding used in profit/(loss) per share calculation						
Basic	12,048,855	12,123,008	15,987,475	41,233,110	39,757,311	
Diluted	27,282,708	12,123,008	15,987,475	42,408,833	40,571,361	

- (1) Including share-based payments of RMB0.8 million, RMB0.3 million, RMB7.5 million, RMB18.7 million and RMB13.3 million (US\$2.1 million) in 2008, 2009, 2010, 2011 and 2012, respectively. Also including non-capitalized initial public offering expenses of RMB4.8 million in 2010.
- (2) Including profit/(loss) for the year from continuing operations and loss after tax for the year from discontinued operations.
- (3) Including profit/(loss) for the year, foreign currency exchange differences net of tax of nil and net gain on available-for-sale financial instrument net of tax of nil.

The following table sets forth our selected consolidated statements of financial position as of December 31, 2008, 2009, 2010, 2011 and 2012.

Consolidated Statements of Financial Position Data	As of December 31,					
	2008	2009	2010	2011	2012	
	RMB	RMB	RMB	RMB	RMB	US\$
	(In thousands)					
<b>Assets</b>						
Current assets	276,312	429,761	1,137,963	1,159,200	1,222,846	196,280
Non-current assets	90,163	103,105	37,733	142,120	200,935	32,252
<b>Total assets</b>	<u>366,475</u>	<u>532,866</u>	<u>1,175,696</u>	<u>1,301,320</u>	<u>1,423,781</u>	<u>228,532</u>
<b>Liabilities</b>						
Current liabilities	154,620	249,735	352,283	405,760	428,685	68,809
Non-current liabilities:						
Convertible preference shares	305,850	473,620	—	—	—	—
<b>Total non-current liabilities</b>	<u>353,083</u>	<u>477,299</u>	<u>—</u>	<u>9,698</u>	<u>7,292</u>	<u>1,170</u>
<b>Total liabilities</b>	<u>507,703</u>	<u>727,034</u>	<u>352,283</u>	<u>415,458</u>	<u>435,977</u>	<u>69,979</u>
<b>Total equity</b>	<u>(141,228)</u>	<u>(194,168)</u>	<u>823,413</u>	<u>885,862</u>	<u>987,804</u>	<u>158,553</u>
<b>Total liabilities and equity</b>	<u>366,475</u>	<u>532,866</u>	<u>1,175,696</u>	<u>1,301,320</u>	<u>1,423,781</u>	<u>228,532</u>

#### Exchange Rate Information

We conduct our operations in China. Our sales, costs and expenses are denominated in Renminbi. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, at the rates stated below, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade. On April 19, 2013, the noon buying rate was RMB6.1772 to US\$1.00.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this annual report or will use in the preparation of our periodic reports or any other information to be provided to you. For all dates and periods through December 31, 2008, exchange rates of Renminbi into the U.S. dollar are based on the noon buying rate in The City of New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York. For January 1, 2009 and all later dates and periods, the exchange rate refers to the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board. Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this annual report were made at a rate of RMB6.2301 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on December 31, 2012.

<u>Period</u>	<u>Period End</u>	<u>Exchange Rate</u>		
		<u>Average<sup>(1)</sup></u> (RMB per US\$1.00)	<u>Low</u>	<u>High</u>
2008	6.8225	6.9193	7.2946	6.7800
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2990	6.3879	6.2221
October	6.2372	6.2627	6.2877	6.2372
November	6.2265	6.2338	6.2454	6.2221
December	6.2301	6.2328	6.2502	6.2251
2013				
January	6.2186	6.2215	6.2303	6.2134
February	6.2213	6.2323	6.2438	6.2213
March	6.2108	6.2154	6.2246	6.2105
April (through April 19, 2013)	6.1772	6.1927	6.2078	6.1720

(1) Annual averages are calculated using the average of month-end rates of the relevant year. Monthly averages are calculated using the average of the daily rates during the relevant period.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

**Risks Related to Our Business and Industry**

*Our future growth depends on the increased acceptance of the internet as an effective marketing platform by the automotive industry and the increased internet penetration among the general population in China.*

We generate a significant portion of our revenues from providing internet marketing services to automakers and automobile dealers. However, internet marketing has not yet been widely accepted as an effective marketing platform by China's automotive industry. Many of our current or potential customers have not traditionally devoted a significant portion of their advertising or marketing budgets to web-based media. They may have limited experience with the internet as an advertising and marketing medium and therefore may not find the internet to be effective for promoting their automobiles and related services. Some automakers and dealers may still prefer traditional print and broadcast media and may not be willing to spend a significant portion of their marketing budgets on online advertising. In addition, development of web software that blocks internet advertisements before they appear on a user's screen may hinder the growth of internet marketing. Our customers may choose not to use internet marketing services if their advertisements cannot reach the intended population due to this kind of software. Any negative perceptions as to the effectiveness of internet marketing services may limit the growth of our business and adversely affect our results of operations. If the internet does not become more widely accepted as a media platform for advertising and marketing, our business, financial position and results of operations could be materially and negatively affected.

Internet usage in China is limited among the general population. China has a relatively low penetration rate compared to most developed countries. The relatively high cost of internet access may limit the increase in internet penetration rate in China. The relatively underdeveloped telecommunications infrastructure and capacity constraints may further impede the development of the internet to the extent that users experience delays, transmission errors and other difficulties. In addition, China has only recently developed the internet as a commercial medium and as a result, our internet marketing business is subject to many uncertainties, which could materially and adversely affect our business prospects, financial condition and results of operations.

***Our dealer service delivery model is relatively new in China, and if we cannot attract enough dealers to subscribe to such service, we may not be able to sustain our revenue growth and operating profit.***

With respect to our dealer customers, the manner in which we deliver our services is relatively new in China. Our EP platform, designed for automobile dealers, is based on a service distribution model through which we deliver a package of software applications over the internet to the subscribers of our EP platform services. Our EP platform was developed in 2012 based on our previous Easypass platform and has grown into an automobile marketing and customer relationship management, or CRM, platform. In 2012 and previous years, our Easypass services were part of our bitauto.com business. Our management renamed it as EP platform services and started to oversee and monitor it as a separate business segment in 2013. Used automobile dealers may list their automobiles in our database and have the option to publish their listings on our *taoche.com* (formerly *ucar.cn*) website and our partner websites through our Transtar application, which is focused on used car listings. These products are internet-based and offer a package of software applications that enable our dealer customers to create their own websites, publish automobile pricing and other promotional information and communicate with interested buyers. This differs from the traditional licensing arrangements for software applications. Furthermore, our EP platform and Transtar application enable our dealer customers to publish their automobile listing and promotional information simultaneously on our websites and our partner websites. We may pay a fixed fee to our partner websites for space on their websites in order to extend our automotive content's reach and to attract dealers to subscribe to our EP platform and Transtar application. If our service delivery model for dealers cannot gain sufficient market acceptance, we may not be able to sustain our revenue growth and operating profit.

***Failure to enhance our brand recognition could have a material adverse effect on our results of operations and growth prospects.***

We believe the importance of brand recognition will increase as the number of internet users in China grows. If we fail to effectively enhance our brand recognition, we may not be able to attract new advertising business to our own websites. Furthermore, for our websites to be successful, we need to attract visitors to our websites on a regular basis by providing automobile and other relevant information. We may need to offer news, reports, reviews and specifications on substantially all automobile models available in China even though the manufacturers of some automobiles do not use any of our internet marketing services. If such free offerings fail to attract enough visitors to our websites, we may not be able to generate sufficient revenues to pay for these offerings, which could materially and adversely affect our financial position and results of operations.

We also need to continue to enhance our brand awareness among automobile dealers and automakers in order to build on our position as a leading automobile internet marketing service provider. While we have a large network of dealer customers and can reach a broad consumer base by partnering with other portals, listings by our dealer customers are placed on our partner websites in addition to our own websites. Our partner websites that distribute dealers' listing information may not always quote our names on their websites, and as a result, we may not achieve greater visibility among internet users. This could increase our reliance on our partner websites.

We have taken steps to enhance our brand recognition and gradually establish our identity independent of our partner websites by expending significant time and resources, including participating in trade shows and other branding events. In June 2012, we renewed our agreement with Baidu, Inc., the leading Chinese language internet search provider, for another 12 months until May 31, 2013. We are the exclusive supplier of auto-related content for Aladdin, Baidu's open data platform, and provide selected auto-related content such as auto listings, pictures, reviews, and dealer information to enhance Baidu's Aladdin-enabled search results, which display real-time, dynamic and interactive content alongside static search results. When Baidu users search for auto-related information, Baidu exclusively displays relevant content provided by us in the Aladdin-enabled section of the search results page. In addition, we work with Qihoo 360, a leading internet platform company in China, to market and promote our services. Our branding efforts in 2012, including our cooperation arrangement with Baidu and Qihoo 360, had a positive impact on our brand awareness with noticeable increases in traffic to our *bitauto.com* website.

While we plan to continue to enhance our brand recognition, we may not always be able to achieve our expected results or do so in a short period of time. If this happens, our business prospects, financial condition and results of operations may be materially adversely affected.

***A limited number of automakers have contributed to a significant portion of our revenues, and if we are unable to maintain these key relationships or establish new relationships with additional automakers, our results of operations would be materially and adversely affected.***

In the past, a limited number of automakers have contributed a significant portion of our revenues, primarily in the form of service fees for our digital marketing solutions and advertising fees for advertisement placements on our *bitauto.com* and *taoche.com* websites. Revenue concentration is primarily a factor for our digital marketing solutions business due to the relatively small number of automaker customers for this business segment and the large amounts of their contracts with us. In 2010, 2011 and 2012, revenues from the top three customers in each period accounted for approximately 23.5%, 18.1% and 13.9%, respectively, of our total revenues from continuing operations. In particular, our largest customer, FAW Mazda Motor Sales Co., Ltd., or FAW Mazda, a China-based joint venture automaker, accounted for 16.3%, 10.2% and 5.1% of our total revenues from continuing operations in 2010, 2011 and 2012, respectively. In addition, we generate revenue indirectly from these top customers in the form of performance-based rebates. When we place advertisements on behalf of our automaker customers, we typically receive performance-based rebates from media vendors calculated as a percentage of qualifying payments for the advertising space purchased and utilized by our automaker customers. See “—Risks Related to Our Business and Industry—We may not be able to continue to collect performance-based rebates for the advertisements we place on other websites, which is an important source of revenues for us.”

Our top three customers vary from year to year, but FAW Mazda has remained our largest customer in the past three years. There is no assurance that our relationships with any of our existing automaker customers will continue in the future, or we could receive any minimum level of revenues from them. If we lose one or more of our important automaker customers, or if they materially reduce their purchase of our services, our results of operations would be materially and adversely affected.

***We may not be able to continue to collect performance-based rebates for the advertisements we place on other websites, which is an important source of revenues for us.***

An important part of our digital marketing solutions business is to place advertisements on other websites on behalf of our automaker customers. Such media vendor websites often offer incentives in the form of performance-based rebates equal to a percentage of qualifying payments for advertising space purchased and utilized by our customers. Performance-based rebates are an important source of our revenues. In 2010, 2011 and 2012, income from performance-based rebates accounted for 17.8%, 11.6% and 6.6%, respectively, of our total revenues from continuing operations. Nonetheless, our ability to collect rebates from a media vendor website is contingent upon the total value of advertisements we place on such websites during a set time period and whether such value reaches the pre-determined thresholds. If we fail to reach the set threshold, we may not be able to continue to collect performance-based rebates at our expected levels, if at all. Under some media contracts for some customers, if we fail to reach the set minimum, we would lose not only part or all of the rebates, but also our performance security deposit. Some websites, in particular those with a large visitor base, may set the thresholds high or raise them from time to time and we may not be able to negotiate the rebate percentages or the threshold levels. Furthermore, media vendor websites may reduce the percentage of rebates or may not offer them at all. Our income from performance-based rebates may decrease or disappear, which could materially and adversely affect our financial condition and results of operations.

***Our strategy to grow our used automobile-related business through our *taoche.com* business may not succeed.***

One of our growth strategies is to continue investing in our used automobile business through our *taoche.com* website, which is currently a relatively small portion of our operations and for which we incurred a gross loss of RMB8.5 million, RMB9.5 million and RMB16.9 million (US\$2.7 million) in 2010, 2011 and 2012, respectively. The increase in gross loss from the *taoche.com* business from 2011 to 2012 was primarily due to decreases in revenues. In the past few years, automobile purchases by general consumers have experienced rapid growth in China. Automobiles are becoming more affordable to a broader group of consumers at different income levels. Many people have purchased or plan to purchase cars for the first time. We believe a market for used automobiles will gradually develop as the number of consumer-owned automobiles increases. However, the development of a used automobile market in China is subject to a high level of uncertainty and we cannot predict how the market will develop, if at all, in the future. Even if a used automobile market does develop, we cannot predict whether there will be a similar market on the internet and whether our *taoche.com* website will be poised to capture any of the growth. Our investment in the used automobile business may not prove profitable if the online market for used automobile information fails to develop or develops at a slower rate than expected, which could materially and adversely affect our financial condition and results of operations.

***We are facing increased competition, and if we cannot compete effectively, our financial condition and results of operations may be harmed.***

Our bitauto.com advertising business and EP platform business faces competition from many market participants. With respect to our new automobile advertising services, we face competition from China's automotive vertical websites, such as *pcauto.com.cn* and *autohome.com.cn*, as well as the automotive channels of major portals and traditional forms of media. Although we believe the rapid increase in China's online population will draw more attention away from traditional forms of media, such as radio, television, newspapers, and magazines, we still compete with them for clients and advertising revenues. Competition with portals and automotive vertical websites is primarily centered on website traffic and brand recognition among general internet users, spending by automakers and automobile dealers, and customer retention and acquisition. In addition, because the entry barrier for the internet advertising business is relatively low, new competitors, such as social networking websites and internet video websites, may be able to launch competitive services at relatively low costs and may acquire market share in a relatively short period of time. This is especially true for portal websites. Some competitors of our automobile advertising services have greater financial and other resources than we do and may in the future achieve greater market acceptance and gain a greater market share. With respect to our EP platform business, we face competition from *autohome.com.cn* and *pcauto.com.cn* in terms of automobile inventory, timeliness and accuracy of automobile pricing information and website traffic. We believe our large dealer customer base and innovative EP platform have put us at an advantageous position over our competitors, but we cannot assure you whether we would be able to maintain such competitive advantages in the future.

Our used automobile business, currently operated through our *taoche.com* website, faces competitions from other used automobile websites as well as other portals and media that publish used automobile information. The parameters of competition are similar to those of our bitauto.com advertising business and EP platform, except that the competition for our taoche.com business is more focused on used automobile inventory and market penetration among dealers. Furthermore, the used automobile market is still in an early stage of development and we expect more competitors will join the market in the future.

For our digital marketing solutions business, we compete with other internet marketing service providers in China. We face competition from the digital marketing business of well-established international advertising agencies such as Dentsu and WPP as well as local agencies that specialize in providing online marketing services, including AllYes Online Media, Hylink Advertising and Beijing Catch Stone Advertising. Most of these competitors do not focus only on the automotive industry, but also provide online marketing services to clients in other industries and may have greater resources and established reputation. As a result, these companies may be able to respond more quickly to changes in customer demands or to devote greater resources to the development, promotion and sale of their products and services than we can. In the automotive industry, we not only compete for customers, but also compete in terms of advertisement design, relationships with other media vendors, the quality, breadth, prices and effectiveness of services. Competition could affect our market share, pricing, and cost structure. We cannot assure you that we will continue to compete effectively with our existing competitors, maintain our current fee arrangements, or compete effectively with new competitors in the future.

If we are unable to compete effectively and successfully at reasonable costs against our existing and future competitors in any of our business segments, our business prospects, financial condition and results of operations may be materially and adversely affected.

***We may not be able to maintain good cooperative relationships with our partner websites on reasonable terms, which could materially harm our business and results of operations.***

To broaden our automotive content's consumer reach, we not only place listings by our dealer customers on our automotive vertical websites, *bitauto.com* and *taoche.com*, but also on 526 partner websites as of December 31, 2012, including major portals operated by Tencent, Netease and social networking websites, such as Renren and Kaixin. Depending on the arrangement, we may pay a fixed fee to some partner websites for their advertising resources. Our partner websites may change the terms of cooperation, including raising prices, which would increase our operating expenses and eventually force us to end our relationships with them if the terms become commercially unreasonable. In addition, some of our partner websites may choose to partner with our competitors or decide to develop an automobile listing and dealer information database by themselves. If we are unable to partner with all or most of major portals on reasonable terms, we may experience a reduction in the number of dealers using our services, which could materially and adversely affect our results of operations. Although we do not rely on any one partner website for our dealer service business, material changes to our relationship, and our contract terms, with many of them may have a material adverse impact on our dealer service business model.

***We rely on China's automotive industry for substantially all our revenues and future growth, but the automotive industry is still at an early stage of development and subject to many uncertainties.***

We rely on China's automotive industry for substantially all our revenues, which we generate from providing internet marketing services to automakers and automobile dealers. We have greatly benefited from the rapid growth of China's automotive industry during the past few years. However, China's automotive industry is still at an early stage of development and remains subject to many uncertainties. We cannot predict how this industry will develop in the future. Further, the growth of China's automotive industry 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;
- taxes and other incentives or disincentives related to automobile purchases and ownership;
- environmental concerns and measures taken to address these concerns;
- the cost of energy, including gasoline prices, and the cost of automobile licensing and registration fees;
- the improvement of the highway system and availability of parking facilities; and
- other government policies relating to the automotive industry in China, including the phasing out of government subsidies to promote auto sales.

Any adverse change to these factors could reduce demand for automobiles, which, in return, would likely reduce demand for our products and services from automakers and dealers. Demand for our products and services is particularly sensitive to changes in general economic conditions. Automakers and dealers typically cut their marketing expenditures 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, unit sales of automobiles, particularly new automobiles, has been cyclical, fluctuating with general economic cycles. If China's automotive industry 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. In early 2009, the PRC government lowered the purchase tax on passenger automobiles with 1.6 liter or smaller engine from 10% to 5% and introduced a trade-in subsidy on used automobiles with lower emission standards ranging from RMB3,000 to RMB6,000, leading to a 46% increase in passenger automobile sales in 2009. The purchase-tax for automobiles with 1.6-liter or smaller engines was adjusted to 7.5% in 2010 but was increased to 10% on January 1, 2011. In the face of concerns about a significant slowdown in automobile sales in 2010, the PRC government announced a plan and implementation rules to provide a subsidy of RMB3,000 per automobile for purchases of certain fuel-efficient automobiles with 1.6-liter or smaller engines listed in the catalogues for fuel-efficient automobiles that the PRC government released from time to time. From 2010 to 2012, the PRC government continued to provide subsidies or introduced tax benefits for purchasing or using fuel-efficient vehicles. 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 sales in China. It is possible that automobile sales 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 sales indeed declines, 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 traffic and reduce the number of automobiles. 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. The implementing rules were amended in December 2011 and came into effect in January 2012. Local Guangzhou governmental authorities also announced similar regulations, which came into effect in July 2012. These regulations have already negatively affected automobile sales in Beijing and Guangzhou, which in turn may have a material adverse impact on our business due to our reliance on the performance of automakers and automobile dealers.

***Any financial or economic crisis, or perceived threat of such a crisis, including a significant decrease in consumer confidence, may materially and adversely affect our business, financial condition and results of operations.***

Any actual or perceived threat of a financial crisis in China, in particular a credit and banking crisis, could have an indirect, but material and adverse impact on our business and results of operations. The global financial markets experienced significant disruptions in 2008 and the United States, Europe and other economies went into recession. The recovery from the lows of 2008 and 2009 was uneven and it is facing new challenges, including the escalation of the European sovereign debt crisis in 2011 and the slowdown of the Chinese economy in 2012. It is unclear whether the European sovereign debt crisis will be contained and whether the Chinese economy will resume its high growth rate. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies, including China's. There have also been concerns over unrest in the Middle East and Africa, which have resulted in volatility in oil and other significant markets, and over the possibility of a war involving Iran and North Korea. There have also been concerns about the economic effect of the earthquake, tsunami and nuclear crisis in Japan. In addition, tensions in the relationship between China and Japan may adversely affect our advertising revenues from Japanese automakers. Economic conditions in China are sensitive to global economic conditions, and it is impossible to predict how the Chinese economy would develop in the future and whether it might experience any financial crisis in a manner and scale similar to that in the United States and Europe.

Nonetheless, any slowdown in China's economic development might lead to tighter credit markets, increased market volatility, sudden drops in business and consumer confidence and dramatic changes in business and consumer behaviors. In response to their perceived uncertainty in economic conditions, consumers might delay, reduce or cancel purchases of automobiles, which to some extent are considered as luxury items by many people in China, and our customers may also defer, reduce or cancel purchasing our services. To the extent any fluctuations in the Chinese economy significantly affect automakers' and dealers' demand for our services or change their spending habits, our results of operations may be materially and adversely affected.

In addition, an economic downturn may reduce the number of automakers and dealers in China and decrease the demand for our services. We depend on automakers and dealers for business. Continued economic growth in China expanded the network of automakers and dealers, which is the primary source of our customers. Since the early 1990s, many non-automotive enterprises joined China's automotive industry and started offering new lines of automobiles. An increasing number of foreign brands gradually entered the PRC market primarily by forming joint ventures with Chinese brands. Growing automobile production capacity and production volume have significantly increased the number of dealers. By contrast, negative economic trends could lead to consolidations among automakers and dealers, and in effect shrink our customer base. Production lines might be contracted or shut down. A reduction in the number of automakers and dealers would reduce the number of opportunities we have to sell our products and services. To the extent that the automakers and dealers have used our products or services, consolidations may result in purchase cancellation of those product or service offerings. Any decrease in demand for our products and services could materially and adversely affect our ability to generate revenues, which in turn could adversely affect our financial condition and results of operations.

***We may be liable to pay the media vendors in connection with the advertisements we placed with them on behalf of our automaker customers if we fail to collect some or all the payments from these automaker customers.***

As part of our digital marketing solutions business, we place advertisements on the websites of our media vendors on behalf of our automaker customers. We enter into advertising agreements with media vendors only after our customers have confirmed the proposed advertisements in their agency agreements with us. The media vendors are obligated to place the advertisements based on our customers' specific requirements. We receive net service fees for such advertising services and record a receivable from our customers and a corresponding payable due to the media vendors based on the total amount of advertisements placed. However, we need to pay our media vendors for their advertising resources when payments are due regardless of whether our automaker customers have made payments to us. Our contracts with media vendors generally also allow the media vendors to claim past-due payments of advertising fees directly from our automaker customers.

As of December 31, 2012, our trade receivables and our trade payables were RMB472.1 million (US\$75.8 million) and RMB132.8 million (US\$21.3 million), respectively. Of these receivables and payables, RMB97.9 million (US\$15.7 million) was related to the receivables from our automaker customers and the corresponding payables due to media vendors in connection with the advertisements we placed with the media vendors on behalf of our automaker customers. Historically, we have not experienced any significant collection issues that required us to provide for bad debts in connection with our receivables from our automaker customers. Under our contracts with media vendors, terms of our trade payables due to media vendors generally correspond to, or are longer than, the terms of our receivables due from our automaker customers. However, we cannot assure you that our automaker customers will continue to make timely and full payments to us for the advertisements we placed on their behalves. If we fail to collect all or part of such payments from our automaker customers, we may continue to be held liable to pay the media vendors the full amount of our payables when they become due. In addition, we may incur penalty for late payments. As a result, our business, financial condition and results of operations would be materially and adversely affected.

***Our customers may not renew their contracts for our services and we may not be able to sell additional or enhanced services to our existing customers.***

Our customers, including automakers and dealers, may not renew their contracts or subscriptions for our services after the expiration of their terms. They may also renew for shorter contract lengths or for lower cost editions of our services. Our renewal rates may decline or fluctuate as a result of a number of factors, including customer dissatisfaction with our services, customers' ability to maintain their operations and spending levels, and deteriorating general economic conditions. If our customers do not renew their contracts or subscriptions for our services or switch to lower cost editions at the time of renewal, our revenues could decline and our business may suffer. Our future success also depends in part on our ability to sell additional services or enhanced editions of our services to our current customers. This may also require increasingly sophisticated and costly sales efforts. Similarly, the rate at which our customers purchase new or enhanced services depends on a number of factors, including general economic conditions. If our efforts to sell new or enhanced services to our customers are not successful, our business may suffer.

***Problems with China's internet infrastructure or with our third-party data center hosting facilities could impair the delivery of our services and harm our business.***

Our internet businesses heavily depend on the performance and reliability of China's internet infrastructure, the continual accessibility of bandwidth and servers to our service providers' networks, and the continuing performance, reliability and availability of our technology platform. Our EP platform and Transtar application use the internet to deliver services to our dealer customers, who access our software applications on the internet. Distribution of dealer listing information is also accomplished through the internet. Because we do not license our software to our customers, our customers depend on the internet to access our services. In addition, we depend on the internet to effectively publish our customers' advertisements on our websites, which must be properly running and accessible to all visitors at all times. We rely on major Chinese telecommunication companies to provide us with bandwidth for our services, and we may not have any access to comparable alternative networks or services in the event of disruptions, failures or other problems. Our content distribution networks, located in several regions throughout China, may also be shut down or otherwise experience interruptions in a particular region. Internet access may not be available in certain areas due to natural disasters, such as earthquakes or local government decisions. If we experience technical problems in delivering our services over the internet either at national or regional level, we could experience reduced demand for our services, lower revenues and increased costs.

Our main servers are located in the internet data centers of third parties in Beijing. We do not control the operation of these third-party data center hosting facilities, which are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our services. We regularly back up our data on servers in different locations or on tapes stored in our offices. Even with disaster recovery arrangements, our services could still be interrupted. Such interruptions would reduce our revenues, require us to provide the services again, make refunds or pay penalties, shrink our customer base and adversely affect our ability to attract new customers. Our business could also be materially and adversely affected if our current and potential customers believe our services are unreliable.

***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 websites, and other material adverse effects on our operations.

In particular, security breaches to our database could have a material and adverse effect on our business. Our EP platform and Transtar application not only allow our customers to edit and publish listing information, but also store and transmit such listings and keep track of data on historical marketing activities. This information is proprietary and confidential. Security breaches could expose us to risks of loss of this information and possible liability. We require user names and passwords to access this data and the accounts of our customers. These security measures may 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 customers' data. Additionally, third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information in order to gain access to our or our customers' data. Our customers may not have effective security measures and may share their user names and passwords with a group larger than necessary. If our security measures are breached and unauthorized access to ours or our customer's data is obtained, our services may be perceived as not being secure and customers 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, 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.

***We may not be able to successfully expand our service network into other geographical markets in China.***

As of December 31, 2012, we had sales and service representatives located in 132 cities across China and plan to expand our operations to more cities. Geographical expansion is particularly important for us to acquire more dealer customers, whose operations are invariably localized and spread out in every region. Our consumer-facing websites need localized content that are relevant to our website visitors in a specific region. Nonetheless, expanding into new geographical markets imposes additional burdens on our sales, marketing and general managerial resources. As China is a large and diverse market, business practices and demands may vary significantly by region and our experience in the markets in which we currently operate may not be applicable in other parts of China. As a result, we may not be able to leverage our experience to expand into other parts of China. If we are unable to manage our expansion efforts effectively, if our expansion efforts take longer than planned or if our costs for these efforts exceed our expectations, our results of operations may be materially and adversely affected.

***Our competitive position and ability to generate revenues could be further harmed if we fail to develop and introduce new products and services.***

Continued increases in our advertising revenues from our new and used automobile websites depend on our ability to attract and acquire consumers to our websites and monetize that traffic at profitable margins with advertisers. If our websites do not provide a compelling, differentiated user experience, we may lose visitors to competing sites. Further, if traffic to our websites declines, we may lose some of our advertising customers who may reduce or eliminate their advertising purchases through us. Our competitors may introduce new alternative products that are more sophisticated and cost-effective than ours. In addition, both our dealer services and digital marketing solutions businesses rely on continued product and service innovations to retain existing, and attract new, customers. Our dealer customers may not continue to subscribe to our online listing services if we do not timely enhance their user experience and broaden our product and service offerings. Similarly, our digital marketing solutions business may gradually lose its competitive advantage if we are slower in technological innovations or in announcing either new or enhanced products and services.

To increase our brand recognition and stay competitive, we need to continue to develop new products and services for visitors to our websites and our automaker and dealer customers. The planned timing or introduction of new products and services is subject to risks and uncertainties. There can be no assurance 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 its new products or services. If our new products and services are not well received, we may not only lose money, but also harm our reputation, and our results of operations could be materially and adversely affected.

***Our business is subject to seasonal fluctuations and unexpected interruptions, which make it difficult to accurately predict our future operating results.***

We have experienced, and expect to continue to experience, seasonal fluctuations in our revenues and results of operations. Historically, our revenues tend to be lower in the first half and higher in the second half of each year. Advertising and promotional activities often increase in the second half of each year. New automobile models tend to be introduced in the last quarter, which usually leads to increases in advertising spending by automakers. Furthermore, some of our customers whose fiscal year ends with the calendar year often choose to take advantage of the last opportunities to increase their annual revenues before the year ends. In comparison, activity levels tend to decrease after the fourth quarter's spending. Our customers and automobile consumers may not yet have a set plan for the new fiscal year. Further, the holiday period following the Chinese New Year is usually in the first quarter, which may contribute to the lower activity levels in the first half of each year. Therefore, the seasonality of the automobile retail business and the resulting spending pattern of automakers and dealers may result in greater emphasis on the importance of our fourth quarter results.

Nonetheless, if conditions arise in the second half of a year that depress or affect automobile sales and marketing spending by our customers, such as depressed economic conditions or similar situations, our revenues for the year may be disproportionately and adversely affected. 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 operating results based on a quarter-to-quarter comparison of our operating results. We expect quarterly fluctuations in our revenues and results of operations to continue. These fluctuations could result in volatility and cause the price of our ADSs to fall. As our revenues grow, these seasonal fluctuations may become more pronounced.

***Our principal shareholders, directors and executive officers own a large percentage of our shares, allowing them to exercise significant influence over matters subject to shareholder approval, which may reduce the price of our ADSs and deprive you of an opportunity to receive a premium for your ADSs.***

As of the latest practicable date, our principal shareholders, directors and executive officers beneficially own approximately 69.4% of our outstanding ordinary shares. Accordingly, these executive officers, directors and principal shareholders have substantial influence over the outcome of corporate actions requiring shareholders' approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or any other significant corporate transaction, and their interests may not align with your interests as our ADSs holders. These shareholders may also delay or prevent a change of control or otherwise discourage a potential acquirer from attempting to obtain control of us, even if such a change of control would benefit you and our other shareholders. Corporate actions may be taken even if they are opposed by you and our other shareholders. This could deprive you and our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company. In addition, the significant concentration of share ownership may adversely affect the trading price of our ADSs due to investors' perception that conflicts of interest may exist or arise.

***Our business may be harmed by the potential conflicts of interest caused by our dual roles as both a supplier and a purchaser of advertisement resources.***

As an internet content provider, we supply advertisement space; as an advertising agent, we purchase advertisement space on behalf of our customers; as an automobile listing platform, we also purchase advertisement space and include it in our dealer subscription service package. Conflict of interests may arise between our roles as a purchaser and as a supplier of advertisement resources. As a supplier, we have incentives to place more advertisements on our own websites. Such conflicts could harm our reputation as an independent purchasing agent for our customers and our reputation as a supplier of advertisement resources. While we have and will continue to follow our customers' instruction and maximize their interests, we do not know how the market will respond to our multi-functional roles in the future. Our customers have directed, and will continue directing, us to place their advertisements on websites of their choice, including websites in direct competition with ours, or our customers may choose not to advertise on our websites at all. As a result, our business, financial condition and results of operations could be materially and adversely affected.

***If automakers are subject to product recalls, our business could suffer and our revenues may decrease.***

Automakers are periodically subject to product recalls. These product recalls interrupted the normal business operation of automakers, its joint ventures and its dealers in China. From time to time, our customers experience product recalls, the scale of which varies from customer to customer. It is difficult to determine the impact product recalls might have on our business and revenues, but we expect that our revenues may decrease if Chinese consumers stop or reduce purchasing automobiles made by the recalling automakers or automakers and their dealers suspend or decrease using our services. If any of our customers experience product recalls in the future, our business, financial condition and results of operations could be adversely affected.

***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 the PRC, 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. Some of our customers choose to produce their advertisements by themselves and we simply place them on our websites. While we do have a review procedure prior to publishing, we cannot guarantee that we can entirely eliminate such advertisements. If we are deemed to be in violation of such PRC 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 revocation of our business license or advertising license, any of which may materially and adversely affect our business.

Furthermore, we may be subject to claims by consumers misled by information on our websites or other portals powered by our database. We may not be able to recover our losses from advertisers by enforcing the indemnification provisions in the contracts. As a result, our business, financial condition and results of operations could be materially and adversely affected.

***We may not be able to ensure the accuracy of dealer pricing and listing information.***

We rely on our dealer customers to timely and accurately update their automobile information, prices, sales and promotions. The popularity of our automobile listings posted by dealers, in particular pricing information of automobiles, is premised on the accuracy, comprehensiveness and reliability of the data. If the information listed by our dealer customers is frequently misleading or exaggerated, we may gradually lose our appeal for our visitors. Our reputation could be harmed and we could experience reduced traffic to our websites, which could adversely affect our business and financial performance.

***Failure to protect our brand, trademarks, software copyrights, trade secrets and other intellectual property rights could have a negative impact on our business.***

We believe our brand, trademarks, software copyrights, trade secrets and other intellectual property rights are critical to our success. Any unauthorized use of our brand, trademarks, software copyrights, trade secrets and other intellectual property rights could harm our competitive advantages and business. Our efforts in protecting our brand and intellectual property rights may not always be effective. We regularly file applications to register our trademarks in China, but may not be able to register such marks, or register them within the category we seek. As of March 31, 2013, our “车易通” and “易车” trademark was registered under some categories, but not under all categories we applied for. Similar trademarks could cause confusion among consumers or divert business opportunities from us, which could materially and adversely affect our business and results of operations.

Historically, China has not protected intellectual property rights to the same extent as the United States, and 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. As the right to use internet domain names is not rigorously regulated in China, other companies may have incorporated in their domain names elements similar in writing or pronunciation to our trademarks and domain names. Our business could be materially and adversely affected if we could not adequately protect our content, trademarks, copyrights, trade secrets and other intellectual property.

***Copyright infringement and other intellectual property claims against us may adversely affect our business.***

We have collected and compiled on our websites, automobile-related news and reports, automobile pictures and specifications, maps, consumer reviews, and other documents and information prepared by third parties. Because some content on our websites is collected from various sources, we may be subject to claims for breach of contract, defamation, negligence, unfair competition, copyright or trademark infringement, or claims based on other theories. We could also be subject to claims based upon the content that is displayed on our websites or accessible from our websites through links to other websites or information on our websites supplied by third parties. Any lawsuits or threatened lawsuits, in which we are involved, either as a plaintiff or as a defendant, could cost us a significant amount of time and money and distract management's attention from operating our business. Any judgments against us in such suits, or related settlements, could harm our reputation and have a material adverse effect on our results of operations. If a lawsuit against us is successful, we may be required to pay damages or enter into royalty or license agreements that may not be based upon commercially reasonable terms, or we may be unable to enter into such agreements at all. As a result, the scope of our database we offer to the consumers could be reduced, which may adversely affect our ability to attract and retain customers.

***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 automotive 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 person insurance on any of our senior management team. The loss of the services of one or more of our senior executives or key personnel, Mr. Bin Li in particular, 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 management or any of our key personnel joins a competitor or forms 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 may not be able to attract and retain highly skilled employees, provide necessary training or maintain good relationships with our employees.***

Our business is supported and enhanced by a team of highly skilled employees who are critical to maintaining the quality and consistency of our services and our brand and reputation. It is important for us to attract qualified employees, in particular sales executives and engineers with high levels of experience in creative design, software development and internet-related services. Competition for these employees is intense. There may be a limited supply of qualified individuals in some of the cities in China where we have operations and other cities into which we intend to expand. In order to attract prospective, and retain current, employees, we may have to increase our employee compensation by a larger scale and at a faster pace than we expect, which would increase our operating expenses. In addition, we must hire and train qualified employees in a timely manner to keep pace with our rapid growth while maintaining consistent quality of services across our operations in various geographic locations. We must also provide continuous training to our employees so that they are equipped with up-to-date knowledge of various aspects of our operations and can meet our demand for high-quality services. If we fail to do so, the quality of our services may deteriorate in one or more of the markets where we operate, which may cause a negative perception of our brand and adversely affect our business. Finally, we may run into disputes with our employees from time to time and if we are not able to properly handle our relationship with our employees, our business and results of operations may be adversely affected.

***Our business may suffer if we do not successfully manage our current and future growth.***

We have experienced rapid growth in the past few years. Our revenues have increased from RMB239.0 million in 2008 to RMB1.1 billion (US\$169.6 million) in 2012. Our sales and service representative network has expanded to 132 cities as of December 31, 2012. We intend to continue to expand our operations. However, we may not be able to sustain a similar growth rate in revenues or geographic coverage in future periods due to a number of factors, including the greater difficulty of growing at sustained rates from a larger revenue base. In addition, our expansion has placed, and will continue to place, substantial demands on our managerial, operational, technological and other resources. In order to manage and support our growth, we must continue to improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional qualified personnel, particularly as we expand into new markets. As our operations expand into more cities throughout China, we will face increasing challenges in managing a large and geographically dispersed group of employees. We may not be able to effectively and efficiently manage the growth of our operations, recruit and retain qualified personnel and integrate new operations into our current business plan. As a result, our reputation, business and operations may suffer. Accordingly, you should not rely on our historical growth rate as an indication of our future performance.

***Our limited operating history may not serve as an adequate basis to judge our future prospects and results of operations.***

We began operations in 2000 and did not begin to grow significantly until 2005. Our limited operating history may not provide a meaningful basis on which to evaluate our business. We expect that our operating expenses will increase as we expand. Any significant failure to realize anticipated revenue growth could result in significant operating losses. We expect to continue to encounter risks and difficulties frequently experienced by companies at a similar stage of development, including our potential failure to:

- implement our business model and strategy and adapt and modify them as needed;
- increase awareness of our brands, protect our reputation and develop customer loyalty;
- manage our expanding operations and service offerings, including the integration of any future acquisitions; and
- anticipate and adapt to changing conditions in the China's automotive and internet marketing industries as well as the impact of any changes in government regulations, mergers and acquisitions involving our competitors, technological developments and other significant competitive and market dynamics.

If we are not successful in addressing any or all of these risks, our business may be materially and adversely affected.

***We are susceptible to risks related to cash flow management.***

We have experienced, and may continue to experience, short-term cash flow management problems from time to time. For example, some of our advertising services are not paid until after our services are fully performed. Some automakers may designate their advertising agencies to place their advertisements on our websites and subsequently pay us. Such advertising agencies may delay making payments to us, leading to longer aging cycles of our account receivables. Our cash flow from operations might not be sufficient to cover our account payables and we may incur penalty payments if we cannot pay third-party vendors on time. We may need to expend more resources in payment collections. This could negatively affect our results of operations in certain quarters and make it impossible to predict our future operating results.

***Our third-party vendors may raise prices and as a result increase our operating expenses.***

We rely on third parties for certain essential services, such as internet services and server custody, and we may not have any control over the costs of the services they provide. Any third-party service provider may raise their prices, which might not be commercially reasonable to us. If we are forced to seek other providers, there is no assurance that we will be able to find alternative providers willing or able to provide comparable high-quality services and there is no assurance that such providers will not charge us higher prices for their services. If the prices that we are required to pay third-party vendors for services rise significantly, our results of operations could be adversely affected.

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

As part of our business strategy, we regularly evaluate investments in, or acquisitions of, complementary businesses, joint ventures, services and technologies, and we expect that periodically we will continue to make such investments and acquisitions in the future. For example, in 2011, we acquired 100% equity interest in Beijing Bitcar Interactive Information Technology Company Limited, or Bitcar, a provider of mobile internet digital enabled sales assistant tools for the automotive industry in China. In 2012, we invested in minority equity interests in Car King Holding Ltd., a leading used car hypermarket based in Shanghai, and Target Net (Beijing) Technology Company, an internet information agency in China.

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 write-offs of acquired assets or investments; and
- downward effect on our operating results.

In addition, if we finance acquisitions by issuing equity or convertible debt securities, our existing shareholders may be diluted, which could affect the market price of our ADSs. 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.

***Any catastrophe, including outbreaks of health pandemics and other extraordinary events, could severely disrupt our business operations.***

Our operations are vulnerable to interruption and damage from natural and other types of catastrophes, including earthquakes, fire, floods, hail, windstorms, severe winter weather (including snow, freezing water, ice storms and blizzards), environmental accidents, power loss, communications failures, explosions, man-made events such as terrorist attacks, and similar events. Due to their nature, we cannot predict the incidence, timing and severity of catastrophes. In addition, changing climate conditions, primarily rising global temperatures, may be increasing, or may in the future increase, the frequency and severity of natural catastrophes. If any such catastrophe or extraordinary event were to occur in the future, our ability to operate our business could be seriously impaired. Such events could make it difficult or impossible for us to deliver our services to our customers and could decrease demand for our services. Although we are headquartered in Beijing, as of December 31, 2012, our sales and service representatives network covers 132 cities throughout China, exposing us to potential catastrophes of all types in a broad geographic area in China. Because our property insurance only covers property damages caused by a limited number of numerated natural disasters and accidents and significant time could be required to resume our operations, our financial position and operating results could be materially and adversely affected in the event of any major catastrophic event.

In addition, our business could be materially and adversely affected by the outbreak of influenza A (H1N1), commonly referred to as “swine flu,” avian influenza, severe acute respiratory syndrome, or SARS, or other pandemics. In March 2013, a new virus subtype H7N9, commonly known as “bird flu” or “avian flu,” was discovered in eastern China and has already sickened and killed some people. It is unclear how this virus will spread, which makes it difficult to predict its potential impact. Any occurrence of these pandemic diseases or other adverse public health developments in China could severely disrupt our staffing and otherwise reduce the activity levels of our work force, causing a material and adverse effect on our business operations.

***We do not have any business liability, disruption or litigation insurance, and any business disruption or litigation we experience might result in our incurring substantial costs and diversion of resources.***

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 property insurance and automobile insurance, we do not have any business liability, disruption or litigation insurance coverage for our operations in China. Any business disruption or litigation may result in our incurring substantial costs and diversion of resources.

***We may be adversely affected by the outcome of the administrative proceedings brought by the SEC against five accounting firms in China.***

The SEC has brought administrative proceedings against five accounting firms in China recently, alleging that they refused to produce audit work papers and other documents related to certain other China-based companies under investigation by the SEC for potential accounting fraud. We were not and are not subject to any SEC investigations, nor are we involved in the proceedings brought by the SEC against the accounting firms. However, the independent registered public accounting firm that issues the audit reports included in our annual reports filed with the SEC is one of the five accounting firms named in the SEC's proceedings and we may be adversely affected by the outcome of the proceedings, along with other U.S.-listed companies audited by these accounting firms. If the SEC eventually prevails in the proceedings, our independent registered public accounting firm and the other four accounting firms in China that were named in the proceedings may be barred from practicing before the SEC and hence unable to continue to be the auditors for China-based companies listed in the U.S. like ourselves. If none of the China-based auditors are able to continue to be auditors for China-based companies listed in the U.S., we will not be able to meet the reporting requirements under the Exchange Act, which may ultimately result in our deregistration by the SEC and delisting from the NYSE.

***Our auditor, like other independent registered public accounting firms operating in China, is not permitted to be subject to inspection by Public Company Accounting Oversight Board, and consequently, investors may be deprived of the benefits of such inspection.***

The independent registered public accounting firm that issues the audit reports included in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and with applicable professional standards. Because our auditor is located in China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, our auditor, like other independent registered public accounting firms operating in China, is currently not inspected by the PCAOB.

Inspections of other firms that the PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, and such deficiencies may be addressed as part of the inspection process to improve future audit quality. The inability of the PCAOB to conduct inspections of independent registered public accounting firms operating in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures, and to the extent that such inspections might have facilitated improvements in our auditor's audit procedures and quality control procedures, investors may be deprived of such benefits.

### **Risks Related to Our Corporate Structure**

***If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC governmental restrictions on foreign investment in internet content and marketing services, 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 content services in China up to 50%. Foreign and wholly foreign-owned enterprises are currently restricted from providing other internet information services, such as internet advertising. Also, PRC laws and regulations do not allow foreign entities with less than at least two years of direct experience operating an advertising business outside of China to invest in an advertising business in China. Because we have no direct experience operating an advertising business outside of China, we may not invest directly in a PRC entity that provides advertising services in China. We are a Cayman Islands company and a foreign legal person under PRC law. Accordingly, neither we nor our wholly foreign-invested PRC subsidiary, Beijing Bitauto Internet Information Company Limited, or BBII, is currently eligible to apply for the required licenses for providing internet content services or advertising services in China.

As such, we conduct our business through contractual arrangements with our SPEs in China, that is, our internet content business through BBIT, and our internet advertising business through CIG, and subsidiaries of BBIT and CIG. Each of the SPEs is currently owned by individual shareholders who are PRC citizens and holds the requisite licenses or permits to provide internet content or advertising services in China. Their shareholders are set forth in “Item 4. Information on the Company—C. Organizational Structure.” BBIT holds licenses and permits required to operate our internet content business. Our SPEs entered into a series of contractual arrangements with BBII but directly operate our businesses in China. We have been and are expected to continue to depend on SPEs to operate our businesses. We do not have any equity ownership interest in any of the SPEs but control their operations and receive the economic benefits through a series of contractual arrangements. For more information regarding these contractual arrangements, see “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Contractual Arrangements with our PRC Special Purpose Entities and Their Shareholders.”

Furthermore, on July 26, 2006, Ministry of Industry and Information Technology, or the MIIT, released the Circular on Strengthening the Administration of Foreign Investment in Operating Value-added Telecommunications Business, or the MIIT Notice, which reiterates certain provisions under China’s Administrative Rules on Foreign-Invested Telecommunications Enterprises. Among other things, the MIIT Notice prohibits domestic telecommunications license holders from (i) renting, transferring or selling telecommunications licenses to any foreign investors in any form and (ii) from providing any assistance, including providing resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in China. Under the MIIT Notice, holders of value-added telecommunications business operating licenses, or their shareholders, must directly own the domain names and registered trademarks used by such license holders in their daily operations. BBIT’s internet information services and CIG’s website creation and maintenance services are considered value-added telecommunication services set forth in the MIIT Notice and BBIT owns a Telecommunication and Information Service Business Operating License, or ICP license, for its provision of internet information service and all the trademarks used for its internet information services on its websites. CIG does not own the trademarks used on its websites. CIG is in the process of applying for a new ICP license with the competent governmental authority. Since there is currently no official interpretation or implementation practice under the MIIT Notice, it remains uncertain how the MIIT Notice will be enforced and whether or to what extent the MIIT Notice may affect the legality of the corporate structures and contractual arrangements adopted by foreign-invested internet companies that operate in China.

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 SPEs. We have been advised by our PRC counsel that each of such contractual agreements for operating our business in China (including our corporate structure and contractual arrangements with the SPEs) complies with all applicable existing PRC laws, rules and regulations, and does not violate, breach, contravene or otherwise conflict with any applicable PRC laws, rules or regulations. However, we cannot assure you that the PRC regulatory authorities will not adopt any new regulation to restrict or prohibit foreign investment in advertising business and value-added telecommunications business through contractual arrangement in the future, or will not determine that our corporate structure and contractual arrangements violate PRC laws, rules or regulations.

If we, any of the SPEs or any of their 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, including the State Administration for Industry and Commerce, which regulates advertising companies, and the Ministry of Industry and Information Technology, which regulates internet information services companies, and the CSRC, which regulates listed companies, would have broad discretion in dealing with such violations, including:

- revoking the business and operating licenses of such entities;
- discontinuing or restricting our PRC subsidiary’s and SPEs’ operations;

- imposing fines, confiscating the income of the SPEs or our income, or imposing other requirements with which we or our PRC subsidiary and SPEs may not be able to comply;
- imposing conditions or requirements with which we or our PRC subsidiary and SPEs may not be able to comply;
- requiring us or our PRC subsidiary and SPEs to restructure our ownership structure or operations;
- restricting or prohibiting our use of the proceeds of our initial public offering in 2010 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 SPEs in China, and their shareholders, for our business operations, 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 SPEs in China and their respective shareholders to operate our internet content and advertising services business. Our SPEs contributed RMB414.8 million, RMB613.7 million and RMB995.2 million (US\$159.7 million), representing 90.5%, 91.6% and 94.2%, respectively, of our total revenues in 2010, 2011 and 2012. These contractual arrangements may not be as effective in providing us with control over the SPEs 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, the SPEs. If we had direct ownership of the SPEs, we would be able to exercise our rights as a shareholder to (i) effect changes in the board of directors of those entities, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level, and (ii) derive economic benefits from the operations of the SPEs by causing them to declare and pay dividends. However, under the current contractual arrangements, as a legal matter, if any of the SPEs or any of their 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 a special purpose entity were to refuse to transfer their equity interests in such SPE to us or our designated persons when we exercise the purchase option pursuant to these 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) any SPE or its shareholders terminate the contractual arrangements or (iii) any SPE or its shareholders fail to perform their obligations under these contractual arrangements, our business operations in China would be materially and adversely affected, and the value of your ADSs would substantially decrease. Further, if we fail to renew these contractual arrangements upon their expiration, we would not be able to continue our business operations unless the then-current PRC law allows us to directly operate internet content and advertising businesses in China.

In addition, if any SPE 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 our business activities, which could materially and adversely affect our business, financial position and results of operations. If any of the SPEs 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 our business, which could materially and adversely affect our business, our ability to generate revenues and the market price of your ADSs.

All of these 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, such as the United States. 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 our business, which may have a material adverse effect on our financial condition and results of operations.

Based on the advice of Han Kun Law Offices, our PRC counsel, the corporate structure of our SPEs and our subsidiary in the PRC are in compliance with all existing PRC laws and regulations. However, as advised by our PRC counsel, 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 these contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations.

***Our ability to enforce the share pledge agreements between us and the SPEs' shareholders may be subject to limitations based on PRC laws and regulations.***

Pursuant to the share pledge agreements, the shareholders of SPEs agree to pledge their equity interests in SPEs to BBII to secure SPEs' performance of their obligations under the relevant contractual arrangements. These pledge agreements have been registered with the relevant local branch of the State Administration for Industry and Commerce, or SAIC. According to the PRC Property Law and PRC Guarantee Law, the pledgee and the pledgor are prohibited from making an agreement prior to the expiration of the debt performance period to transfer the ownership of the pledged equity to the pledgee when the obligor fails to pay the debt due.

The share pledge agreements with SPEs' shareholders provide that the pledged equity interest shall constitute security for all of the payment obligations of the SPEs under the exclusive business cooperation agreement. However, it is possible that a PRC court may take the position that the amount listed on the equity pledge registration forms represents the full debt amount that the pledge secures. If this is the case, the obligations that are supposed to be secured in these pledge agreements 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 SPEs 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 those individuals who are both minority shareholders, directors and executive officers of our company and shareholders of our SPEs. Mr. Bin Li, our chairman of the board of directors and chief executive officer, and Mr. Weihai Qu, our director and senior vice president, jointly own all the equity interests in BBIT and CIG, with whom we conduct our business through contractual arrangements. For these directors and executive officers, their fiduciary duties toward our company under Cayman law—to act honestly, in good faith and with a view to our best interests—may conflict with their roles in our SPEs, as what is in the best interest of our SPEs may not be in the best interests of our company. In comparison, Mr. Li and Mr. Qu each only hold a minority interest in us. The fiduciary duty implied from their roles as our directors and executive officers is not fully aligned with their interests as shareholders of our SPEs. These individuals may breach or cause the SPEs that they beneficially own to breach or refuse to renew the existing contractual arrangements, which will have a material adverse effect on our ability to effectively control the SPEs and receive economic benefits from them. We do not have existing arrangements to address potential conflicts of interest these individuals may encounter in his capacity as a shareholder of the SPEs, on the one hand, and as a beneficial owner and a director and an officer of our company, on the other hand. We could, at all times, exercise our option under the exclusive option agreement with SPEs' shareholders to cause them to transfer all of their equity ownership in SPEs to a PRC entity or individual designated by us, and this new shareholder of SPEs could then appoint new directors of SPEs to replace the current directors. In addition, if such conflicts of interest arise, BBII, our wholly owned foreign PRC subsidiary, could also, in the capacity of the attorney-in-fact of SPEs' shareholders as provided under the irrevocable power of attorney, directly appoint new directors of SPEs to replace the current directors. We rely on SPEs' shareholders to comply with the laws of China, which protect contracts and provide that directors and executive officers owe a duty of loyalty to our company and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains. 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 the SPEs, we cannot assure you that these measures would be effective in all instances and when conflicts arise, these individuals 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 individuals, 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 the SPEs may be subject to scrutiny by the PRC tax authorities and may result in a finding that we and the SPEs owe additional taxes or are ineligible for tax exemption, or both, which could substantially increase our taxes owed and thereby reduce our net income.***

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 SPEs and their respective 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 SPEs and their respective shareholders were entered into on an arm's-length basis. If any of the transactions we have entered into among our wholly-owned subsidiary in China and any of the SPEs and their respective 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 such SPE and assess more taxes on it. In addition, the PRC tax authorities may impose late payment interests and other penalties to such SPE for under-paid taxes. Our results of operations may be adversely and materially affected if the tax liabilities of any of the SPEs increase or if it is found to be subject to late payment interests or other penalties.

***Our contractual arrangements with our PRC special purpose entities may result in adverse tax consequences to us.***

As a result of our corporate structure and the contractual arrangements between us and our PRC SPEs, we are effectively subject to a 5% PRC business tax or 6% value-added tax, as well as enterprise income tax at the rate of 25% on revenues derived from our contractual arrangements with our PRC SPEs. We may be subject to adverse tax consequences if the PRC tax authorities were to determine that the contracts between us and our PRC SPEs were not on an arm's length basis and therefore constitute favorable transfer pricing arrangements. If this occurs, the PRC tax authorities could adjust our PRC SPE's taxable income, if any, upward for PRC tax purposes. Such a transfer pricing adjustment could adversely affect us by increasing our PRC SPEs' tax expenses, and could also subject our PRC SPEs to late payment interests and other penalties for underpayment of taxes. The PRC enterprise income tax law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its related parties to the relevant tax authorities. The tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm's length principles and result in a reduction of taxable income in China. As a result, our contractual arrangements with our PRC SPEs may result in adverse tax consequences to us.

***We may have exposure to greater than anticipated tax liabilities.***

We are subject to enterprise income tax, business tax or 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 subsidiary to fund any cash and financing requirements we may have, and any limitation on the ability of our subsidiary 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 BBII, our subsidiary in China, for our cash requirements, including the funds necessary to service any debt we may incur. If BBII incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. In addition, the PRC tax authorities may adjust our taxable income under the contractual arrangements BBII currently has in place with the SPEs in a manner that would materially and adversely affect the ability of BBII to pay dividends and other distributions to us. Further, relevant PRC laws, rules and regulations permit payments of dividends by BBII only out of its retained earnings, if any, determined in accordance with accounting standards and regulations of China. Under PRC laws, rules and regulations, BBII is also required to set aside a portion of its 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 BBII's registered capital. Therefore, BBII's ability is limited in terms of transferring a portion of its net assets to us whether in the form of dividends, loans or advances. Any limitation on the ability of our subsidiary 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.

### **Risks Related 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 automotive industry and the internet marketing 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. 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 monetary policy and providing preferential treatment to particular industries or companies. 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. Moreover, under current PRC regulations, since December 10, 2005, foreign entities have been allowed to directly own 100% of a PRC advertising business if the foreign entity has at least three years of direct operations of an advertising business outside of China, or to directly own less than 100% of a PRC advertising business if the foreign entity has at least two years of direct operations of an advertising business outside of China. This may encourage foreign advertising companies with more experience, greater technological know-how and more extensive financial resources than we have to compete against us and limit the potential for our growth. Also see “—Risks Related to Our Business and Industry—Government policies on automobile purchases and ownership may materially affect our results of operations.”

*We may be required to obtain an internet news releasing service license and be subject to fines and/or suspension of business operations if any of the internet news posted on our websites is deemed to be political in nature, relate to macro-economics, or otherwise would require an internet news releasing service license.*

In September 2005, the State Council Information Office and the Ministry of Industry and Information Technology jointly issued the Provisions for the Administration of Internet News Information Services, or Internet News Provision. Internet news information services shall include the publishing of news via internet, provision of electronic bulletin services on current and political events, and transmission of information on current and political events to the public. Under the Internet News Provision, the internet news service providers shall also include entities that are not established by news press but reproduce internet news from other sources, provide electronic bulletin services on current and political events, and transmit such information to the public. The Information Office of the State Council shall be in charge of the supervision and administration of the internet news information services throughout China. The counterparts of the Information Office of the State Council at the province level shall take charge of the supervision and administration of the internet news information services within their own jurisdiction.

As an internet content provider, we release information related to the automotive industry to internet users. In the event that such activities are deemed to be internet news releasing services, we will be required to obtain an internet news releasing service license. However, we and our PRC counsel have consulted the relevant government authorities and have been informed that according to their understanding, the term “news” referred to in the Internet News Provision means macro-economic news of the state, that we would not be required to obtain the internet news releasing license because we only post industry-related news produced by others, for which we clearly indicate the sources of such news on our websites, and we ourselves do not edit or compose such news. However, if any of the internet news posted on our websites is deemed by the government to be political in nature, relate to macro-economics, or otherwise require such license, we would need to apply for such license. If we are deemed to be in breach of the Internet News Provision or other relevant internet news releasing regulations, the PRC regulatory authorities may suspend relevant activities and impose a fine exceeding RMB10,000 but not more than RMB30,000. In serious cases, the PRC regulatory authorities may even suspend the internet service or internet access.

***Uncertainties with respect to the PRC legal system could limit the protection available to you and us.***

We conduct our business primarily through our subsidiaries and SPEs 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. We conduct all of our business through our subsidiary and SPEs established 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 the United States or other countries. 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.

***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.***

On October 21, 2005, the PRC State Administration of Foreign Exchange, or SAFE, issued a public circular, or Circular 75, which became effective on November 1, 2005. Circular 75, together with its subsequent implementation procedures and clarifications, requires PRC residents (including both legal person and natural persons) to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing with assets or equities of PRC companies, referred to in the circular as an “offshore special purpose company.” PRC residents who are shareholders of offshore special purpose companies established before November 1, 2005 were required to register with the local SAFE branch before March 31, 2006. Circular 75 further requires amendment to the registration in the event of any significant changes with respect to the offshore special purpose company, such as increase or decrease of capital, equity investment or, including an initial public offering by such company.

Prior to our initial public offering in November 2010, all ultimate shareholders of our company who are PRC residents filed or updated their foreign exchange registrations with the Beijing Office of SAFE with respect to their direct or indirect holding of shares in our company. After our initial public offering in December 2010, all of our ultimate shareholders who are PRC residents have amended the foreign exchange registration in accordance with Circular 75 to reflect the change of their shareholding in the company. In connection with the strategic investment by AutoTrader Group, Inc., or AutoTrader Group, in November 2012, certain members of our management purchased an aggregate of 2.4% of our total outstanding shares from a pre-IPO shareholder. All of these management members who are PRC residents are in the process of preparing relevant documents as required by the Beijing office of SAFE for amending their foreign exchange registration in accordance with Circular 75 to reflect the change of their shareholding in the company. However, we cannot assure you that all shareholders of our company who are PRC residents will continue to take necessary actions to fully comply with Circular 75. We cannot assure you that we will continue to be informed of identities of all PRC residents holding direct or indirect interest in our company in the future. Failure or inability of such individuals and our PRC resident shareholders to comply with the registration requirements set forth in Circular 75 may subject these PRC resident shareholders to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit the ability of our PRC subsidiary to distribute dividends to us, make other distributions or otherwise adversely affect our business.

Furthermore, as these foreign exchange regulations are still relatively new and their interpretation and implementation has been constantly evolving, it is unclear how these regulations, and any future 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 subsidiary. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiary to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy its 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. 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, including holders of our ADSs.

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

The conversion of Renminbi into foreign currencies, including 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 Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the PRC government has allowed the Renminbi to appreciate slowly against the U.S. dollar again, though there have been periods when the U.S. dollar has appreciated against the Renminbi as well. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

There remains significant international pressure on the Chinese government to adopt a substantial liberalization of its currency policy, which could result in further appreciation in the value of the RMB against the U.S. dollar. As we may rely on dividends and other fees paid to us by our subsidiary and special purpose entities 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 ADSs in U.S. dollars. For example, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us. In addition, since the functional currency of our holding company, Bitauto Holdings Limited, is the U.S. dollar while the functional currency of our PRC subsidiary and PRC SPEs is the Renminbi, appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar would have a positive or negative effect on our reported financial results, which may not reflect any underlying change in our business, results of operations or financial position.

***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 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. For example, the M&A Rules require that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise or a foreign company with substantial PRC operations, 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. Although we have no current plans to make any acquisitions, 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 subsidiary.***

As an offshore holding company of our PRC subsidiary, we may make loans to our PRC subsidiary and SPEs, or we may make additional capital contributions to our PRC subsidiary. Such loans to our subsidiary or SPEs in China and capital contributions are subject to PRC regulations and approvals. For example, loans by us to BBII cannot exceed statutory limits and must be registered with SAFE, or its local branch. Besides SAFE registration, loans to SPEs may also need government approval. Capital contributions to our PRC subsidiary must be approved by 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 August 29, 2008, the State Administration of Foreign Exchange, or SAFE, promulgated Circular 142, a notice regulating the conversion by a foreign-invested company of foreign currency into Renminbi by restricting how the converted Renminbi may be used. The circular requires that Renminbi converted from the foreign currency-denominated capital of a foreign-invested company may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments in the PRC unless otherwise provided by laws and regulations. In addition, SAFE strengthened its oversight of the flow and use of Renminbi funds converted from the foreign currency denominated capital of a foreign-invested company. The use of such Renminbi may not be changed without approval from SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used for purposes within the company's approved business scope. Furthermore, SAFE promulgated Circular 59 on November 19, 2010, requiring the governmental authority to closely examine the authenticity of settlement of net proceeds from offshore offerings. In particular, it is specifically required that any net proceed settled from offshore offerings shall be applied in the manner described in the offering documents. On November 16, 2011, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Issues Relating to Further Clarification and Regulation of Certain Capital Account Items under Foreign Exchange Control, or Circular 45, to further strengthen and clarify its existing regulations on foreign exchange control under Circular 142. Circular 45 expressly prohibits foreign invested entities, including wholly foreign owned enterprises such as BBII, from converting registered capital in foreign exchange into RMB for the purpose of equity investment, granting certain loans and repaying loans between non-financial enterprises. Further, Circular 45 generally prohibits a foreign invested entity from converting registered capital in foreign exchange into RMB for the payment of various types of cash deposits. Violations of Circular 142 or Circular 45 may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulations. If our SPEs require financial support from us or our wholly owned subsidiary in the future and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund our SPEs' operations will be subject to statutory limits and restrictions, including those described above.

Circular 142, Circular 59 and Circular 45 may significantly limit our ability to convert, transfer and use the net proceeds from 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 subsidiary or with respect to future capital contributions by us to our PRC subsidiary. 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.

***Dividends we receive from our subsidiary 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 or ADS holders.***

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 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 on February 20, 2009 by the State Administration of Taxation, if the Hong Kong resident enterprise owns more than 25% of the equity interest in a company in China incessantly within 12 months immediately prior to obtaining dividend from such company, the 10% withholding tax on the dividends the Hong Kong resident enterprise received from such company in China is reduced to 5% and is determined by relevant PRC tax authority to have satisfied other conditions and requirements under the Double Tax Avoidance Arrangement between Hong Kong and Mainland China and other applicable PRC laws. We are a Cayman Islands holding company and we have a wholly owned subsidiary in Hong Kong which in turn holds 100% of the equity interest of BBII. Substantially all of our income may be derived from dividends we receive from our subsidiary located in the PRC. If we and our Hong Kong subsidiary are considered as non-resident enterprises and our Hong Kong subsidiary 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 subsidiary by BBII 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 on October 27, 2009 by the State Administration of Taxation, 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 subsidiary in China, or if our Hong Kong subsidiary 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 and ADS holders.

***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. On April 22, 2009, the State Administration of Taxation, or the SAT, issued a circular, or 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 on July 27, 2011, which became 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 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 income such as interest on our initial public offering proceeds and other 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 BBII 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.

***Discontinuation of any of the preferential tax treatments currently available to us in the PRC or imposition of any additional PRC taxes on us could adversely affect our financial position and results of operations.***

BBII was granted a five-year tax holiday in 2007 and was eligible to enjoy the grandfathering treatments such as a two-year exemption from enterprise income tax followed by a three-year half reduction of enterprise income tax under the 2007 circular No. 39, or Circular 39. In December 2008, BBII was designated by the Beijing Municipal Science and Technology Commission as “High and New Technology Enterprise” under the EIT Law and received the High and New Technology Enterprise certificate jointly issued by the Beijing Municipal Science and Technology Commission, Beijing Finance Bureau, and Beijing State and Local Tax Bureaus.

In May 2010, the State Administration of Taxation of China, or SAT, issued a Circular on Further Clarification Concerning the Implementation Standards of Corporate Income Tax Incentives in Grandfathering Period, or Circular 157, stating that enterprises recognized as “high and new technology enterprises strongly supported by the state” and eligible to enjoy the grandfathering treatments such as a two-year exemption from enterprise income tax followed by a three-year half reduction of enterprise income tax under Circular 39, may choose the reduced tax rate of 15% applicable to “high and new technology enterprises strongly supported by the state” or the tax exemption/reduction based on the tax rates in the grandfathering period as stated in Circular 39. Enterprises are not allowed the 50% reduction based on the preferential tax rate for “high and new technology enterprises strongly supported by the state” of 15%. Circular 157 applies retroactively from January 1, 2008.

Circular 157 was previously determined to be applicable to BBII in prior years and therefore, the applicable income tax rate was 10% and 11% for 2009 and 2010, respectively. In 2011, it was determined that BBII was not within the scope of Circular 157 and therefore, was eligible for the 50% reduction based on the preferential tax rate for “high and new technology enterprises strongly supported by the state” of 15%. Therefore, the applicable income tax rate was 7.5% for the years ended 2009, 2010 and 2011. In October 2011, BBII successfully renewed its “High and New Technology Enterprise” status for another three years and will be able to enjoy a preferential income tax rate of 15%, as long as it maintains its qualification and continues to meet the relevant requirements as a “High and New Technology Enterprise.” In December 2011, Beijing Bit EP Information Technology Company Limited, or Bit EP, was qualified as a “software enterprise” and will enjoy a two-year exemption from enterprise income tax followed by a three-year half reduction of enterprise income tax from the first fiscal year when Bit EP becomes profitable since December 2011. A notice issued by the relevant Beijing governmental authority in April 2013 requires enterprises established after January 1, 2011 with “software enterprise” qualification, like Bit EP, to re-apply for such qualification in accordance with requirements under the Administrative Measures for the Recognition of Software Enterprise issued by relevant PRC authority in February 2013, or the New Software Enterprise Measure. We believe that Bit EP meets all requirements under the New Software Enterprise Measures, but we cannot assure you that Bit EP will obtain the “software enterprise” qualification under the New Software Enterprise Measure. Bit EP is in the process of re-applying the “software enterprise” qualification. If BBII fails to maintain its qualification or Bit EP fails to obtain the new qualification as required by the New Software Enterprise Measure, their applicable EIT rate may increase to up to 25%, which could have a material adverse effect on our results of operations.

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

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or Circular 698, issued by the SAT, on December 10, 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposing the equity interests of an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the non-resident enterprise, being the transferor, shall report the Indirect Transfer to the competent tax authority of the PRC resident enterprise. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC tax at a rate of up to 10%. 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 fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction. In addition, the PRC resident enterprise may be required to provide necessary assistance to support the enforcement of Circular 698. There is uncertainty as to the application of Circular 698. For example, while the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise remain unclear. In addition, there are not any formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. Circular 698 may be determined by the tax authorities to be applicable to our future disposition of equity interests in certain non-resident holding companies that hold equity interests in any of our PRC subsidiaries, if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we may become at risk of being taxed under Circular 698 and may be required to expend resources to comply with Circular 698 or to establish that we should not be taxed under Circular 698, which may have a material 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 December 31, 2012, we had leased properties in 85 cities in China. With respect to 20 of these leased properties, the lessors failed to provide property title certificates or other legal instruments proving the title ownership of these lessors. According to PRC laws, rules and regulations, in situations where a tenant lacks evidence of the landlord’s title or 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, certain 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 date hereof, 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.

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

Under relevant PRC rules and regulations, PRC citizens who are granted stock options by an overseas publicly listed company are required, through a qualified PRC domestic agent or PRC subsidiary of such overseas publicly-listed company, to register with SAFE and complete certain other procedures. If we or our PRC resident employees granted our stock options fail to comply with these regulations, we or such employees may be subject to fines and other legal or administrative sanctions. Also see “Regulation—Regulations on Employee Stock Options Granted by Listed Companies.”

***The implementation of the PRC Labor Contract Law may significantly increase our operating expenses and adversely affect our business and results of operations.***

On June 29, 2007, the PRC National People’s Congress enacted the Labor Contract Law, which became effective on January 1, 2008 and was amended on December 28, 2012. The Labor Contract Law formalizes workers’ rights concerning overtime hours, pensions, layoffs, employment contracts and the role of trade unions and provides for specific standards and procedure for the termination of an employment contract. In addition, the Labor Contract Law requires the payment of a statutory severance pay upon the termination of an employment contract in most cases, including in cases of the expiration of a fixed-term employment contract. As there has been little guidance as to how the Labor Contract Law will be interpreted and enforced by the relevant PRC authorities, there remains substantial uncertainty as to its potential impact on our business and results of operations. The implementation of the Labor Contract Law may significantly increase our operating expenses, in particular our personnel expenses, as the continued success of our business depends significantly on our ability to attract and retain qualified personnel. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law may also limit our ability to effect these changes in a manner that we believe to be cost-effective or desirable, which could adversely affect our business and results of operations.

#### **Risks Related to Our ADSs**

***The market price for our ADSs may continue to be volatile.***

The trading prices of our ADSs have been, and are likely to continue to be, volatile and could fluctuate widely due to factors beyond our control. The trading prices of our ADSs ranged from US\$3.50 to US\$7.66 in 2012 and from US\$7.06 to US\$11.57 to date in 2013. This was partly because of broad market and industry factors, such as the performance and fluctuation in the market prices or the underperformance or declining financial results of other companies based in China that have listed their securities in the United States in recent years. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of other PRC companies’ securities after their offerings may affect the attitudes of investors toward PRC companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. The recent ongoing administrative proceedings brought by SEC against five accounting firms in China, alleging that they refused to hand over documents to the SEC for ongoing investigations into certain China-based companies, occurs at a time when accounting scandals have eroded investor appetite for China-based companies. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or matters of other PRC companies may also negatively affect the attitudes of investors towards PRC companies in general, including us, regardless of whether we have conducted any inappropriate activities. In addition, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, which may have a material and adverse effect on the market price of our ADSs. In addition, the market price for our ADSs is likely to continue to be highly volatile and subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our quarterly operating results and changes or revisions of our expected results;
- announcements of new services by us or our competitors;
- changes in financial estimates or recommendations by securities analysts;
- conditions in the automobile or advertising industries in China;
- changes in the economic performance or market valuations of other companies that provide internet content and marketing services to automakers and dealers;

- fluctuations of exchange rates between the Renminbi and the U.S. dollar or other currencies;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- additions or departures of senior management;
- release or expiration of transfer restrictions on our outstanding ordinary shares or ADSs;
- sales or perceived potential sales of additional ordinary shares or ADSs;
- pending or potential litigation or administrative investigations; and
- general economic or political conditions in China.

We may need additional capital, and the sale of additional ADSs or other equity securities could result in additional dilution to our shareholders.

We believe that our current cash and cash equivalents and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for ordinary operation. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities could result in additional dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. It is uncertain whether financing will be available in amounts or on terms acceptable to us, if at all.

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

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

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

***Substantial future sales or perceived potential sales of our ADSs in the public market could cause the price of our ADSs to decline.***

Sales of our ADSs or ordinary shares in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline. Such sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. Any future sales of a substantial number of our ADSs in the public market could cause the price of our ADSs to decline.

***You may not have the same voting rights as the holders of our ordinary shares and may not receive voting materials in time to be able to exercise your right to vote.***

Except as described in this annual report and in the deposit agreement, holders of our ADSs will not be able to exercise voting rights attaching to the shares represented by our ADSs on an individual basis. Holders of our ADSs will appoint the depositary or its nominee as their representative to exercise the voting rights attaching to the shares represented by the ADSs. You may not receive voting materials in time to instruct the depositary to vote, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote. Upon our written request, the depositary will mail to you a shareholder meeting notice which contains, among other things, a statement as to the manner in which your voting instructions may be given, including an express indication that such instructions may be given or deemed given to the depositary to give a discretionary proxy to a person designated by us if no instructions are received by the depositary from you on or before the response date established by the depositary. However, no voting instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter as to which we inform the depositary that (i) we do not wish such proxy given, (ii) substantial opposition exists, or (iii) such matter materially and adversely affects the rights of shareholders. In addition, the depositary and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders' meeting.

***You may not be able to participate in rights offerings and may experience dilution of your holdings as a result.***

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

***You may not receive cash dividends if it is impracticable to make them available to you.***

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property to you.

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

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

***You may face difficulties in protecting your interests, and your ability to protect your rights through the United States federal courts may be limited because we are incorporated under Cayman Islands law, we conduct substantially all of our operations in China and the majority of our directors and officers reside outside the United States.***

We are incorporated in the Cayman Islands and conduct substantially all of our operations in China through our PRC subsidiaries. A majority of our directors and officers reside outside the United States and a substantial portion of their assets are located outside of the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the Cayman Islands or in China in the event that you believe that your rights have been infringed under the securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will recognize as a valid judgment, a final and conclusive judgment in personam obtained in a federal or state court of the United States under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon; provided that (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

Our corporate affairs are governed by our memorandum and articles of association, as amended and restated from time to time, and by the Companies Law and common law of the Cayman Islands. The rights of shareholders to take legal action against us and our directors, actions by minority shareholders and the fiduciary responsibilities of our directors are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which provides persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States and provides significantly less protection. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in United States federal courts.

As a result, our public shareholders may have more difficulty in protecting their interests through actions against us, our management, our directors or our major shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

***Our memorandum and articles of association contain anti-takeover provisions that could adversely affect the rights of holders of our ordinary shares and ADSs.***

Our memorandum and articles of association contains certain provisions that could limit the ability of others to acquire control of our company, including a provision that grants authority to our board of directors to establish from time to time one or more series of preference shares without action by our shareholders and to determine, with respect to any series of preference shares, the terms and rights of that series. The provisions could have the effect of depriving our shareholders of the opportunity to sell their shares, including shares represented by ADSs, at a premium over the prevailing market price by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transactions.

***We are exempt from certain corporate governance requirements of the NYSE and we intend to rely on certain exemptions.***

Certain corporate governance practices in the Cayman Islands, which is our home country, are considerably different than the standards applied to U.S. domestic issuers. We are exempt from certain corporate governance requirements of the NYSE by virtue of being a foreign private issuer. For example, we are not required to:

- have a majority of the board be independent (other than due to the requirements for the audit committee under the United States Securities Exchange Act of 1934, as amended, or the Exchange Act);
- have regularly scheduled executive sessions with only non-management directors;
- have at least one executive session of solely independent directors each year; or

- seek shareholder approval for (i) the implementation and material revisions of the terms of share incentive plans, (ii) the issuance of more than 1% of our outstanding ordinary shares or 1% of the voting power outstanding to a related party, (iii) the issuance of more than 20% of our outstanding ordinary shares, and (iv) an issuance that would result in a change of control.

We currently intend to rely on certain exemptions provided by the NYSE to a foreign private issuer, except that we have a minimum of three members on our audit committee and we have adopted and disclosed a code of business conduct and ethics for directors, officers and employees. We also have a compensation committee, which has two members. We have also adopted our corporate governance guidelines and made it publicly available. As a result, our investors may not be provided with the benefits of certain corporate governance requirements of the NYSE.

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

Depending upon the value of our ordinary shares and ADSs and the nature of our assets and income over time, we could be classified as a “passive foreign investment company” (a “PFIC”) for U.S. federal income tax purposes. A non-United States corporation, such as our company, will be treated as a PFIC for any taxable year if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income, or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year is attributable to assets that produce passive income or are held for the production of passive income. Although not free from doubt, and contrary to the concerns we expressed in our annual report for 2011, based on the value of our ordinary shares and ADSs and the nature of our income and assets for our taxable year ending December 31, 2012, we do not believe that we were a PFIC for that year. However, the United States Internal Revenue Service, or the IRS, does not issue rulings with respect to PFIC status, and there can be no assurance that the IRS, or a court, will agree with our determination.

Because of the uncertainties in the application of the relevant rules and because PFIC status is a factual determination made annually after the close of each taxable year on the basis of the composition of our income and the value of our active versus passive assets and because it may be affected by the price (and fluctuations thereof) of our ADSs or ordinary shares, there can be no assurance that we will not be a PFIC for the current year or any subsequent taxable year.

Although the law in this regard is unclear, we treat Beijing Bitauto Information Technology Company Limited, or BBIT, Beijing C&I Advertising Company Limited, or CIG, and Beijing Easy Auto Media Company Limited, or BEAM, as being owned by us for U.S. federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operations into our consolidated financial statements. If it were determined, however, that we are not the owner of BBIT, CIG and BEAM for U.S. federal income tax purposes, we would likely be treated as a PFIC.

If we were to be classified as a PFIC, a U.S. Holder (as defined in “Item 10. Additional Information—E. Taxation—Certain United States Federal Income Tax Considerations—General”) may incur significantly increased U.S. income tax on gain recognized on the sale or other disposition of the ADSs or ordinary shares and on the receipt of distributions on the ADSs or ordinary shares to the extent such distribution is treated as an “excess distribution” under U.S. federal income tax rules. Further, if we are classified as a PFIC for any year during which a U.S. Holder holds our ADSs or ordinary shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or ordinary shares. We urge you to consult your tax advisor concerning the U.S. federal income tax consequences of acquiring, holding and disposing of ADSs or ordinary shares if we are classified as a PFIC. For more information, see “Item 10. Additional Information—E. Taxation—Certain United States Federal Income Tax Considerations—Passive Foreign Investment Company Considerations.”

***Compliance with rules and regulations applicable to companies publicly listed in the United States is costly and complex and any failure by us to comply with these requirements on an ongoing basis could negatively affect investor confidence in us and cause the market price of our ADSs to decrease.***

In addition to Section 404, the Sarbanes-Oxley Act also mandates, among other things, that companies adopt corporate governance measures, imposes comprehensive reporting and disclosure requirements, sets strict independence and financial expertise standards for audit committee members, and imposes civil and criminal penalties for companies, their chief executive officers, chief financial officers and directors for securities law violations. For example, in response to the Sarbanes-Oxley Act, the NYSE has adopted additional comprehensive rules and regulations relating to corporate governance. These laws, rules and regulations have increased the scope, complexity and cost of our corporate governance and reporting and disclosure practices. Our current and future compliance efforts will continue to require significant management attention. In addition, our board members, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified board members and executive officers to fill critical positions within our company. Any failure by us to comply with these requirements on an ongoing basis could negatively affect investor confidence in us, cause the market price of our ADSs to decrease or even result in the delisting of our ADSs from the NYSE.

***If we fail to maintain an effective system of internal controls over financial reporting, we may not be able to accurately report our financial results or prevent fraud.***

As a public company in the United States, we are subject to reporting obligations under the U.S. securities laws. The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on such company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of our internal control over financial reporting. In addition, an independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. We have been subject to these requirements since the fiscal year ended December 31, 2011.

Our management has concluded that our internal control over financial reporting is effective as of December 31, 2012. Our independent registered public accounting firm has issued an attestation report, which has concluded that our internal control over financial reporting is effective as of December 31, 2012. See "Item 15. Controls and Procedures." However, if we fail to maintain effective internal control over financial reporting in the future, our management and our independent registered public accounting firm may not be able to conclude that we have effective internal control over financial reporting at a reasonable assurance level. This could in turn result in loss of investor confidence in the reliability of our financial statements and negatively impact the trading price of our ADSs. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs, management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

#### **ITEM 4. INFORMATION ON THE COMPANY**

##### **A. History and Development of the Company**

Our holding company, Bitauto Holdings Limited, was incorporated in the Cayman Islands on October 21, 2005. We conduct substantially all of our business through our operating subsidiary, BBII, and our SPEs in China. We own 100% of the equity of BBII in China through our wholly-owned subsidiary, Bitauto Hong Kong Limited, which was incorporated in Hong Kong on April 27, 2010.

Beijing C&I Advertising Company Limited, or CIG, which was incorporated in 2002, is one of our SPEs in China and provides digital marketing solutions to automakers. Beijing Bitauto Information Technology Company Limited, or BBIT, is another SPE of ours and was incorporated in 2005. BBIT conducts our bitauto.com business that focuses on new automobiles and subsequently expanded to start our taoche.com (formerly ucar.cn) business that focuses on used automobiles in 2006.

In 2007, we acquired 100% of the ordinary shares of Autoworld Media Company Limited, or Autoworld, a company incorporated in the British Virgin Islands. Autoworld conducts its business operations in China through its subsidiary Autoworld Business Consulting (Shanghai) Co. and its SPE, Shanghai You Shi Advertising Communication Company Limited, which are referred to collectively as the Autoworld Group. The Autoworld Group provides television advertising services to China's automotive industry.

From 2007 to 2008, we established or obtained control over several SPEs in the PRC that provide automobile advertising services through radio, television, newspapers and magazines. On June 27, 2008, we distributed cash and the net assets of Autoworld Media Company Limited, Autoworld Business Consulting (Shanghai) Co., Limited and Beijing Carsfun Information Technology Limited to our shareholders. The distribution amounted to RMB12.8 million. On September 22, 2009, we sold an SPE that provides print-based automobile advertising services to an SPE of Autoworld.

On May 31, 2010, in order to better align our business with our long-term growth strategy and focus on our core business of providing internet content and marketing services, we distributed to our shareholders cash and the net assets of the entities formerly in our corporate group that provide advertising services focusing on the traditional media forms such as radio, television, newspapers and magazines.

In June 2011, we set up Beijing Bit EP Information Technology Company Limited, or Bit EP, to further strengthen our online marketing and CRM platform.

In late 2011, we acquired 100% equity interest in Beijing Bitcar Interactive Information Technology Company Limited, or Bitcar, from two members of our key management personnel in an all-cash transaction that values Bitcar at between RMB45.0 million and RMB63.0 million. We made an initial payment of RMB45.0 million by the end of 2011, subject to a future contingent consideration amounting to the difference between Bitcar's audited IFRS revenues in 2012 and the initial payment of RMB45.0 million, with a total consideration capped at RMB63.0 million. In March 2013, we made an additional payment of RMB18.0 million (US\$2.9 million) for the contingent consideration.

In April 2012, we re-launched our used car business on a new website named "taoche.com", which is easier for Chinese users to remember and expected to enhance the brand awareness. The Chinese word "tao" carries the meaning of "searching with pleasure" and "taoche" entails a pleasant shopping experience for cars, which better positions the site as a one-stop destination for information on used car selection, purchase and consumption among Chinese users. Traffic to our *ucar.cn* website is automatically redirected to our *taoche.com* website. Going forward, we refer to our previous "ucar.cn business" as "taoche.com business."

In November 2012, AutoTrader Group purchased an aggregate of 9,000,000 ordinary shares from certain of our pre-IPO shareholders and, as a result, beneficially owns approximately 21.8% of our total outstanding shares.

Due to certain restrictions under PRC law on foreign ownerships of entities engaged in internet and advertising businesses, we conduct our operations in China through contractual arrangements among BBII, our SPEs in China and the shareholders of these SPEs. As a result of these contractual arrangements, we control our SPEs and have consolidated the financial information of these SPEs and their subsidiaries in our consolidated financial statements in accordance with IFRS. Earnings of these SPEs are transferred to BBII under the contractual arrangements BBII currently has in place with the SPEs. The arrangements include exclusive business cooperation agreements and exclusive option agreements with the SPEs, which entitle BBII to receive a majority of SPEs' residual returns. Under the arrangement, the earnings are transferred from BBII to our Hong Kong subsidiary, Bitauto Hong Kong Limited, and subsequently to us through dividends or other forms of distribution. In China, payment of dividends is also subject to certain limitations. PRC regulations currently permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Under current PRC laws, regulations and accounting standards, our PRC subsidiary, BBII, is required to allocate at least 10% of its after-tax profit based on PRC accounting standards to its statutory reserves each year until the accumulative amount of those reserves reaches 50% of its registered capital. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation. At its discretion, BBII, as a foreign-invested enterprise, may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

Our principal executive offices are located at New Century Hotel Office Tower, 6/F, No. 6 South Capital Stadium Road, Beijing, 100044, the People's Republic of China. Our telephone number at this address is (86-10) 6849-2345. Our registered office in the Cayman Islands is located at Offshore Incorporations (Cayman) Limited, Scotia Centre, 4<sup>th</sup> Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands. Our agent for service of process in the United States is Law Debenture Corporate Services Inc., 400 Madison Avenue, 4<sup>th</sup> Floor, New York, New York 10017.

See "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources" for details regarding our capital expenditure.

## B. Business Overview

### Overview

We are a leading provider of internet content and marketing services for China's fast-growing automotive industry. Our *bitauto.com* and *taoche.com* websites provide consumers with up-to-date new and used automobile pricing information, specifications, reviews and consumer feedback. Through our innovative "vertical plus portal" model, we also distribute our dealer customers' automobile pricing and promotional information through 526 partner websites as of December 31, 2012, including major portals operated by Tencent, Netease and social networking websites Renren and Kaixin.

Until the end of 2012, we managed our businesses in three segments, namely, *bitauto.com* business, *taoche.com* business and digital marketing solutions business. In 2012, our Easypass services, which was part of our *bitauto.com* business, had grown into an automobile marketing and CRM platform providing web-based integrated digital marketing and CRM applications to automobile dealers in China. Our management renamed it as EP platform services and started to oversee and monitor it as a separate business segment in 2013. As a result, starting January 1, 2013, we manage our business in four segments.

Our previous *bitauto.com* business was renamed as *bitauto.com* advertising business, which continues to provide advertising services to dealers and automakers on our *bitauto.com* website. Our *taoche.com* business provides listing services to used automobile dealers that enable them to display used automobile inventory information on our *taoche.com* website and our partner websites. It also provides advertising services to used automobile dealers and automakers with certified pre-owned automobile programs on our *taoche.com* website. Our digital marketing solutions business provides automakers with one-stop digital marketing solutions, including website creation and maintenance, online public relations, online marketing campaigns and advertising agent services.

We have established a nationwide dealer customer base in China. Our new automobile dealer subscribers have increased from 3,512 in 2010 to 6,302 in 2011 and to 9,900 in 2012, and our used automobile listing customers have increased from 1,409 in 2010 to 1,759 in 2011 and to 3,084 in 2012. Furthermore, an increasing number of our dealer customers regularly place advertisements on our *bitauto.com* and *taoche.com* websites. We maintain regular in-person contact with our dealer customers through our extensive nationwide sales and service representative network located in 132 cities across China as of December 31, 2012. We provide our automobile dealer subscription services through our proprietary EP platform and used automobile listing services through our proprietary Transtar application. They enable our customers to manage their online marketing efforts in an efficient and cost-effective manner, and use these services as needed without having to make large upfront investments in software, hardware, implementation services and IT staff as they would with traditional software solutions. Our large dealer customer base has enabled us to build a comprehensive automotive database among China's automotive vertical websites and gives us a significant advantage over our competitors.

In June 2011, we entered an agreement with Baidu, Inc., the leading Chinese language internet search provider, to be the exclusive supplier of auto-related content for Aladdin, Baidu's open data platform. The agreement was renewed in 2012 and will be valid through May 31, 2013. Pursuant to the agreement, we provide selected auto-related content, including auto listings, pictures, reviews, and dealer information to enhance Aladdin-enabled search results, which include real-time, dynamic and interactive content alongside static search results. When Baidu users search for auto-related information, Baidu exclusively displays relevant content provided by us in the Aladdin-enabled section of the search results page.

In addition, we have a diverse base of automaker customers, to whom we provide advertising services and digital marketing solutions. Of the approximately 82 major automakers in China, consisting of international and Chinese automobile manufacturers and their joint ventures, 60 placed advertisements on our *bitauto.com* website in 2012. We believe our customers value our ability to offer a wide range of high-value services and efficient solutions to assist them in reaching a broad group of automobile consumers and influencing their purchase decisions.

Our revenues from continuing operations were RMB458.1 million, RMB670.0 million and RMB1.1 billion (US\$169.6 million) in 2010, 2011 and 2012, respectively. Under IFRS, we had a loss of RMB1.2 billion, a profit of RMB87.2 million and a profit of RMB135.2 million (US\$21.7 million) in 2010, 2011 and 2012, respectively, from our continuing operations. The loss in 2010 was primarily attributable to the significant amounts of the charges recognized under IFRS in connection with the increase in fair value of our preference shares resulting from our improved business outlook. The profits in 2011 and 2012 were primarily attributable to the impact of enhanced sales and management efficiency and scalability.

## **Our Services**

Until the end of 2012, we managed our businesses in three segments, namely, bitauto.com business, taoche.com business and digital marketing solutions business. In 2012, our Easypass services, which was part of our bitauto.com business, had grown into an automobile marketing and CRM platform providing web-based integrated digital marketing and CRM applications to automobile dealers in China. Our management renamed it as EP platform services and started to oversee and monitor it as a separate business segment in 2013. As a result, starting January 1, 2013, we manage our business in four segments.

### **Our bitauto.com advertising business**

We generate revenues through our *bitauto.com* website, which partners with other websites, by providing advertising services to dealers and automakers. In 2012 and previous years, revenues from our bitauto.com business also included dealer subscription services to new automobile dealers, which were allocated to a new business segment, our EP platform business, starting from January 1, 2013.

We display advertisements on our *bitauto.com* website and allow extensive possibilities of user interactions through rich media advertisements. Because visitors to our websites usually seek specific information relating to automobiles and therefore are more likely to be interested in making automobile purchases, our *bitauto.com* website has become an ideal destination for brand advertisements and promotional activities of automakers and automobile dealers. We are able to achieve cost-effective and targeted advertising results for our customers through our proprietary technologies and placement algorithms that target specific consumer segments. For example, we can display advertisements to consumers located in specific geographic areas based on internet protocol addresses. We can also display advertisements for particular automobile models or their competing models to consumers based on the content of the web pages they are viewing. Furthermore, we also help our new automobile dealer customers plan and organize promotional events, which we consider as part of our bitauto.com advertising services.

### **Our EP platform business**

Our EP platform was developed based on our previous Easypass platform in 2012. Our EP platform business provides web-based integrated digital marketing and CRM applications to automobile dealers in China. The platform enables dealer subscribers to create their own online showrooms, list pricing and promotional information, provide dealer contact information, place advertisements and manage customer relationships, which help them effectively market their automobiles to consumers. In 2012 and previous years, our Easypass services were part of our bitauto.com business. Our management started to oversee and monitor our EP platform services as a separate business segment in 2013. The main service modules on the EP platform include the following:

- Dealer Listing Service is provided to our EP platform subscribers to help them reach a broad base of purchase-minded consumers. We publish our EP platform subscribers' new automobile pricing and promotional information on, and link their online showrooms developed using our Autosite services to, our bitauto.com website. To further broaden our EP platform subscribers' consumer reach, we have entered into arrangements with 526 partner websites to become their provider of automobile pricing and promotional information. We automatically feed such information to our partner websites from our proprietary new automobile database, which is regularly updated and maintained by our dealer customers. We may pay a fixed fee to our major partner websites for their advertising space.
- Autosite enables our EP platform subscribers to quickly set up their own online showrooms by choosing their preferred website templates that we have pre-designed and uploading their own content, such as pricing, promotional and contact information as well as inventory information. The online showrooms developed using our Autosite also has interactive features that allow consumers to make online reservations for test drives, indicate purchase interest and ask questions and get answers online from our dealer customers. We also register and maintain independent internet domain names for Autosite users.
- Autosense is our proprietary advanced advertisement-generating application focusing on automotive content. It allows our EP platform subscribers to create advertisements with accurate keywords and optimize the effectiveness of such advertisements by displaying them on relevant web pages being viewed by web users in a specific geographic location. For example, when a consumer from a certain city opens a web page that contains information on a particular automobile model, Autosense can analyze the consumer's internet protocol address and keywords on such web page and then display advertisements from dealers who are located near that consumer and have the matching or competing automobile model in their inventory.

- Ad Maker enables our EP platform subscribers to quickly make their own online advertisement by choosing their preferred professionally pre-designed advertisement materials and template. With Ad Maker, our EP platform subscribers can easily edit their online advertisements without using professional photo software. We also provide advertisement storage space for our EP platform subscribers to save their advertisements on our servers free of charge.
- Virtual Call Center provides a toll-free number to each dealer for consumer inquiries. Each toll-free number has a virtual voicemail on the EP platform. Over 21 million call minutes were logged in 2012.
- Our eCRM Modules offer integrated customer relationship management solutions using cloud-based technology to help our EP platform subscribers establish a complete marketing and sales management system. Our eCRM Modules can help our EP platform subscribers in every step of their marketing and sales activities, such as looking for sales channels and sales opportunities, organizing sales events, managing customers' files and sales forecast. The data analysis function can help our EP platform subscribers manage, maintain and enhance customer relationship by analyzing their customers' purchase history and preferences.

We also provide third-party marketing applications on our EP platform, including applications from Baidu, Tencent and NetEase. Our EP platform subscribers can launch their advertisement on third-party websites using such applications.

The service modules described above are made available to our dealer customers through our Dealer Assistance System, which integrates all of our service modules on the EP platform into a single user-friendly operating environment. In 2010, 2011 and 2012, we had 3,512, 6,302 and 9,900 EP platform subscribers (formerly known as Easypass platform), respectively.

#### **Our taoche.com business (formerly ucar.cn business)**

We generate revenues from our taoche.com business by providing used automobile listing services to automobile dealers and advertising services to automakers and automobile dealers. Our *taoche.com* website allows consumers to quickly and conveniently navigate through a large used automobile inventory in our database to select the ones that match their specific search criteria. If a consumer is interested in a specific used automobile, he or she will be directed to the selling automobile dealer's dedicated webpage on taoche.com for contact information and other business information.

#### *Used automobile listing services*

Our used automobile listing services are marketed under the “车商通” brand, or “Transtar” in English. Transtar is an application through which we provide our service modules specifically developed for the used automobile market to our used automobile dealer customers. Major modules of the Transtar application include Used Automobile Listing Service, Online Showroom Development and Maintenance, Virtual Call Center and Used Car Management System. Used car dealer customers may log on to their accounts to access the service modules discussed below.

- *Used Automobile Listing Service* is provided to used car dealer customers to list used automobiles on our *taoche.com* website and our partner websites, such as Tencent. We are able to display specific automobile dealer listings to taoche.com visitors according to geographic area, automaker, model, configuration, mileage, location and usage history. As a result, used car dealer customers can reach relevant consumers at a high level of precision, a benefit that is unavailable through traditional media forms, such as radio, television, and newspaper advertising.
- *Online Showroom Development and Maintenance* is offered to used car dealer customers or automakers with certified pre-owned automobile programs through our Transtar application with features similar to the Autosite service module on our EP platform.
- *Virtual Call Center* is provided to used car dealer customers and has features similar to the Virtual Call Center service module provided through our EP platform.
- *Used Car Management System* is provided to used car dealer customers to help manage the used automobile sales process and business operations, including automobile sales, inventory management, and pre- and post-sales customer relationships. It can analyze sales data, such as the number and type of used automobiles sold in a particular period, and consumer interaction data, such as the number of inquiry calls, to automatically generate management reports.

### *Our taoche.com advertising services*

Similar to our *bitauto.com* website, we generate advertising revenues from our *taoche.com* website through selling advertisements on our *taoche.com* website to used automobile dealers and automakers with certified pre-owned automobile programs, including text-based, banner, video and rich media advertisements. This large base of purchased-minded visitors has attracted most of China's automakers with certified pre-owned automobile programs as well as a significant number of used automobile dealers to place advertisements on our *taoche.com* website.

### **Digital Marketing Solutions Business**

Our digital marketing solutions business, operated through CIG, provides one-stop solutions to meet the digital advertising needs of international and domestic automakers in China. We distinguish ourselves from many of the general advertising agencies with our in-depth knowledge of China's automotive industry and our ability to offer the following integrated advertising solutions to automakers.

- *Online advertising.* We cover all aspects of online advertising. Our in-house creative team works closely with automakers to make strategic plans and produce digital advertisements. We procure media space and display periods from portals and automotive vertical websites, including *bitauto.com* and *taoche.com*. We place advertisements on behalf of our customers on these portals and websites to achieve cost-effective advertising results. We monitor performance indicators such as the number of hits and clicks on online advertisements that we have placed using automatic monitoring tools. We analyze this data to optimize advertisement placing strategies for our automaker customers.
- *Website creation and maintenance.* We provide website creation and maintenance services to our automaker customers. Our in-house creative team uses interactive and multimedia technologies to develop official websites for our automaker customers. Our typical automaker customer may have many official websites developed for each of their automobile models, local automobile dealers or special promotional events.
- *Online public relations.* We have extensive experience in handling our automaker customers' daily online media interactions, monitoring online media coverage and developing and implementing strategies in response to crisis.
- *Online marketing campaigns.* We conduct cost-effective online marketing campaigns for our customers through performing in-depth market research of the target audience group, identifying the most effective online media, creating and publishing campaign materials on multiple online mediums to help our automaker customers achieve their goals.

We believe our in-depth knowledge of China's automotive industry and our ability to offer integrated advertising solutions give us a competitive advantage over other advertising services companies and have allowed us to establish a nationwide customer base. In many cases, we have expanded the scope of our business relationships with our advertising clients over time such that we not only create, produce and place advertisements for our clients, but also participate in the formation of their branding and advertising strategies.

We derive our revenues from the service fees paid by our customers for the digital marketing solutions we provide as well as performance-based rebates from media vendors, which are usually a percentage of the purchase price for qualifying advertising space purchased by our customers. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We may not be able to continue to collect performance-based rebates for the advertisements we place on other websites, which is an important source of revenues for us."

### **Our Database**

Our database is the source of information on our *bitauto.com* and *taoche.com* websites and the automobile pricing, promotional and automobile dealer business information on our partner websites. We believe our automotive content and database are one of the most comprehensive among China's online automotive marketing companies. Our database not only covers major metropolitan areas but also a broad geographic area across China, which provides the foundation for the success of our dealer subscription services and advertising services as well as for future expansions. Given the significant amount of time, resources and nationwide network of dealer customers required to develop, maintain and regularly update such a comprehensive database, we believe our database represents a significant advantage over our competitors. Our database features (1) content designed for automobile consumers; (2) dealers' business and contact information; and (3) new automobile pricings and used automobile listings. As of December 31, 2012, our database contained:

- automobile reviews, customer feedback, automobile-related pictures and video clips of more than 8,700 new automobile models;

- approximately 27,000 new and used automobile dealers' business and contact information;
- 7.4 million listings of new automobile pricing information and approximately 1.9 million listings of new automobile promotional information;
- more than 263,000 used automobile listings;
- specifications and features of more than 1,100 used automobile models; and
- more than 2.1 million pictures and videos clips.

We collect data from multiple sources. Detailed automobile dealer business information is collected and maintained by our sales and service representatives located in 132 cities across China, as of December 31, 2012, or by our dealer customers directly. Automobile pricing information is maintained and regularly updated by dealers through our EP platform or Transtar application and generally reflects the dealers' latest price. Specifications and features of each automobile model are collected by our editing team from automakers and dealers. Most automobile pictures are taken by our own editing team. Industry news is licensed from third-party content providers.

We have developed standardized data collection and quality control procedures to ensure the accuracy, consistency and timeliness of the data entered into our database. All business information of automobile dealers must be verified and approved by authorized personnel. Automobile pricing data is verified against the automakers' suggested retail prices and market prices at relevant locations; irregular or misleading prices are deleted promptly. We have developed internal cross-checking procedures supplemented by user feedback to further strengthen our quality control over our database. We also license copyrighted materials from trusted third parties.

We have multi-level protection mechanisms to ensure the safety and integrity of our database. We maintain comprehensive information technology manuals that provide for detailed policies and procedures for the protection of our information technology system, including data backup procedures, anti-virus and anti-hacking procedures, procedures for dealing with emergencies and catastrophes, and network and hardware maintenance policies. Our computer servers perform automatic data backup on a regular basis, and continually monitor our database in an effort to detect and prevent unauthorized access while ensuring fast and reliable access by consumers and our automobile customers.

### **Product Development**

Our internet services are supported and enhanced by a team of more than 373 experienced and dedicated product development employees, including many industry experts with in-depth knowledge of automotive and information technologies and online marketing. We develop and improve our products and services to meet the evolving needs of our customers and users. In 2012, we strengthened various functions of our EP platform and introduced eCRM modules and Ad Maker. We also revamped our used car website with enhanced search function and enriched content.

We spent approximately RMB29.8 million, RMB36.6 million and RMB53.8 million (US\$8.6 million) on product development in 2010, 2011 and 2012, respectively. These expenditures represented 6.5%, 5.5% and 5.1% of our total revenues from continuing operations in 2010, 2011 and 2012.

### **Sales, Marketing and Customer Support**

We employ an experienced sales force in each city to increase market penetration. We provide in-house education and training for our sales force to ensure they provide our current and prospective clients comprehensive information about our automaker and automobile dealer services and digital marketing solutions and convey the advantages of using our *bitauto.com* and *taoche.com* websites as marketing channels. Also, to help our dealer and automaker customers explore the potential synergies between their sales and marketing initiatives, we have started to coordinate their respective selling and branding activities, which in return will improve the efficiency of our internet marketing solutions and increase our customers' satisfaction and their loyalty toward our services.

We believe our bitauto.com and taoche.com brand names are well recognized throughout China's automotive industry and our relationships with our partner websites are well established within the internet marketing industry.

We use a variety of marketing programs to reach our current and prospective customers and consumers, including the following:

- We organized the China Automotive Industry Forum from 2008 to 2010 and have developed it into a significant annual event in China's automotive industry. The forum featured speakers, such as senior management of automakers and automobile dealer groups, academics and high-level government officials, and was well attended by many industry participants;
- We have been organizing training programs through our Bitauto Academy for owners or executives of our dealer customers;
- We have been publishing Bitauto newsletters since 2005, which are distributed to automobile dealers throughout China free of charge and can also be made available upon request. These newsletters feature topics that interest automobile dealers, such as relevant automobile market information and government policies, as well as reports on success stories of automobile dealers and their executives;
- We regularly participate in automobile exhibitions held in major metropolitan cities, such as Beijing and Shanghai, and have been one of the most popular and most active participants among China's automotive vertical websites at many exhibits. For example, we rented a large exhibition area in the 2011 Shanghai International Automotive Exhibition.
- We organized and hosted the 2011 Shanghai Automobile Exhibition Symposium, where industry experts discussed China's automobile market and exchanged views on promoting the healthy development of the automotive dealing sector. Since 2011, we have been hosting the Annual Celebration of Automobiles, which selects and recognizes most popular cars and models and has become one of the most influential event of similar kind in China's automotive industry.
- We organized and hosted the 2012 Night of Auto People, which is one of the most prominent events in China's automobile industry.

We also provide customer services and training to our dealer customers in order to help them fully utilize the potential of our EP platform and Transtar application and foster customer loyalty.

## **Customers**

Our customers consist primarily of automobile dealers and automakers that use one or more of our services, including EP platform, Transtar application, advertising and digital marketing solutions. There are more automobile dealer customers because dealerships tend to be more geographically dispersed and smaller in size as compared to automakers. Our EP platform and Transtar application have a diverse customer base. No single dealer accounts for a material portion of our revenues, while revenues from automaker customers are generally more concentrated due to the relatively small number of automaker customers and the large amounts of their contracts with us. In 2010, 2011 and 2012, revenues from the top three customers in each period accounted for approximately 23.5%, 18.1% and 13.9%, respectively, of our total revenues from continuing operations. In particular, our largest customer, FAW Mazda, accounted for 16.3%, 10.2% and 5.1% of our total revenues from continuing operations in 2010, 2011 and 2012, respectively. FAW Mazda has been our customer since 2005. Our digital marketing solutions business provides services to FAW Mazda pursuant to a framework Internet Marketing Service Agreement, which term starts on January 1 each year and ends on December 31 of the same year. This agreement has been renewed on similar terms and conditions over the past three years and has been renewed for 2013 as well. Under this agreement, FAW Mazda agrees not to source internet marketing services from other companies unless we fail to meet its requirements and are unable to remediate such failure or materially breach this agreement which causes significant losses to FAW Mazda. In return, we agree that our digital marketing solutions business will not provide the same type of services listed in the agreement to four automakers that directly compete with FAW Mazda. In addition, we also generate revenues indirectly from our automaker customers in the form of performance-based rebates. When we place advertisements on behalf of our automaker customers, we usually receive performance-based rebates from media vendors, which equal a percentage of qualifying payments for the advertising space purchased and utilized by our customers.

### ***Customers of each type of services***

The following summary illustrates the customers of our dealer subscription and listing services, and advertising services and digital marketing solutions. Considering the similarities between the customers of our bitauto.com advertising business, our EP platform business and our taoche.com business, the following summary is not presented according to business segment.

***Dealer services customers.*** We have established a large customer base for our dealer services. We had 9,900 EP platform subscribers (formerly known as Easypass platform) and 3,084 used car dealer customers in 2012. We enter into a service agreement with each EP platform subscriber, the terms of which generally range from several months to one year. The agreement has no renewal provision or provision for EP platform subscribers to terminate the agreement without cause. We also enter into a service agreement with each used car dealer customer which has no fixed term and allows our used car dealer customer to use our services as needed. Under these service agreements, we have the right to require EP platform or used car dealer customers to revise their information to be published through our EP platform or Transtar application, respectively, if the information violates applicable laws. Each EP platform or used car dealer customer is obligated to ensure the legitimacy, timeliness and accuracy of its listing information and is liable to any consumers who incur losses resulting from the subscriber's failure to provide such updated and accurate information.

***Advertising customers.*** We have a broad base of advertising customers. The combination of a large and purchase-minded visitor base and comprehensive automotive content has attracted most of China's major automakers to place advertisements on our *bitauto.com* and *taoche.com* websites. Of the approximately 82 automakers in China, consisting of international and Chinese automobile manufacturers and their joint ventures, 60 placed advertisements on our *bitauto.com* website in 2012. We consider each joint venture between Chinese and international automotive manufacturers as a unique automaker because each joint venture operates independently in China and is kept separate from the joint venture partners. In addition to automobile listings through our EP platform or Transtar application, many automobile dealers also place advertisements on our *bitauto.com* and *taoche.com* websites. In 2012, 2,248 new automobile dealers placed advertisements on our *bitauto.com* website and 539 used automobile dealers placed advertisements on our *taoche.com* website.

***Digital marketing solutions customers.*** Our digital marketing solutions customers include many well-known automakers in China. We enter into internet marketing service agreements with these automakers, the terms of which are generally one year though some automakers have been our customers for many years, even in the absence of a multi-year agreement. In 2011, our digital marketing solutions business had 22 automaker customers, 17 of which remained our customers in 2012. As of December 31, 2012, the number of our automaker and auto-related customers decreased to 21. On behalf of these automaker customers, we placed RMB568.3 million (US\$91.2 million) of online automotive advertisements in 2012.

### ***Customers of each type of business***

#### ***Our bitauto.com advertising business and EP platform business***

The following table sets forth our customer base in terms of number of customers in each period for our bitauto.com business:

	For the Years Ended December 31,				
	2008	2009	2010	2011	2012
Number of EP platform <sup>(1)</sup> subscribers	1,529	1,965	3,512	6,302	9,900
Number of advertising dealer customers	551	640	1,124	1,581	2,248
Number of advertising automaker customers	44	51	59	63	60

- (1) Our EP platform was developed based on our previous Easypass platform in 2012 and has grown into an automobile marketing and CRM platform. In 2012 and previous years, our Easypass services were part of our bitauto.com business. Our management oversees and monitors the EP platform services as a separate business segment in 2013.

### *Our taoche.com business*

Due to the limited operating history of our taoche.com business, the following table sets forth the customer base of our taoche.com business for 2010, 2011 and 2012 in terms of the number of used car dealer customers and the number of advertising customers:

	For the Years Ended December 31,		
	2010	2011	2012
Number of used car dealer customers	1,409	1,759	3,084
Number of advertising customers	248	411	539

### *Our digital marketing solutions business*

The following table sets forth our customer base in terms of number of automaker and auto-related customers and the number of recurring automaker customers for our digital marketing solutions business for the periods indicated:

	For the Years Ended December 31,				
	2008	2009	2010	2011	2012
Number of automaker and auto-related customers	10	10	12	22	21
Number of recurring automaker and auto-related customers	9	10	10	11	17

## **Competition**

We face competition in each line of our services:

- Our bitauto.com advertising business faces competition from many market participants. With respect to our new automobile advertising services, we face competition from China's automotive vertical websites, such as *pcauto.com.cn* and *autohome.com.cn*, as well as the automotive channels of major portals and traditional forms of media, and recently from social networking websites and internet video websites. Competition with other websites is primarily centered on website traffic and brand recognition among general internet users, spending by automakers and automobile dealers, and customer retention and acquisition. With respect to our new automobile dealer subscription services, we also face competitions from *pcauto.com.cn* and *autohome.com.cn* in terms of automobile inventory, timeliness and accuracy of automobile pricing information and website traffic.
- Our taoche.com business faces competition from other used automobile websites as well as other websites and media that publish used automobile information in China. The parameters of competition are similar to those of our bitauto.com advertising business, except that the competition for our taoche.com business is more focused on the size of used automobile inventory and market penetration among used automobile dealers.
- Our digital marketing solutions business faces competition from other internet marketing service providers in China. We face competition from the digital marketing business of well-established international advertising agencies such as Dentsu and WPP as well as local agencies that specialize in providing online marketing services, including AllYes Online Media, Hylink Advertising and Beijing Catch Stone Advertising. In the automotive industry, we not only compete for customers, but also compete in terms of advertisement design, relationships with media vendors, and the quality, breadth, pricing and effectiveness of services.

## **Regulation**

The following is a summary of the significant regulations or requirements that affect our business activities in China or our shareholders' rights to receive dividends and other distributions from us.

### **Regulations on Value-added Telecommunications Business**

Our internet content services are regarded as telecommunications services, which are primarily regulated by the Ministry of Industry and Information Technology. Under the Telecommunications Regulations of the PRC, telecommunications businesses are divided into two categories, namely (i) the “basic telecommunications business,” which refers to the business of providing public network infrastructure, public data transmission and basic voice communications services, and (ii) “value-added telecommunications business,” which refers to the telecommunications and information services provided through the public network infrastructure. Internet data processing service business is listed under the first category of the value-added telecommunications business.

### **Regulations on Internet Information Services**

BBIT operates *www.bitauto.com*, *www.bitcar.com* and *www.taoche.com* and other websites to provide internet information services for China’s automotive industry. Internet information services in China are primarily regulated by the Ministry of Industry and Information Technology. Pursuant to the applicable PRC regulations, to engage in commercial internet information services, the service providers shall obtain a Telecommunication and Information Service Business Operating License, or an ICP license. BBIT obtained its ICP license issued by Beijing Telecommunications Administration Department, effective until February 28, 2016, which permits BBIT to carry out commercial internet information services using the above-mentioned domain names. CIG is in the process of applying for a new ICP license with the competent governmental authority.

The PRC government regulates and restricts internet content in China to protect state security and ensure the legality of the internet content. Internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China, or is reactionary, obscene, superstitious, fraudulent or defamatory. Failure to comply with these requirements may result in the revocation of licenses to provide internet content services and the closure of the concerned websites. In addition, the Ministry of Industry and Information Technology has published regulations that subject website operators to potential liability for content displayed on their websites and the actions of users and others using their systems, including liability for violations of PRC laws and regulations prohibiting the dissemination of content deemed to be socially destabilizing. The Ministry of Public Security has the authority to order any local internet service provider to block any internet website at its sole discretion. From time to time, the Ministry of Public Security has stopped the dissemination over the internet of information which it believes to be socially destabilizing. The Ministry of Public Security has supervision and inspection rights in this regard. The National People’s Congress has enacted legislation that may subject to criminal punishment in China any person who: (1) gains improper entry into a computer or system of strategic importance; (2) disseminates politically disruptive information; (3) leaks state secrets; (4) spreads false commercial information; or (5) infringes intellectual property rights.

Furthermore, the MIIT promulgated Certain Provisions on Regulating the Market Order of the Internet Information Service, or Circular 20, on December 29, 2011, which took effect on March 15, 2012. Any internet content services and any internet content related services within the territory of the PRC shall be conducted in accordance with Circular 20. According to Circular 20, internet information service providers shall neither collect user-related information or information which can identify users independently or in combination with other information, nor provide the aforesaid information to others, without users’ approval or unless otherwise specified in the laws and regulations. In addition, internet information service providers shall not collect any information other than those necessary for them to provide services and shall not use users’ personal information for purposes other than services provided. Where advertisements or other information windows unrelated to functions of terminal software pop out at user terminals, internet information service providers shall, in remarkable ways, provide users with functional signs to close or exit such windows. Any violation of the aforesaid requirements, internet information service providers may be subject to warnings, announcement to public and fines in the amount of RMB10,000 to RMB30,000 imposed by the competent telecommunications authorities.

Laws and regulations that apply to communications and commerce conducted over the internet are becoming more prevalent in China, and may impose additional burdens on companies conducting business online or providing internet-related services such as us. Increased regulation could negatively affect our business directly, as well as the businesses of our customers, which could reduce their demand for our services.

### **Regulations on Online Cultural Services**

On February 17, 2011, the Ministry of Culture promulgated the Internet Culture Administration Tentative Measures, or the Internet Culture Measures, which became effective on April 1, 2011 and replaced the original measures promulgated in 2003 and amended in 2005. The Internet Culture Measures require ICP operators engaged in “internet culture activities” to obtain an internet cultural operating license from the provincial administration of culture. “Internet culture activities” includes, among other things, online dissemination of internet cultural products (such as audio-video products, gaming products, performances of plays or programs, works of art and cartoons) and the production, reproduction, importation, publication and broadcasting of internet cultural products. “Internet cultural activities” are defined as an act of provision of internet cultural products and related services, which includes: (i) production, duplication, importation, publishing, and broadcasting of the internet cultural products; (ii) online dissemination whereby cultural products are posted on the internet or transmitted via internet to client ends and internet-surfing service business premises, such as internet bars, such as computers, fixed line telephones, mobiles, television sets, games machines, for online users’ browsing, reading, appreciation, use or downloading; and (iii) exhibition and competition of the internet cultural products. All entities engaging in commercial internet cultural activities must be approved by the Ministry of Culture. BBIT holds an internet culture operating license issued by the Ministry of Culture to provide internet cultural services, which will remain effective until April 21, 2016.

### **Regulations on Internet Publishing**

The General Administration of Press and Publication and the Ministry of Industry and Information Technology jointly issued the Interim Provisions for the Administration of Internet Publishing, or the Internet Publishing Regulations, which became effective on August 1, 2002. The Internet Publishing Regulations authorize the General Administration of Press and Publication, or GAPP, to grant approval to all entities that engage in internet publishing. Pursuant to the Internet Publishing Regulations, the term “internet publishing” means the act of online spreading of articles, whereby the internet information service providers select, edit and process works created by themselves or others and subsequently post such works on the internet or transmit such works to the users’ end via internet for the public to browse, read, use or download.

As an internet content provider, BBIT releases articles to the internet users on its websites. According to the above regulations, such acts may be deemed internet publishing. BBIT has applied for such publishing approval, and obtained an internet publishing permit from the GAPP in October 2012, which will remain effective until December 31, 2014. If we are deemed to be in breach of relevant internet publishing regulations, the PRC regulatory authorities may seize the related equipment and servers used primarily for such activities and any revenues generated from such activities would also be confiscated. In addition, relevant PRC authorities may also impose a fine of five to ten times of any revenues exceeding RMB10,000 or a fine in the amount of RMB10,000 to RMB50,000 if such related revenues are below RMB10,000.

### **Regulations on Internet News Releasing Service**

In September 2005, the State Council Information Office and the Ministry of Industry and Information Technology jointly issued the Provisions for the Administration of Internet News Information Services, or Internet News Provision. Internet news information services shall include the publishing of news via internet, provision of electronic bulletin services on current and political events, and transmission of information on current and political events to the public. Under the Internet News Provision, the internet news service providers shall also include entities that are not established by news press but reproduce internet news from other sources, provide electronic bulletin services on current and political events, and transmit such information to the public. The Information Office of the State Council shall be in charge of the supervision and administration of the internet news information services throughout China. The counterparts of the Information Office of the State Council at the provincial level shall take charge of the supervision and administration of the internet news information services within their own jurisdiction.

As an internet content provider, we release information related the automotive industry to internet users. In the event that such activities are deemed to be internet news releasing services, we will be required to obtain an internet news releasing service license. However, we and our PRC counsel have consulted the relevant government authorities and have been informed that according to our service scale, we would not be required to obtain the internet news releasing license because we only post industry-related news produced by others and we do ourselves not edit or compose such news. On our websites, we clearly indicate our news sources. However, if any of the internet news posted on our website is deemed by the government to be political in nature, relate to macro economics, or otherwise require such license based on the sole discretion of the government authority, we would need to apply for such license. If we are deemed to be in breach of the Internet News Provision or other relevant internet news releasing regulations, the PRC regulatory authorities may suspend the illegal activities and impose a fine exceeding RMB10,000 but not more than RMB30,000. In serious cases, the PRC regulatory authorities may even suspend the internet service or internet access.

### **Regulations on Internet Audio-Video Programs and Radio and Television Program Production**

The State Administration of Radio, Film and Television and the Ministry of Industry and Information Technology jointly issued the Administrative Measures Regarding Internet Audio-Video Program Services, or the Internet Audio-Video Program Measures, which became effective on January 31, 2008. The Internet Audio-Video Program Measures stipulate, among other things, that any entity that engages in the production, editing, integration, and provision to the public through the internet, of audio-video programs, and the provision of audio-video program uploading and transmission services, shall apply for an internet audio-video program operating license. To apply for the internet audio-video program operating license, the applicant shall be an entity wholly owned or controlled by state-owned enterprises, have sound technical measures for security protection, and meet other conditions set forth in the Internet Audio-Video Program Measures. However, according to the application procedures announced by the State Administration of Radio, Film and Television, non-State controlled websites which were established before promulgation of the Internet Audio-Video Program Measures and which are in compliance of the relevant PRC law may be granted with the license. BBIT has obtained an internet audio-video program operating license, which will remain effective until February 13, 2015.

In addition to the internet audio-video program operating license, the internet audio-video program measures require that entities providing self-shot network play (film) services, online audio-video programs on hosting shows, interview shows and news reports shall also obtain an operating license for the production of radio and television program. Further, the State Administration of Radio, Film and Television issued the Administrative Regulations on the Production and Operation of Radio and Television Programs, effective as of August 20, 2004, which regulates, among other things, the production of special topic programs, special column programs, variety shows, automations, radio programs and television programs. An operating license for the production of radio and television program is required for an entity that engages in the production and operation of the above mentioned programs. Foreign investments in film and television program production companies are prohibited. Foreign investments in film and television program production projects are restricted and may only take the form of Sino-foreign cooperation. During our business operation, we also edit video clips and broadcast them online. Such activities may be deemed to be “internet movie producing.” BBIT holds an operating license for the production of radio and television program, effective until July 2, 2014.

### **Regulations on Internet Mapping Services**

Pursuant to the PRC regulations applicable to internet mapping services issued by the State Bureau of Surveying and Mapping, maps called and transmitted through wireless internet belong to internet maps. To provide internet mapping services, the provider shall apply for a Surveying and Mapping Qualification Certificate for Internet mapping with the competent surveying and mapping bureau. The PRC regulations also provide for certain conditions and requirements for issuing the Surveying and Mapping Qualification Certificate, such as the minimum amount of registered capital, the number of technical personnel and map security verification personnel, security facilities, and ISO9000 certification or approval from relevant provincial or municipal government. BBIT currently provides online traffic information inquiry services as well as internet map marking and inquiry services that allow users to locate automobile dealers. BBIT plans to expand its business in the future to include electronic mapping services that allow users to search driving routes and tourist spots. BBIT obtained a Surveying and Mapping Qualification Certificate for internet mapping in January 2011, effective until January 8, 2016.

## **Regulations on Foreign Investment in Telecommunications Enterprises**

The PRC government imposes limitations on foreign ownership of PRC companies that engage in telecommunications-related business. Under the Administrative Rules for Foreign Investments in Telecommunications Enterprises, a foreign investor is currently prohibited from owning more than 50% of the equity interest in a PRC subsidiary that engages in value-added telecommunications business.

The Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business, among others, requires a foreign investor to set up a foreign-invested enterprise and obtain an operating permit in order to carry out any value-added telecommunications business in China. Under this circular, a domestic value-added telecommunications service operator that holds a value-added telecommunications license is prohibited from leasing, transferring or selling such license to foreign investors, and from providing any assistance in the form of 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 of domestic operators must be owned by such domestic operators or their shareholders. The circular further requires each holder of value-added telecommunications license to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its value-added telecommunications license. In addition, all value-added telecommunications service operators are required to maintain network and information security in accordance with the standards set forth under relevant PRC regulations. Due to a lack of interpretations from the regulator, it remains unclear what impact this circular would have on us.

We conduct our businesses in China primarily through three sets of contractual arrangements. BBII has contractual arrangements with BBIT, CIG and BEAM and their respective shareholders. BBIT holds a regional ICP license, which is one kind of value-added telecommunications licenses, to conduct internet information services in Beijing and currently owns, or otherwise has the legal right to use, all the domain names in connection with our business covered by its ICP license. BBIT owns all the trademarks used for its internet information services on its websites. CIG is in the process of applying for a new ICP license with the competent governmental authority. CIG generally owns the necessary domain names of the websites that CIG creates for, or maintains on behalf of, our customers, but CIG does not directly own all the trademarks used on its websites. 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 may not take a view that the contractual arrangements by and among BBII, BBIT, CIG, BEAM and their respective shareholders are in violation of the PRC laws and regulations. If the PRC government finds that the contractual arrangements that establish the structure for operating our business do not comply with PRC law and regulations restricting foreign investment in the telecommunications business, we could be subject to severe penalties.

## **Regulation of Advertising Content**

The PRC government regulates the content of advertisements through Advertisement Law promulgated on October 27, 1994 and other similar laws and regulations in China. PRC laws and regulations prohibit, among other things, false or misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest. Advertisements for anesthetic, psychotropic, toxic or radioactive drugs are not permitted. Advertisements for tobacco may not be broadcast on television. Restrictions also exist regarding the advertisement of patented products and processes, pharmaceuticals, medical instruments, agrochemicals, agrochemicals, foodstuff, alcohol and cosmetics. All advertisements relating to pharmaceuticals, medical instruments, agrochemicals and veterinary pharmaceuticals, along with any other advertisements which are subject to censorship by administrative authorities according to relevant laws and administrative regulations, must be submitted to the relevant administrative authorities for content approval prior to dissemination.

Advertisers, advertising agencies and advertising distributors are required by PRC advertising laws and regulations to ensure that the content of the advertisements they prepare or distribute is true and accurate and in full compliance with applicable law. In providing advertising services, advertising operators and advertising distributors must review the specified supporting documents provided by advertisers for advertisements and verify that the content of the advertisements complies with applicable PRC laws, rules and regulations. Prior to distributing advertisements for items that are subject to government censorship and approval, advertising distributors must confirm that such censorship has been performed and approval has been obtained. 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 circumstances involving serious violations, the State Administration for Industry and Commerce, or SAIC, or its local branches may revoke violators' licenses or permits for their advertising business operations. Additionally, advertisers, advertising agencies or advertising distributors may be subject to civil liability if they infringe on the legal rights and interests of third parties in the course of their advertising business.

Pursuant to the local regulations issued by Beijing Administration for Industry and Commerce, or Beijing AIC, concerning online advertising, Beijing AIC shall be the government authority in charge of the administration of online advertising activities in Beijing. An internet information service provider that engages in the design, production and distribution of online advertisements shall file with the Beijing AIC for the record, and include such activities in its business license.

### **Limitations on Foreign Ownership in the Advertising Industry**

The main regulations governing foreign ownership in the PRC advertising industry include:

- The Catalogue for Guiding Foreign Investment in Industry (as amended in 2011);
- The Measures on Administration for Foreign-invested Advertising Enterprises (as amended in 2008); and
- The Notice Regarding Investment in the Advertising Enterprises by Foreign Investors through Equity Acquisitions (2006).

The above regulations require that a foreign entity may invest directly in the PRC advertising industry only if it has at least two years of direct operations in the advertising industry outside of China. Since December 10, 2005, foreign investors have been permitted to directly own a 100% interest in advertising companies in China, but such foreign investors are required to be a company with advertising as its main business and to have at least three years of operations outside of China. PRC laws and regulations do not permit the transfer of any approvals, licenses or permits, including business licenses containing a scope of business that permits engaging in the advertising business.

The establishment of a foreign-invested advertising enterprise, by means of either a new establishment or equity acquisition of an existing domestic advertising company, is subject to examination by the SAIC or its branch at the provincial level and the issuance of an Opinion on the Examination and Approval of the Foreign-invested Advertising Enterprise Project. Upon obtaining such Opinion from the SAIC or its relevant branch, an approval from the Ministry of Commerce or its competent local counterparts is required before a foreign-invested advertising enterprise may apply for its business license. In addition, if a foreign-invested advertising enterprise intends to set up any branch, it must meet the requirements that (i) its registered capital has been fully subscribed and contributed and (ii) its annual advertising sales revenues are not less than RMB20 million.

### **Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents.**

The Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Financing and Round Trip Investment via Overseas Special Purpose Vehicles, or Circular 75, issued by the State Administration of Foreign Exchange and effective on November 1, 2005, regulates the foreign exchange matters in relation to the use of a “special purpose vehicle” by PRC residents to seek offshore equity financing and conduct “round trip investment” in China. Under Circular 75, a “special purpose vehicle” refers to an offshore entity established or controlled, directly or indirectly, by PRC residents (natural persons or legal entities) for the purpose of seeking offshore equity financing using assets or interests owned by such PRC residents in onshore companies, while “round trip investment” refers to the direct investment in China by the PRC residents through the “special purpose vehicles,” including, without limitation, establishing foreign-invested enterprises and using such foreign-invested enterprises to purchase or control onshore assets through contractual arrangements. Circular 75 requires that, before establishing or controlling a “special purpose vehicle,” PRC residents are required to complete foreign exchange registration with the local offices of the State Administration of Foreign Exchange for their overseas investments.

Circular 75 applies retroactively. PRC residents who have established or acquired control of the “special purpose vehicles” which have completed “round-trip investment” before the implementation of the Circular 75 shall register their ownership interests or control in such “special purpose vehicles” with the local offices of the State Administration of Foreign Exchange before March 31, 2006. An amendment to the registration is required if there is a material change in the “special purpose vehicle,” such as increase or reduction of share capital and transfer of shares. Failure to comply with the registration procedures set forth in Circular 75 may result in restrictions on the foreign exchange activities of the relevant foreign-invested enterprises, including the payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate and the capital inflow from the offshore parent, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. SAFE has further issued a series of implementation guidance, including the most recent Notice of SAFE on Printing and Distributing the Rules for the Implementation of the Operating Procedure of Foreign Exchange in Fund-Raising and Round-trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or Circular 19, which has come into effect as of July 1, 2011. These regulations require PRC residents and PRC corporate entities to register with competent local branches of SAFE in connection with their direct or indirect offshore investment in offshore special purpose vehicles. These regulations may apply to PRC residents who are our shareholders or ultimate beneficial owners of our shares and may apply to our future offshore acquisitions.

We conduct businesses in China primarily through contractual arrangements with BBIT, CIG and BEAM and their respective shareholders. The shareholders of both BBIT and CIG are Bin Li and Weihai Qu. The shareholders of BEAM are Guang Chen, Jinsong Zhu, Shengde Wang, Rong Xiao, Aiping Xu, Xiaodong Hu, Xiangyu Chen and Jun Xia. Prior to our initial public offering in 2010, all ultimate shareholders of our company who are PRC residents filed or updated their foreign exchange registrations with the Beijing Office of the State Administration of Foreign Exchange with respect to their direct or indirect holding of shares in our company. After our initial public offering, in December 2010, all of our ultimate shareholders who are PRC residents have amended the foreign exchange registration in accordance with Circular 75 to reflect the change of their shareholding in the company. In connection with the strategic investment by AutoTrader in November 2012, certain members of our management purchased an aggregate of 2.4% of our total outstanding shares from other existing shareholders. All of these management members who are PRC residents are in process of preparing relevant documents as required by the Beijing office of SAFE to amend their foreign exchange registration in accordance with Circular 75 to reflect the change in their shareholding in the company. However, we cannot assure you that all shareholders of our company who are PRC residents will continue to take necessary actions to fully comply with Circular 75. Failure or inability of our PRC resident shareholders to comply with the registration requirements set forth in Circular 75 may subject these PRC resident shareholders to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit the ability of our PRC subsidiary to distribute dividends to us, make other distributions or otherwise adversely affect our business.

### **Regulations on Employee Stock Options Granted by Listed Companies**

On February 15, 2012, SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies, or Circular 7, to replace a previous circular. Circular 7 regulates the foreign exchange matters associated with employee stock incentive plans or similar plans permitted under applicable laws and regulations granted to PRC residents by companies whose shares are listed on offshore stock exchanges. Pursuant to Circular 7, all PRC residents participating in share incentive plans of offshore listed companies shall, through their employers, jointly retain qualified PRC agents to register with SAFE. PRC residents for this purpose include PRC nationals or foreign citizens who have been residing in the PRC consecutively for not less than one year, acting as directors, or employees of PRC entities affiliated with such offshore listed companies. The foreign exchange proceeds received by PRC residents from sale of shares under share incentive plans granted by offshore listed companies must be remitted back to bank accounts located in China opened by their employers or PRC agents.

In 2006 and 2010, our board of directors adopted the 2006 Plan and the 2010 Plan, respectively, pursuant to which, we may issue employee stock options to our qualified employees and directors on a regular basis. We have granted employee stock options and incentive shares within the scope noted in the application documents which were filed with the Beijing office of the State Administration of Foreign Exchange at the time of our initial public offering in 2010. We have advised our employees and directors participating in the Stock Incentive Plan to handle foreign exchange matters in accordance with Circular 7. However, we cannot assure you that our PRC individual beneficiary owners and the stock options holders who are PRC residents can successfully register with the State Administration of Foreign Exchange in full compliance with Circular 7. The failure of our PRC individual beneficiary owners and the stock options holders to complete their registration pursuant to Circular 7 and other foreign exchange requirements 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 adversely affect our business.

Further, a notice concerning the individual income tax on earnings from employee stock options, jointly issued by the Ministry of Finance and the State Administration of Taxation, and its implementing rules provide that domestic companies that implement employee share option programs shall (1) file the employee share option plans and other relevant documents to the local tax authorities having jurisdiction over them before implementing such employee share option plans; (2) file share option exercise notices and other relevant documents to the local tax authorities having jurisdiction over them before exercise by the employees of the share options, and clarify whether the shares issuable under the employee share options mentioned in the notice are the shares of publicly listed companies, and (3) withhold taxes from the PRC employees in connection with the PRC individual income tax.

### **SPV Regulation and Overseas Listings**

On August 8, 2006, six PRC regulatory agencies, including China Securities Regulatory Commission, or the CSRC, promulgated a regulation entitled Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the SPV Regulation, which took effect on September 8, 2006 and was amended on June 22, 2009. The SPV Regulation purports to require an offshore "special purpose vehicle" to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, and under the SPV Regulation, "special purpose vehicle" is defined as an offshore company directly or indirectly controlled by PRC domestic companies or individuals for the purposes of listing the equity interests in PRC companies on overseas stock exchanges. On September 21, 2006, the CSRC published on its official website the procedures regarding its approval of overseas listings by special purpose vehicles. The approval procedures require the filing of a number of documents and would take several months. However, it remains unclear whether the SPV Regulation and the requirement of the CSRC approval apply. Up to the date of this annual report, the CSRC has not issued any rules or written interpretation clarifying whether offerings like our initial public offering in November 2010 are subject to this new procedure.

### **Employment Laws**

We are subject to laws and regulations governing our relationship with our employees, including wage and hour requirements, working and safety conditions, and social insurance, housing funds and other welfare. The compliance with these laws and regulations may require substantial resources.

China's National Labor Law, which became effective on January 1, 1995, and China's National Labor Contract Law, which became effective on January 1, 2008 and was amended on December 28, 2012, permit workers in both state-owned and private enterprises in China to bargain collectively. The National Labor Law and the National Labor Contract Law provide for collective contracts to be developed through collaboration between the labor union (or worker representatives in the absence of a union) and management that specify such matters as working conditions, wage scales, and hours of work. The laws also permit workers and employers in all types of enterprises to sign individual contracts, which are to be drawn up in accordance with the collective contract. The National Labor Contract Law has enhanced rights for the nation's workers, including permitting open-ended labor contracts and severance payments. The legislation requires employers to provide written contracts to their workers, restricts the use of temporary labor and makes it harder for employers to lay off employees. It also requires that employees with fixed-term contracts be entitled to an indefinite-term contract after a fixed-term contract is renewed twice or the employee has worked for the employer for a consecutive ten-year period.

### **Regulations on Foreign Currency Exchange**

Pursuant to applicable PRC regulations on foreign currency exchange, Renminbi is freely convertible only to the extent of current account items, such as trade-related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriation of investment, require the prior approval from the State Administration for Foreign Exchange or its local branch for conversion of Renminbi into a foreign currency, such as U.S. dollars. Payments for transactions that take place within the PRC must be made in Renminbi. Domestic companies or individuals can repatriate foreign currency payments received from abroad, or deposit these payments abroad subject to the requirement that such payments be repatriated within a certain period of time. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks. Foreign currencies received for current account items can be either retained or sold to financial institutions that have foreign exchange settlement or sales business without prior approval from the State Administration for Foreign Exchange, subject to certain regulations. Foreign exchange income under capital account can be retained or sold to financial institutions that have foreign exchange settlement and sales business, with prior approval from the State Administration for Foreign Exchange, unless otherwise provided.

In addition, another notice issued by the State Administration for Foreign Exchange, or Circular 142, regulates the conversion by foreign-invested enterprises of foreign currency into Renminbi by restricting how the converted Renminbi may be used. Circular 142 requires that Renminbi converted from the foreign currency-denominated capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the relevant government authority and may not be used to make equity investments in PRC, unless specifically provided otherwise. The State Administration for Foreign Exchange further strengthened its oversight over the flow and use of Renminbi funds converted from the foreign currency-denominated capital of a foreign-invested enterprise. The use of such Renminbi may not be changed without approval from the State Administration for Foreign Exchange, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used. On November 16, 2011, SAFE promulgated Circular 45 to further strengthen and clarify its existing regulations on foreign exchange control under Circular 142. Circular 45 expressly prohibits foreign invested entities, including wholly foreign owned enterprises such as BBII, from converting registered capital in foreign exchange into RMB for the purpose of equity investment, granting certain loans and repaying loans between non-financial enterprises. Any violation of Circular 142 or Circular 45 may result in severe penalties, including substantial fines. If our SPEs require financial support from us or our wholly owned subsidiary in the future and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund our SPEs' operations will be subject to statutory limits and restrictions, including those described above.

### **Regulations on Dividend Distribution**

Under applicable PRC laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign-invested enterprises in China are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund statutory reserve funds unless these reserves have reached 50% of the registered capital of the respective enterprises. Foreign-invested enterprises are also required to set aside funds for the employee bonus and welfare fund from their after-tax profits each year at percentages determined at their sole discretion. These reserves are not distributable as cash dividends.

### **PRC Enterprise Income Tax Law**

On March 16, 2007, China passed a new Enterprise Income Tax Law, or the EIT Law, and its implementing rules, both of which became effective on January 1, 2008. Under the EIT Law, enterprises are classified as resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% and enterprises identified as key high-and-new-technology enterprises supported by the state enjoy a preferential enterprise income tax rate of 15%. An enterprise established outside of China with its "de facto management bodies" located within China is considered a "resident enterprise," meaning that it can be treated in a manner similar to a Chinese domestic enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define 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 SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled offshore incorporated enterprise is located in China, which include all of the following conditions: (a) the location where senior management members responsible for an enterprise’s daily operations discharge their duties; (b) the location where financial and human resource decisions are made or approved by organizations or persons; (c) the location where the major assets and corporate documents are kept; and (d) the location where more than half (inclusive) of all directors with voting rights or senior management have their habitual residence. In addition, the SAT issued a bulletin on July 27, 2011, effective September 1, 2011, providing more guidance on the implementation of Circular 82. This bulletin clarifies matters including resident status determination, post-determination administration and competent tax authorities. Although both 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 foreign individuals, the determining criteria set forth in Circular 82 and the bulletin may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or PRC enterprise groups or by PRC or foreign individuals.

Due to the short history of the EIT law and lack of applicable legal precedents, it remains unclear how the PRC tax authorities will determine the PRC tax resident treatment of a foreign company such as us. If the PRC tax authorities determine that we are 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; second, the EIT Law provides that dividends paid between “qualified resident enterprises” are exempt from enterprise income tax. However, it is unclear whether the dividends our holding companies receive from BBII 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, if the competent PRC tax authorities consider dividends we pay with respect to our ADSs or ordinary shares and the gains realized from the transfer of our ADSs or ordinary shares income derived from sources within the PRC, such dividends and gains earned by our 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 individuals may be subject to PRC individual income tax at a rate of 20%. In addition, 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.

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,” or non-resident investors, which (i) do not have an establishment or 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 or a tax treaty between China and the jurisdictions in which the non-PRC investors reside may reduce such income tax. 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 on February 20, 2009 by the State Administration of Taxation, if the Hong Kong resident enterprise owns more than 25% of the equity interest in a company in China within 12 months immediately prior to obtaining dividends from such company and is determined by the competent PRC tax authority to have satisfied other conditions and requirements under the Double Tax Avoidance Arrangement between Hong Kong and Mainland China and other applicable PRC laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise received from such company in China is reduced to 5%. If our Hong Kong subsidiary is considered as a Hong Kong resident enterprise under the Double Tax Avoidance Arrangement and is considered as a “non-resident enterprise” under the EIT Law and is determined by the competent PRC tax authority to have satisfied relevant conditions and requirements, then the dividends paid to it by BBII 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 on October 27, 2009 by the State Administration of Taxation, 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.

In January, 2009, the State Administration of Taxation promulgated the Provisional Measures for the Administration of Withholding of Enterprise Income Tax for Non-resident Enterprises, or the Measures, pursuant to which, the entities which have the direct obligation to make the following payment to a non-resident enterprise shall be the relevant tax withholding agents for such non-resident enterprise, and such payment includes: income from equity investment (including dividends and other return on investment), interest, rents, royalties, and income from assignment of property as well as other income subject to enterprise income tax received by non-resident enterprises in China. Further, the Measures provide that in case of an equity transfer between two non-resident enterprises which occurs outside China, the non-resident enterprise which receives the equity transfer payment shall, by itself or engage an agent to, file tax declaration with the PRC tax authority located at the place of the PRC company whose equity has been transferred, and the PRC company whose equity has been transferred shall assist the tax authorities to collect taxes from the relevant non-resident enterprise.

On April 30, 2009, the Ministry of Finance and the SAT jointly issued the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business, or Circular 59. On December 10, 2009, the SAT issued Circular 698. Both Circular 59 and Circular 698 became effective retroactively as of January 1, 2008. By promulgating and implementing these two circulars, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. Under Circular 698, where a non-resident enterprise transfers the equity interests of a PRC “resident enterprise” indirectly by disposing the equity interests of an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in certain low tax jurisdictions, the non-resident enterprise, being the transferor, shall report the Indirect Transfer to the competent tax authority of the PRC “resident enterprise”. The PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC tax at a rate of up to 10%. Circular 698 may be determined by the tax authorities to be applicable to our future disposition of equity interests in certain non-resident holding companies that hold an equity interest in any of our PRC subsidiaries, if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we may become at risk of being taxed under Circular 698 and may be required to expend valuable resources to comply with Circular 698 or to establish that we should not be taxed under Circular 698, which may have a material adverse effect on our financial condition and results of operations.

Beijing Bitauto Internet Information Company Limited, or BBII, was granted a five year tax holiday in 2007 and was eligible to enjoy the grandfathering treatments such as a two-year exemption from enterprise income tax followed by a three-year half reduction of enterprise income tax under the 2007 circular No. 39, or Circular 39. In December 2008, BBII was designated by the Beijing Municipal Science and Technology Commission as “High and New Technology Enterprise” under the EIT Law and received the High and New Technology Enterprise certificate jointly issued by the Beijing Municipal Science and Technology Commission, Beijing Finance Bureau, and Beijing State and Local Tax Bureaus.

In May 2010, the State Administration of Taxation of China, or SAT, issued a Circular on Further Clarification Concerning the Implementation Standards of Corporate Income Tax Incentives in Grandfathering Period, or Circular 157, stating that enterprises recognized as “high and new technology enterprises strongly supported by the state” and eligible to enjoy the grandfathering treatments such as a two-year exemption from enterprise income tax followed by a three-year half reduction of enterprise income tax under Circular 39, may choose the reduced tax rate of 15% applicable to “high and new technology enterprises strongly supported by the state” or the tax exemption/reduction based on the tax rates in the grandfathering period as stated in Circular 39. Enterprises are not allowed the 50% reduction based on the preferential tax rate for “high and new technology enterprises strongly supported by the state” of 15%. Circular 157 applies retroactively from January 1, 2008.

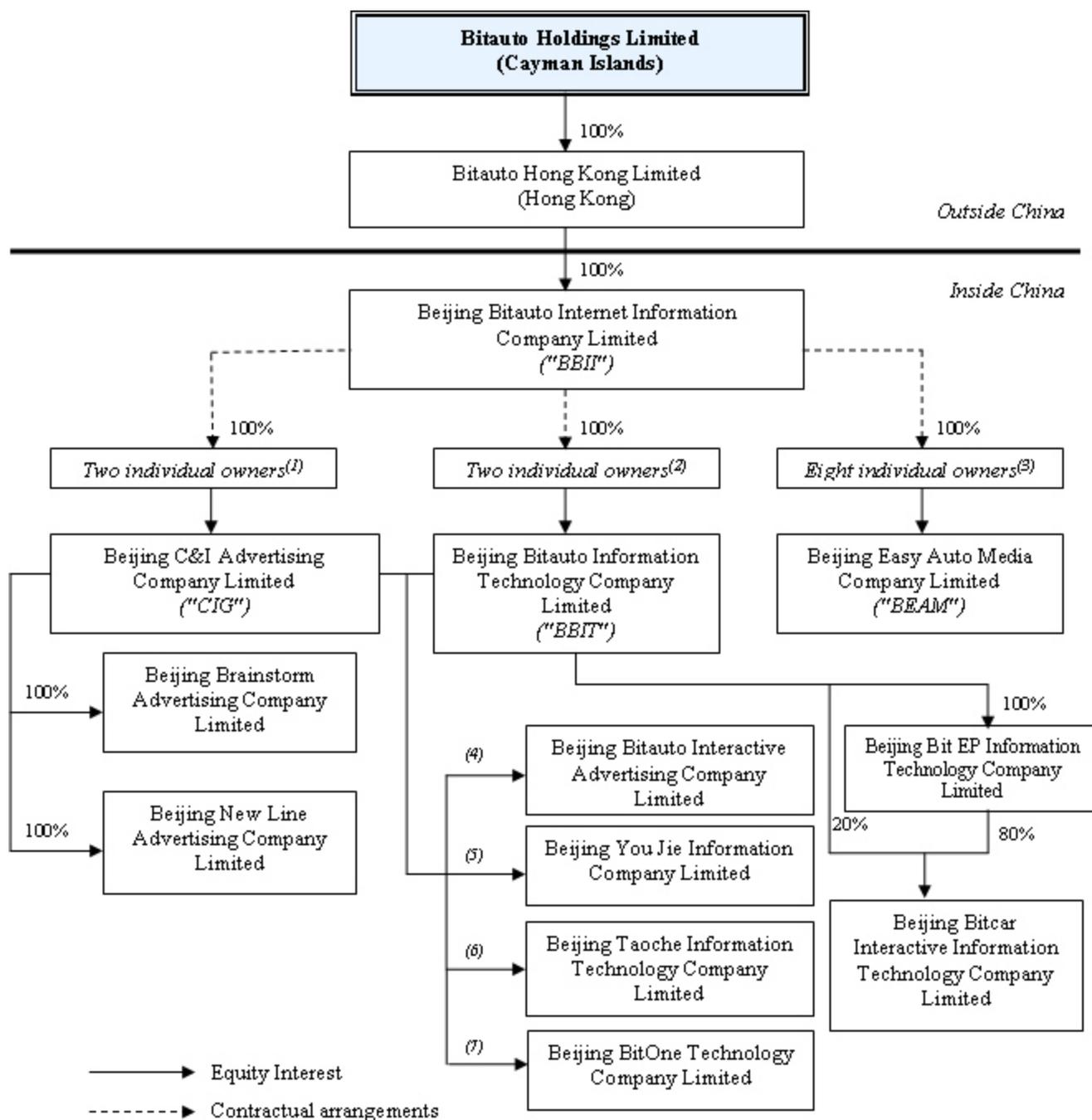
Circular 157 was previously determined to be applicable to BBII in prior years and therefore, the applicable income tax rate was 10% and 11% for 2009 and 2010, respectively. In 2011, it was determined that BBII was not within the scope of Circular 157 and therefore, was eligible for the 50% reduction based on the preferential tax rate for “high and new technology enterprises strongly supported by the state” of 15%. Therefore, the applicable income tax rate was 7.5% for the years ended 2009, 2010 and 2011. In October 2011, BBII successfully renewed its “High and New Technology Enterprise” status for another three years and will be able to enjoy a preferential income tax rate of 15%, as long as it maintains its qualification and continues to meet relevant requirements as a “High and New Technology Enterprise.” In December 2011, Beijing Bit EP Information Technology Company Limited, or Bit EP, was qualified as a “software enterprise” and will enjoy a two-year exemption from enterprise income tax followed by a three-year half reduction of enterprise income tax from the first fiscal year when Bit EP becomes profitable since December 2011. A notice issued by the relevant Beijing governmental authority in April 2013 requires enterprises established after January 1, 2011 with “software enterprise” qualification, like Bit EP, to re-apply for such qualification in accordance with requirements under the New Software Enterprise Measure issued by relevant PRC authority in February 2013. We believe that Bit EP meets all requirements under the New Software Enterprise Measures, but we cannot assure you that Bit EP will obtain the “software enterprise” qualification. Bit EP is in the process of re-applying the “software enterprise” qualification. If BBII fails to maintain its qualification or Bit EP fails to obtain the new qualification as required by the New Software Enterprise Measure, their applicable EIT rate may increase to up to 25%, which could have a material adverse effect on our results of operations.

### **Regulations on Concentration in Merger and Acquisition Transactions**

The M&A Rule established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. These rules require, among other things, that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor will take control of a PRC domestic enterprise or a foreign company with substantial PRC operations, 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. Although we have no current plans to make any acquisitions, we may elect to grow our business in the future in part by directly acquiring complementary businesses in China. Complying with these requirements could affect our ability to expand our business or maintain our market share. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Recently enacted regulations in the PRC may make it more difficult for us to pursue growth through acquisitions.”

C. Organizational Structure

The following diagram illustrates our corporate structure as of the date of this annual report:



- (1) Bin Li and Weihai Qu hold 80% and 20% equity interest in CIG, respectively.
- (2) Bin Li and Weihai Qu hold 80% and 20% equity interest in BBIT, respectively.
- (3) Guang Chen, Jinsong Zhu, Shengde Wang, Rong Xiao, Aiping Xu, Xiaodong Hu, Xiangyu Chen and Jun Xia hold 16%, 16%, 16%, 16%, 16%, 8%, 6% and 6% equity interest in BEAM, respectively.
- (4) Beijing Bitauto Interactive Advertising Company Limited is 75% owned by CIG and 25% owned by BBIT.
- (5) Beijing You Jie Information Company Limited is 80% owned by CIG and 20% owned by BBIT.
- (6) Beijing Taoche Information Technology Company Limited (formerly known as You Jie Wei Ye (Beijing) Culture Media Company Limited) is 80% owned by CIG and 20% owned by BBIT.
- (7) Beijing BitOne Technology Company Limited is 80% owned by BBIT and 20% owned by CIG.

#### D. Property, Plants and Equipment

Our headquarters are located in Beijing, China, where we lease office spaces in four office buildings with a combined area of approximately 10,066.3 square meters. We enter separate leases for individual floors, group of rooms or individual rooms in these buildings. Our leases in Beijing generally have terms from one to three years and may be renewed upon expiration of the lease terms. We generally make monthly rental payments. In addition, we lease office spaces in 84 other cities across China for our subsidiaries and branch offices.

#### ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

#### ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

##### A. Operating Results

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

##### **Overview**

We are a leading provider of internet content and marketing services for China’s fast-growing automotive industry. Our *bitauto.com* and *taoche.com* websites provide consumers with up-to-date new and used automobile pricing information, specifications, reviews and consumer feedback. We also provide a broad range of marketing services to automobile dealers and automakers, such as services that enable them to list pricing and promotional information, manage their inventories, create their online showrooms and place advertisements.

Until the end of 2012, we manage our businesses in three segments, namely, *bitauto.com* business, *taoche.com* business and digital marketing solutions business. In 2012, our Easypass services, which was part of our *bitauto.com* business, had grown into an automobile marketing and CRM platform providing web-based integrated digital marketing and CRM applications to automobile dealers in China. Our management renamed it as EP platform services and started to oversee and monitor it as a separate business segment in 2013. As a result, starting January 1, 2013, we manage our business in four segments.

Our previous *bitauto.com* business was renamed as *bitauto.com* advertising business, which continues to provide advertising services to dealers and automakers on our *bitauto.com* website. Our *taoche.com* business provides listing services to used automobile dealers that enable them to display used automobile inventory information on our *taoche.com* website and our partner websites. It also provides advertising services to used automobile dealers and automakers with certified pre-owned automobile programs on our *taoche.com* website. Our digital marketing solutions business provides automakers with one-stop digital marketing solutions, including website creation and maintenance, online public relations, online marketing campaigns and advertising agent services.

Our revenues are from the following sources:

- advertising fees from our *bitauto.com* website through selling advertisements to automakers and dealers;
- EP platform subscription fees;
- used automobile dealer listing fees from our *taoche.com* business;
- advertising fees from our *taoche.com* website through selling advertisements mainly to automakers with certified pre-owned automobile programs and dealers;
- service fees paid for our integrated one-stop digital marketing solutions, which include website creation and maintenance, online advertising agent services, public relations and marketing campaigns; and
- performance-based rebates from our media vendors.

On May 31, 2010, we distributed certain of our SPEs that provided advertising services focusing on traditional media forms such as radio, television, newspapers and magazines, to our shareholders. We discontinued these businesses because we intend to focus on our long-term growth strategy to provide internet content and marketing services for China's automotive industry. The financial results associated with these distributed entities have been presented as discontinued operations for all periods presented in this annual report. Unless otherwise indicated, all the financial and operating data discussed in this annual report relate to our continuing operations only.

Revenues from our continuing operations were RMB458.1 million, RMB670.0 million and RMB1.1 billion (US\$169.6 million) in 2010, 2011 and 2012, respectively. In 2012, revenues from our bitauto.com, taoche.com and digital marketing solutions businesses accounted for 79.6%, 2.0% and 18.4% of our total revenues, respectively. We had a loss of RMB1.2 billion, a profit of RMB87.2 million and a profit of RMB135.2 million (US\$21.7 million) from our continuing operations in 2010, 2011 and 2012, respectively. The loss in 2010 was primarily attributable to the significant amounts of the charges recognized under IFRS in connection with the increase in fair value of our preference shares resulting from our improved business outlook. Starting in 2011, we would no longer be subject to such charges since all our preference shares were automatically converted into ordinary shares upon our initial public offering in November 2010. The profits in 2011 and 2012 were primarily attributable to the impact of enhanced sales and management efficiency and scalability.

### **Factors Affecting Our Results of Operations**

We believe the following factors have had, and will continue to have, a significant effect on our results of operations.

*Development of China's automotive industry.* We rely on China's automotive industry for substantially all of our revenues, which we generate from providing internet content and marketing services to automakers and dealers. We have greatly benefited from the rapid growth of China's automotive industry during the past few years. China's automotive industry is still at an early stage of development and remains subject to many uncertainties including the 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, taxes and other incentives or disincentives related to automobile purchases and ownership, environmental concerns and measures taken to address these concerns, and cost of energy including gasoline price. We believe that the auto industry in China will face challenges, as government subsidies to promote auto sales are phased out and major cities such as Beijing introduce traffic control policies that will restrict new auto purchases. Adverse changes to the development of China's automotive industry would likely reduce the demand for our services.

*Growth in online advertising spending by China's automobile dealers and automakers.* With the continuing growth of internet usage in China, the internet has become an increasingly important marketing and advertising channel to China's automotive industry. We believe we will continue to benefit from the growth in online advertising spending by automotive dealers and automakers in China.

*Market penetration of our bitauto.com advertising business and our EP platform business.* Revenues from our bitauto.com business are directly affected by the amount of advertisements placed by dealers and automakers on our bitauto.com website. Revenues from our EP platform business are directly affected by the number of subscribers to our EP platform and their spendings. Our business and results of operations will depend significantly on our ability to grow our dealer customer base, including expanding our services into new geographic areas and providing additional services to our existing dealer customers. In addition, the content offerings and the attractiveness of our consumer-facing websites may significantly impact the traffic of automotive consumers to our bitauto.com website, which in turn would affect automotive advertisers' spending on our bitauto.com website. Finally, we believe our automotive content's broad consumer reach achieved through our own automotive vertical websites and our partner websites is also a factor considered by our automobile dealer customers when choosing our subscription services.

*Development of China's used automobile market.* Revenues from our taoche.com business currently constitute a small portion of our total revenues. We believe our taoche.com business would benefit from the growth of China's used automobile market. A number of automakers in China have started to promote their certified pre-owned automobiles and have been allocating more of their advertising budgets to establish their certified pre-owned automobile brands. Most of these automakers have been placing advertisements on our taoche.com website, which contributes to a majority of our revenues from our taoche.com business. The operating results of our taoche.com business depend greatly on the continuing advertising spending on our taoche.com website by the existing and new automakers that have certified pre-owned automobile brands. Currently, used automobile listing fees from automobile dealers only constitute a small portion of the revenues from our taoche.com business. In the long term, we expect that the used automobile listing fees will gradually become subscription-based service fees as we intend to enhance our service offering to used automobile dealers when China's used automobile market becomes more mature.

*Expansion of customer base for our digital marketing solutions business.* We have a limited number of automaker customers for our digital marketing solutions business. Revenues from our top three automaker customers accounted for approximately 23.5%, 18.1% and 13.9% of our revenues from our digital marketing solutions business in 2010, 2011 and 2012, respectively. In particular, our largest automaker customer accounted for 16.3%, 10.2% and 5.1% of our revenues from our digital marketing solutions business in 2010, 2011 and 2012, respectively. We anticipate that a small number of automakers will continue to represent a significant percentage of revenues for our digital marketing solutions business in the near future. The amount of advertising spending by these automaker customers, the addition of new automaker customers and/or the loss of any existing automaker customers will each have a direct impact on the revenues of our digital marketing solutions business and our total revenues.

## Key Components of Results of Operations

### Revenues

The following table sets forth our revenues derived from each of our business segments, both in an absolute amount and as a percentage of total revenues from our continuing operations, for the periods presented.

	For the Year Ended December 31,						
	2010		2011		2012		
	RMB	%	RMB	%	RMB	US\$	
	(In thousands, except percentages)						
bitauto.com business	291,128	63.5	463,297	69.2	840,573	134,921	79.6
taoche.com business	19,013	4.2	28,143	4.2	21,624	3,471	2.0
Digital marketing solutions business	147,964	32.3	178,514	26.6	194,709	31,253	18.4
Total revenues	<u>458,105</u>	<u>100.0</u>	<u>669,954</u>	<u>100.0</u>	<u>1,056,906</u>	<u>169,645</u>	<u>100.0</u>

### Our bitauto.com business

Revenues from our bitauto.com business accounted for 63.5%, 69.2% and 79.6% of our total revenues in 2010, 2011 and 2012. We generate revenues through our bitauto.com website, which partners with other websites, by providing dealer subscription services to new automobile dealers and advertising services to dealers and automakers. We provide our new automobile dealer subscription services through our proprietary EP platform (known as Easypass platform prior to 2013), which enables our customers to manage their online marketing efforts via a web browser-based interface developed by us while we maintain the core software and databases. Our EP platform was developed based on our previous Easypass platform in 2012 and has grown into an automobile marketing and CRM platform. In 2012 and previous years, our Easypass services were part of our bitauto.com business. Our management started to oversee and monitor the EP platform services as a separate business segment in 2013.

We generate revenues from new automobile dealer subscription services by charging EP platform subscribers a subscription fee. We had 3,512, 6,302 and 9,900 EP platform subscribers (formerly known as Easypass platform) in 2010, 2011 and 2012, respectively. Our revenues from new automobile dealer subscription services were RMB87.3 million, RMB158.8 million and RMB358.2 million (US\$57.5 million) in 2010, 2011 and 2012, respectively, representing 19.0%, 23.8% and 34.0% of our total revenues in the respective periods.

We generate advertising revenues from our *bitauto.com* website through selling advertisements to automakers and dealers. We provide text-based, banner, video and rich media advertisements on our *bitauto.com* website. Historically, advertising revenues from our *bitauto.com* website were mainly from automobile dealers. Advertising spending from automakers has grown to become another major source of our advertising revenues as we attract more automotive consumers to the *bitauto.com* website. Of the approximately 82 automakers in China with independent sales networks and marketing capabilities and annual sales volume of over 5,000 automobiles, consisting of international and Chinese automobile manufacturers and their joint ventures, 60 placed advertisements on our *bitauto.com* website in 2012. With increasing internet usage in China, we expect that automakers and automobile dealers' online advertising spending will continue to grow and our *bitauto.com* website will continue to benefit from such growth. Our revenues from advertising services on our *bitauto.com* website were RMB203.8 million, RMB304.5 million and RMB482.4 (US\$77.4 million) in 2010, 2011 and 2012, respectively, representing 44.5%, 45.4% and 45.6% of our total revenues in the respective periods.

#### *Our taoche.com business*

Revenues from our *taoche.com* business accounted for 4.2%, 4.2% and 2.0% of our total revenues in 2010, 2011 and 2012. We generate revenues from our *taoche.com* website by providing listing services to used automobile dealers through our proprietary Transtar application and providing advertising services to automobile dealers and automakers. Transtar is an application through which we provide our service modules specifically developed for our used automobile dealer customers. Dealers pay fees each time they use our Transtar application. Our revenues from used automobile listing services were RMB4.4 million, RMB7.8 million and RMB5.3 million (US\$0.8 million) in 2010, 2011 and 2012, respectively. Our *taoche.com* website also generates advertising revenues through selling advertisements, including text-based, banner and rich media advertisements to used automobile dealers and automakers with certified pre-owned automobile programs. Most of China's automakers with certified pre-owned automobile programs, as well as a significant number of used automobile dealerships, have been placing advertisements on our *taoche.com* website. Our revenues from advertising services on our *taoche.com* website were RMB14.6 million, RMB20.3 million and RMB16.3 million (US\$2.6 million) in 2010, 2011 and 2012, respectively, representing 3.2%, 3.0% and 1.5% of our total revenues in the respective periods. We expect that China's used automobile market will continue to grow and the number of used automobiles listed on our *taoche.com* website for sale and the number of customers of our used automobile listing services will likewise increase. A number of automakers in China have started to promote their certified pre-owned automobiles and have been allocating more of their advertising budgets to establish their certified pre-owned automobile brands. We believe our *taoche.com* business could benefit from the growth of China's used automobile market.

#### *Our digital marketing solutions business*

Revenues from our digital marketing solutions business accounted for 32.3%, 26.6% and 18.4% of our total revenues in 2010, 2011 and 2012, respectively. We derive our revenues from the service fees paid by our customers, principally automakers, for the digital marketing solutions we provide, which include website creation and maintenance, online public relations, online marketing campaigns and advertising agent services. In addition, we receive performance-based rebates from media vendors for our online advertising agent services, which are usually a percentage of the purchase price for qualifying advertising space purchased by our customers.

#### **Cost of Revenues**

Cost of revenues for our *bitauto.com* and *taoche.com* businesses mainly includes fees paid to our partner websites to distribute our dealer customers' automobile pricing and promotional information, bandwidth leasing fees, salaries and benefits for employees directly involved in revenue generation activities, equipment depreciation, intangible assets amortization, purchase of handheld devices, business taxes, and tax related surcharges. Cost of revenues for our digital marketing solutions business mainly includes direct service cost, salaries and benefits for employees directly involved in revenue generation activities, bandwidth leasing fees, business taxes, and tax related surcharges.

The following table sets forth our cost of revenues for continuing operations in each of our business segments, both as an absolute amount and as a percentage of total revenues, for the periods indicated.

	For the Year Ended December 31,						
	2010		2011		2012		
	RMB	%	RMB	%	RMB	US\$	%
	(In thousands, except percentages)						
Total revenues	458,105	100.0	669,954	100.0	1,056,906	169,645	100.0
Cost of revenues:							
bitauto.com business	79,792	17.5	104,337	15.6	161,589	25,937	15.3
taoche.com business	27,475	6.0	37,600	5.6	38,541	6,186	3.6
Digital marketing solutions business	41,434	9.0	71,833	10.7	92,021	14,770	8.7
Total cost of revenues	148,701	32.5	213,770	31.9	292,151	46,893	27.6

### *Selling and Administrative Expenses*

Our selling and administrative expenses primarily consist of the following:

- salaries and benefits for the sales and marketing personnel and administrative personnel;
- marketing expenses we incurred to promote our brand image through marketing activities on search engines and navigation sites, and events such as automotive exhibitions and industry forums;
- office expenses for our daily operations, and traveling and communication expenses;
- operating lease expenses for our headquarters in Beijing and office space in various other cities;
- share-based payments mainly arising from the 2006 Plan and the 2010 Plan;
- provision for bad debts;
- depreciation and amortization; and
- others that include stamp duties, professional fees, training fees and delivery costs.

The following table sets forth our selling and administrative expenses for continuing operations, both as an absolute amount and as a percentage of total revenues for the periods indicated.

	For the Year Ended December 31,						
	2010		2011		2012		
	RMB	%	RMB	%	RMB	US\$	%
	(In thousands, except percentages)						
Total revenues	458,105	100.0	669,954	100.0	1,056,906	169,645	100.0
Selling and administrative expenses:							
Salaries and benefits	83,463	18.2	128,185	19.1	201,587	32,357	19.1
Marketing expenses	73,157	16.0	129,680	19.4	235,380	37,781	22.3
Office expenses	18,988	4.1	29,925	4.5	38,974	6,256	3.7
Operating lease expenses	17,478	3.8	18,312	2.7	28,954	4,647	2.7
Share-based payment	7,510	1.6	18,717	2.8	13,286	2,133	1.3
Provision for bad debts	635	0.1	2,087	0.3	10,023	1,609	0.9
Depreciation and amortization	6,322	1.4	12,167	1.8	18,027	2,894	1.7
Others	4,449	1.0	8,661	1.3	11,124	1,785	1.1
Total selling and administrative expenses	212,002	46.2	347,734	51.9	557,355	89,462	52.8

### **Product Development Expenses**

Our product development expenses mainly include the salaries and benefits for our product development employees. Our product development expenses were RMB29.8 million, RMB36.6 million and RMB53.8 (US\$8.6 million) in 2010, 2011 and 2012, respectively, representing 6.5%, 5.5% and 5.1% of our total revenues in the respective periods.

### **Changes in Fair Value of the Derivative Component of Convertible Preference Shares**

Our convertible preference shares are classified as a liability under IFRS and are marked-to-market for the applicable periods. The liability in connection with our Series A, B and C convertible preference shares was separated into two components: a derivative component consisting of the conversion option and a straight debt component, which is the residual value of the proceeds of the convertible preference shares after deducting the fair value of the derivative component and transaction costs. The conversion options of Series A, B and C convertible preference shares and the Series D-1 and D-2 convertible preference shares were carried at fair value on the consolidated statement of financial position. Increase in the fair value was recognized as a loss in the period when the increase occurred because it resulted in a higher carried liability. Decrease in the fair value was recognized as a profit because it resulted in a lower carried liability.

There were significant changes in the fair value of our convertible preference shares, which directly affected our results of operations. On November 17, 2010, we completed our initial public offering. Upon completion of our initial public offering, the Series A, B, C, D-1 and D-2 convertible preference shares were automatically converted into our ordinary shares. For assumptions and methodologies used in the valuation of the fair values of these convertible securities, see “—Critical Accounting Policies and Estimates—Fair value of convertible preference shares.” The following table sets forth the balance of the fair value of the derivative component of our Series A, B and C convertible preference shares, the fair value of our Series D-1 and D-2 convertible preference shares, as well as changes of these fair values.

	<b>For the Year Ended December 31 2010 RMB (In thousands)</b>
<b>Derivative component of Series A, B and C convertible preferences shares:</b>	
Opening balance	186,601
Changes in fair value of derivative component of convertible preference shares recorded in profit or loss	1,004,876
Automatically converted to ordinary shares on November 17, 2010	(1,168,693)
Foreign exchange reserve	(22,784)
Closing balance	—
<b>Series D-1 and D-2 convertible preference shares at fair value:</b>	
Opening balance	150,809
Changes in fair value of Series D-1 and D-2 convertible preference shares	265,826
Automatically converted to ordinary shares on November 17, 2010	(407,945)
Foreign exchange reserve	(8,690)
Closing balance	—

For more information on the issuance of our preference shares, see “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.”

### ***Finance costs on convertible preference shares***

Our finance costs on convertible preference shares include the amortized interest expense in connection with the straight debt component of our preference shares calculated using the effective interest rate and the issuance cost for these preference shares. Our amortized interest expense was RMB9.4 million in 2010. Upon completion of our initial public offering on November 17, 2010, the Series A, B, C, D-1 and D-2 convertible preference shares were automatically converted into our ordinary shares.

### **Taxation**

#### ***The Cayman Islands***

We are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, we are not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

#### ***Hong Kong***

Our subsidiary Bitauto Hong Kong Limited did not have assessable profits that were earned in or derived from Hong Kong during the years ended December 31, 2010, 2011 and 2012. Accordingly, we did not pay Hong Kong profit tax during these periods.

#### ***PRC***

On March 16, 2007, China passed a new Enterprise Income Tax Law, or the EIT Law, and its implementing rules, both of which became effective on January 1, 2008. Under the EIT Law, enterprises are classified as resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% and enterprises identified as high-and-new-technology enterprises in need of key government support enjoy a preferential enterprise income tax rate of 15%. An enterprise established outside of China with its “de facto management body” located within China is considered a “resident enterprise,” meaning that it can be treated in a manner similar to a Chinese domestic enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define 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. Further, the EIT Law and the implementation rules provide that an income tax rate of 10% may be applicable to China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its overseas parent that is not a PRC resident enterprise, which (i) do not have an establishment or 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, unless there are applicable treaties that reduce such rate. Under a special arrangement between China and Hong Kong, such dividend withholding tax rate is reduced to 5% if a Hong Kong resident enterprise owns more than 25% of the equity interest in the PRC company distributing the dividends and is determined by the competent PRC tax authority to have satisfied other conditions and requirements under the Double Tax Avoidance Arrangement between Hong Kong and Mainland China and other applicable PRC laws.

The SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled offshore incorporated enterprise is located in China, which include all of the following conditions: (a) the location where senior management members responsible for an enterprise’s daily operations discharge their duties; (b) the location where financial and human resource decisions are made or approved by organizations or persons; (c) the location where the major assets and corporate documents are kept; and (d) the location where more than half (inclusive) of all directors with voting rights or senior management have their habitual residence. In addition, the SAT issued a bulletin on July 27, 2011, effective September 1, 2011, providing more guidance on the implementation of Circular 82. This bulletin clarifies matters including resident status determination, post-determination administration and competent tax authorities. Although both 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 foreign individuals, the determining criteria set forth in Circular 82 and the bulletin may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or PRC enterprise groups or by PRC or foreign individuals.

Due to the short history of the EIT law and lack of applicable legal precedents, it remains unclear how the PRC tax authorities will determine the PRC tax resident treatment of a foreign company such as us. If the PRC tax authorities determine that we are 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; second, the EIT Law provides that dividends paid between “qualified resident enterprises” are exempt from enterprise income tax. However, it is unclear whether the dividends our holding companies receive from BBII 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, if the competent PRC tax authorities consider dividends we pay with respect to our ADSs or ordinary shares and the gains realized from the transfer of our ADSs or ordinary shares income derived from sources within the PRC, such dividends and gains earned by our 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 individuals may be subject to PRC individual income tax at a rate of 20%. In addition, 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.

BBII was granted a five year tax holiday in 2007 and was eligible to enjoy the grandfathering treatments such as a two-year exemption from enterprise income tax followed by a three-year half reduction of enterprise income tax under the 2007 circular No. 39, or Circular 39. In December 2008, BBII was designated by the Beijing Municipal Science and Technology Commission as “High and New Technology Enterprise” under the EIT Law and received the High and New Technology Enterprise certificate jointly issued by the Beijing Municipal Science and Technology Commission, Beijing Finance Bureau, and Beijing State and Local Tax Bureaus.

In May 2010, the State Administration of Taxation of China, or SAT, issued a Circular on Further Clarification Concerning the Implementation Standards of Corporate Income Tax Incentives in Grandfathering Period, or Circular 157, stating that enterprises recognized as “high and new technology enterprises strongly supported by the state” and eligible to enjoy the grandfathering treatments such as a two-year exemption from enterprise income tax followed by a three-year half reduction of enterprise income tax under Circular 39, may choose the reduced tax rate of 15% applicable to “high and new technology enterprises strongly supported by the state” or the tax exemption/reduction based on the tax rates in the grandfathering period as stated in Circular 39. Enterprises are not allowed the 50% reduction based on the preferential tax rate for “high and new technology enterprises strongly supported by the state” of 15%. Circular 157 applies retroactively from January 1, 2008.

Circular 157 was previously determined to be applicable to BBII in prior years and therefore, the applicable income tax rate was 10% and 11% for 2009 and 2010, respectively. In 2011, it was determined that BBII was not within the scope of Circular 157 and therefore, was eligible for the 50% reduction based on the preferential tax rate for “high and new technology enterprises strongly supported by the state” of 15%. In October 2011, BBII successfully renewed its “High and New Technology Enterprise” status for another three years and will be able to enjoy a preferential income tax rate of 15%, as long as it maintains its qualification as a “High and New Technology Enterprise.” In December 2011, Beijing Bit EP Information Technology Company Limited, or Bit EP, was qualified as a “software enterprise” and will enjoy a two-year exemption from enterprise income tax followed by a three-year half reduction of enterprise income tax from the first fiscal year when Bit EP becomes profitable since December 2011. A notice issued by the relevant Beijing governmental authority in April 2013 requires enterprises established after January 1, 2011 with “software enterprise” qualification, like Bit EP, to re-apply for such qualification in accordance with requirements under the Administrative Measures for the Recognition of Software Enterprise issued by relevant PRC authority in February 2013, or the New Software Enterprise Measures. We believe that Bit EP meets all requirements under the New Software Enterprise Measures, but we cannot assure you that Bit EP will obtain the “software enterprise” qualification. Bit EP is in the process of re-applying “software enterprise” qualification. If BBII fails to maintain its qualification or Bit EP fails to obtain the new qualification as required by the New Software Enterprise Measures, their applicable EIT rate may increase to up to 25%, which could have a material adverse effect on our results of operations.

In November 2011, the PRC Ministry of Finance and the State Administration of Taxation jointly issued two circulars setting out the details of a pilot value-added tax reform program, or VAT Pilot Program, which changes business tax to value-added tax for certain industries, including, among others, transportation services, research and development and technical services, information technology services, and cultural and creative services. The VAT Pilot Program took effect from January 1, 2012, under which certain transportation and modern services companies in Shanghai will be subject to VAT in lieu of the otherwise applicable business tax. On July 31, 2012, the MOF and the SAT jointly issued Circular Caishui [2012] No. 71 entitled “Notice Regarding the Pilot Program for the Transformation of Transportation and certain Modern Service Industries from business tax to VAT,” under which the VAT Pilot Program was expanded to eight other cities and provinces including Beijing (September 1, 2012), Anhui and Jiangsu provinces (October 1, 2012), Fujian and Guangdong provinces (November 1, 2012), and Tianjin, Zhejiang and Hubei provinces (December 1, 2012). Furthermore, it has been reported that the VAT Pilot Program will be expanded nationwide from August 1, 2013. From the applicable effective time onwards, our entities in the locations above are subject to a 6% VAT instead of business tax for our services that are deemed by the relevant tax authorities to be within the relevant industries.

For more information on PRC tax regulations, see “Item 10. Additional Information—E. Taxation.”

### **Foreign Currency Exchange Difference**

Our presentation currency is Renminbi. The functional currency of our holding company, Bitauto Holdings Limited, and our wholly owned subsidiary, Bitauto Hong Kong Limited, is the U.S. dollar, while the functional currency of our PRC subsidiary and SPEs is the Renminbi. We recognize exchange differences arising on the currency translation in other comprehensive income when we consolidate our holding company, wholly-owned Hong Kong subsidiary and our PRC subsidiary and SPEs.

### **Critical Accounting Policies and Estimates**

We prepare our financial statements in accordance with IFRS, as issued by the IASB, which requires us to make significant judgments, estimates and assumptions that effect (i) the reported amounts of assets and liabilities, (ii) disclosure of contingent assets and liabilities at the end of each reporting period, and (iii) the reported amounts of revenues and expenses during each reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates.

Some of our accounting policies require higher degrees of judgment than others in their application. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions. We consider the policies discussed below to be critical to an understanding of our consolidated financial statements as their application place significant demands on the judgment of our management. The following descriptions of our critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements, the risks and uncertainties described under “Risk Factors” and other disclosures included in this annual report.

### ***Revenue Recognition***

Consistent with the criteria of IAS 18, *Revenue*, we recognize revenue when the outcome of a transaction involving the rendering of services can be estimated reliably, by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied: (i) the amount of revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the transaction will flow to us; (iii) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and (iv) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. We assess our revenue arrangements against specific criteria in order to determine if we are acting as principal or agent. We enter into transactions that may include website design, set-up, and maintenance services, and customer relationship management services on mobile internet enabled sales tools. The commercial effect of each separately identifiable component of the transaction is evaluated in order to reflect the substance of the transaction. The consideration from these transactions is allocated to each separately identifiable component based on the relative fair value of each component. We determine the fair value of each component based on the selling price of the component if sold separately by us. The consideration allocated to each component is recognized as revenue when the revenue recognition criteria for that component have been met. The following is a description of revenue recognition criteria for each of our services provided:

*New automobile dealer subscription services.* We provide dealer subscription services to new automobile dealers in China to help them effectively market their inventories to relevant consumers. The subscription services include dealer listing, virtual call center through toll-free numbers that we provide, advertisement creation and placement and online showroom setup. The revenues from dealer subscription fees are recognized on a straight-line basis over the subscription period, which generally ranges from several months to one year. In addition, we provide customer relationship management services on mobile internet enabled sales tools to auto dealers. The revenues are recognized when the services have been rendered and the collectability has been reasonably assured. Revenues from new automobile dealer subscription services are reported at a gross amount.

*Used automobile listing services.* We provide automobile listing services to used automobile dealers in China to help them effectively market their inventories to relevant consumers. These services include dealer listing, virtual call center through toll-free numbers provided by us, and online showroom setup. The revenues from used automobile listing services are recognized on a straight-line basis over the listing period. Revenues from used automobile listing services are reported at a gross amount.

*Advertising services.* Revenues from advertising activities are recognized when the advertisements are published over the stated display period on our *bitauto.com* or *taoche.com* websites and when the collectability is reasonably assured. We also conduct online marketing campaigns for our customers through market research of the target audience group, identifying effective online media, creating and strategically publishing campaign materials on multiple online media to help our customers to achieve their goals. These services are usually provided at a fixed price and completed within a short period of time. We recognize revenues from organizing such activities when the services have been rendered and the collectability is reasonably assured. In addition, we provide website development and maintenance services to automakers and automobile dealers, which are generally completed within a year. Revenues from development services are recognized when the services have been rendered and the collectability is reasonably assured. Revenues for maintenance services are recognized ratably over the contract period. Revenues from advertising activities are reported at a gross amount.

*Advertising agent services.* Our advertising agent revenues are derived from fees received for assisting customers in placing advertisements on media vendor websites. The net fees are recognized when the advertisements are published and when the collectability is reasonably assured. We also receive performance-based rebates from the media vendors, equal to a percentage of the purchase price for qualifying advertising space purchased and utilized by the customers we represent. Revenues are recognized when the amounts of these performance-based rebates are probable and can be reasonably estimated.

### ***Fair Value of Financial Instruments***

Financial instruments include cash and cash equivalents, trade receivables, bills receivables, other receivables, other financial assets, trade payables, other payables and interest-bearing borrowing. The fair values of cash and cash equivalents, trade receivables, bills receivables, other receivables, trade payables, other payables and interest-bearing borrowing approximate their carrying amounts largely due to the short-term maturity of these instruments. The fair value of financial assets at fair value through profit or loss and available-for-sale investments is estimated using appropriate valuation techniques.

### ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39 *Financial Instruments: Recognition and Measurement*.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Dividend or interest income, if any, from financial assets at fair value through profit or loss is recognized in profit or loss as part of other income when our right to receive payments is established.

### ***Available-for-sale investments***

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to profit or loss. The cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

For available-for-sale financial investments, we assessed at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. If any such evidence exists for available-for-sale investments, 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 profit or loss on equity instruments are not reversed through profit or loss.

### ***Property, plant and equipment and intangible assets - estimated useful lives and residual values***

We determine the estimated useful lives and residual values (if applicable) and consequently related depreciation/amortisation charges for its property, plant and equipment and intangible assets. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions, or based on value-in-use calculations or market valuations according to the estimated periods that we intend to derive future economic benefits from the use of intangible assets. Management will increase the depreciation/amortisation charge where useful lives are less than previously estimated lives, and it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation/amortisation expense in future periods.

### ***Share-based Payments***

Our share-based payment transactions with employees are measured based on the fair value of the equity instrument on the grant date. When we grant an award that vests in installments, or applies graded vesting, each installment or vesting tranche is treated as a separate award.

The cost of equity-settled transactions with employees is recognized, together with a corresponding increase in equity, as employee equity benefit reserve, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled transaction are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transactions, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

On December 31, 2006, we adopted the 2006 Plan under which we have reserved 1,028,512.5 ordinary shares for employees. We granted options to purchase 750,000 ordinary shares at an exercise price of US\$0.40 per share to our employees on that date. Pursuant to the 2006 Plan, the first 33% of the options granted would vest 12 months after the grant date, the second 33% of the options would vest 24 months after the grant date, and the remaining 34% of the options would vest 36 months after the grant date, provided that the employee remained in service during these periods. There was no performance requirement for any options to be vested. Options granted typically expire 10 years from relevant vesting date. Options can only be exercised without cash settlement alternatives.

On February 8, 2010, we implemented the 2010 Plan under which we have reserved 3,089,887.5 ordinary shares for our employees. We granted options to purchase 2,397,500 ordinary shares at an exercise price of US\$3.20 per share to our employees on that date. Pursuant to the 2010 Plan, the first 25% of the options would vest 12 months after the grant date, the second 25% of the options would vest 24 months after the grant date, the third 25% of the options would vest 36 months after the grant date and the remaining 25% of the options would vest 48 months after the grant date, on the condition that employees remain in service without any performance requirements. Options granted typically expire in 10 years from the grant date and there are no cash settlement alternatives.

On December 28, 2010, we granted options to purchase 278,512.5 ordinary shares under the 2006 Plan and options to purchase 589,487.5 ordinary shares under the 2010 Plan, at an exercise price of US\$10.20 per share respectively, to designated employees and consultants on that date. Pursuant to the Plans, the options have graded vesting terms and vest in equal tranches from the grant date over three or four years on the condition that employees remain in service without any performance requirements. Options granted typically expire in 10 years from the vesting date and there are no cash settlement alternatives.

On August 7, 2012, we granted options to purchase 1,100,000 ordinary shares under the 2010 Plan to designated employees at an exercise price of US\$4.03 per share. Pursuant to the 2010 Plan, the options have graded vesting terms and vest in equal tranches from the grant date over four years on the condition that employees remain in service without any performance requirements. Options granted typically expire in 10 years from the vesting date and there are no cash settlement alternatives.

As of March 31, 2013, options related to 723,512.5 shares granted under the 2006 Plan with an aggregate fair value of US\$1.7 million were outstanding, of which options related to 607,254 shares have been fully vested. Options related to 2,981,362.5 shares granted under the 2010 Plan with an aggregate fair value of US\$8.9 million were outstanding, of which options related to 1,358,802 shares have been fully vested. Options related to 163,125 shares have been forfeited as a result of certain employees terminating their services with us.

#### *Fair value of equity*

In determining the grant date fair value of our ordinary shares for purposes of recording share-based compensation in connection with employee stock options granted before our initial public offering, we, with the assistance of independent appraisers, performed retrospective valuation instead of contemporaneous valuation because, at the time of the valuation dates, our financial and limited human resources were principally focused on business development and marketing efforts. This approach is consistent with the guidance prescribed by the AICPA Audit and Accounting Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation, or the Practice Aid. Specifically, the “Level B” recommendation in paragraph 16 of the Practice Aid sets forth the preferred types of valuation that should be used.

We and our appraisers evaluated the use of three generally accepted valuation approaches: market, cost and income approaches to estimate our enterprise value. We and our appraisers considered the market and cost approaches as inappropriate for valuing our ordinary shares because no comparable market transaction could be found for the market valuation approach and the cost approach does not directly incorporate information about the economic benefits contributed by our business operations. Consequently, we and our appraisers relied solely on the income approach in determining the fair value of our ordinary shares. This method eliminates the discrepancy in the time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to our company. Accordingly, we, with the assistance of the independent appraisers, used the income approach to estimate the enterprise value at each date on which options were granted. We applied the methodologies consistently for all valuation dates.

The income approach involves applying discounted cash flow analysis based on our projected cash flow using management's best estimate as of the valuation dates. Estimating future cash flow requires us to analyze projected revenue growth, gross margins, effective tax rates, capital expenditures and working capital requirements. Our projected revenues were based on expected annual growth rates derived from a combination of our historical experience and the general trend in China's automotive industry. The revenue and cost assumptions we used are consistent with our long-range business plan and market conditions in the online marketing and advertising industry. We also have to make complex and subjective judgments regarding our unique business risks, the liquidity of our shares and our limited operating history and future prospects at the time of grant or re-measurement. Other assumptions we used in deriving the fair value of our equity include:

- no material changes will occur in the applicable future periods in the existing political, legal, fiscal or economic conditions and in the automotive advertising industry in China;
- no material changes will occur in the current taxation law in China and the applicable tax rates will remain unchanged;
- exchange rates and interest rates in the applicable future periods will not differ materially from the current rates;
- our future growth will not be constrained by lack of funding;
- we have the ability to retain competent management and key personnel to support our ongoing operations; and
- industry trends and market conditions for the advertising and related industries will not deviate significantly from current forecasts.

In addition to estimating the cash flows during the projection period, we calculated the terminal value at the end of the projection period by applying the Gordon growth model, which assumes a constant annual growth rate of 3% after the projection period.

Our cash flows were discounted to present value using discount rates that reflect the risks the management perceived as being associated with achieving the forecasts and are based on the estimate of our weighted average cost of capital, or WACC, on each respective grant or re-measurement date. The WACCs were derived by using the capital asset pricing model, a method that market participants commonly use to price securities. Under the capital asset pricing model, the discount rate was determined considering the risk-free rate, industry-average correlated relative volatility coefficient, or beta, equity risk premium, size of our company, scale of our business and our ability in achieving forecast projections.

We also applied a discount for lack of marketability to reflect the fact that, at the time of the grants, we were a privately held company and there was no public market for our equity securities. To determine the discount for lack of marketability, we and the independent appraisers used the Black-Scholes option pricing model. Pursuant to that model, we used the cost of a put option, which can be used to hedge the price change before a privately held share can be sold, as the basis to determine the discount for lack of marketability. A put option was used because it incorporates certain company-specific factors, including timing of the expected initial public offering and the volatility of the share price of the guideline companies engaged in the same industry. In evaluating comparable companies, we determined they should:

- operate in the same or similar businesses;
- have a trading history comparable to the remaining life of our share options as of each valuation date; and
- either have operations in China, as we only operate in China, or be market players in the United States, as we are a public company in the United States

We completed our initial public offering, of 10,600,000 ADSs, each representing one ordinary share, in November 2010. On November 17, 2010, we listed our ADSs on the New York Stock Exchange, or the NYSE, under the symbol "BITA." Subsequent to our initial public offering date, we have used the price of our publicly traded shares on grant date for purposes of determining the grant date fair value of our ordinary shares.

*Fair value of our ordinary shares*

In determining the fair value of our ordinary shares before our initial public offering, because the equity value of our Company for the years before our initial public offering included both preferred shares and ordinary shares, the fair value of the equity was allocated to preferred shares and ordinary shares using the option-pricing method. Under the option-pricing method, we treat ordinary shares and preferred shares as call options on our company's value, with exercise prices based on the value of the liquidation preference of the preferred shares. Because a call option is used, the Black-Scholes model, which is commonly adopted in the option-pricing method, is applied to price the call option. We considered various terms of the preferred shares and ordinary shares, including the level of seniority, dividend policy, probability of the completion of an initial public offering, special redemption terms and preferential allocation upon liquidation of the enterprise in the option-pricing method. The dividend yield was assessed to be zero because our company has not declared dividends and does not expect to do so in the near future. The expected volatility of our ordinary shares was based on the comparable companies in the same industry, which are listed and publicly traded over the most recent period. Had we used different estimates of volatility, the allocations of value between preferred shares and ordinary shares would have been different.

*Fair value of share options*

We, with the assistance of independent appraisers, estimated the share-based payments for share options on the grant dates based on each option's fair value as calculated using the binomial option model and the following assumptions and inputs:

	<u>The 2006 Plan Vesting Period of 3 Years</u>	<u>The 2006 Plan Vesting Period of 4 Years and the 2010 Plan</u>	<u>The 2010 Plan</u>	<u>The 2010 Plan</u>
Grant date	December 28, 2010	December 28, 2010	February 8, 2010	August 7, 2012
Fair value per share	US\$10.16	US\$10.16	US\$3.02	US\$4.20
Exercise price per share	US\$10.20	US\$10.20	US\$3.20	US\$4.03
Risk-free interest rate of return	3.58%	3.58%	3.62%	1.72%
Dividend yield	0	0	0	0
Expected volatility	68.54%	68.54%	59.8%	52.9%
Weighted-average fair value per option granted	US\$5.08	US\$5.36	US\$3.60	US\$2.34

For the purpose of determining the estimated fair value of our share options, we believe the fair value per share and expected volatility of our ordinary shares are the most critical assumptions. Changes in these assumptions could significantly affect the fair value of share options and hence the amount of compensation expense we recognize in our consolidated financial statements. Since we did not have a trading history for our shares sufficient to calculate our own historical volatility, expected volatility of our future ordinary share price was estimated based on the price volatility of the shares of comparable public companies in the online marketing and advertising industry.

### ***Fair value of convertible preference shares***

Our convertible preference shares were classified as a liability under IFRS and marked-to-market for the applicable periods. The liability in connection with our Series A, B and C convertible preference shares was separated into two components: a derivative component consisting of the conversion option and a straight debt component, which was the residual value of the proceeds of the convertible preference shares after deducting the fair value of the derivative component and transaction costs. On the issuance of the Series A, B and C convertible preference shares, the fair value of the embedded conversion option was calculated using the binomial option model. The derivative component was carried at fair value on the consolidated statements of financial position with changes in fair value being charged or credited to the consolidated statement of comprehensive income in the period when the change occurred. The straight debt component was subsequently carried at amortized cost until extinguished on conversion or redemption. Interest expense in connection with the straight debt component was calculated using the effective interest method by applying the effective interest rate to the straight debt component through the maturity date.

On November 17, 2010, the Series A, B and C convertible preference shares were converted into our ordinary shares, and the carrying amounts of the derivative and liability components were transferred to share capital and share premium as consideration for the shares issued.

Our Series D-1 and Series D-2 convertible preference shares contained conversion features and redemption features that exhibited characteristics of an embedded derivative, and were designated as financial liabilities at fair value through profit or loss. On November 17, 2010, the Series D-1 and Series D-2 convertible preference shares were converted into our ordinary shares, and the carrying amounts of the derivative were transferred to share capital and share premium as consideration for the shares issued.

### ***Income taxes***

In determining taxable income for financial statement reporting purposes, we must make certain estimates and judgments. These estimates and judgments are applied in the calculation of certain tax liabilities and in the determination of the recoverability of deferred tax assets, which arise from temporary differences between the recognition of assets and liabilities for tax and financial statement reporting purposes.

We must assess the likelihood that we will be able to recover our deferred tax assets. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. We consider past performance, future expected taxable income and prudent and feasible tax planning strategies in determining the amount of deferred tax that can be recovered.

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax rules and the potential for future adjustment of our uncertain tax positions by the various jurisdictional tax authorities. If our estimates of these taxes are greater or less than actual results, an additional tax benefit or charge will result.

### ***Goodwill and intangible assets with indefinite lives***

Goodwill is initially measured at cost, being the excess of the consideration transferred over the net identifiable assets and liabilities acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill and intangible assets with indefinite lives are tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill and intangible assets with indefinite lives by assessing the recoverable amount of the cash-generating unit, to which the goodwill and intangible assets with indefinite lives relate. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill are not reversible in future periods.

The recoverable amount of each cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. Cash flow projections were based on past experience, actual operating results and management's best estimates about future developments, as well as certain market assumptions. We base our fair value estimates on assumptions we believe to be reasonable, but such assumptions are unpredictable and inherently uncertain. As such, actual future results may differ from these estimates.

Key assumptions were used in the value in use calculation of each cash-generating unit as of December 31, 2011 and December 31, 2012. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Budgeted gross margins. The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements.
- Discount rates. The discount rates applied to the cash flow projections ranged from 20% to 22% and cash flows beyond the five-year period are extrapolated using growth rates of 3%. The discount rates used are pre-tax interest rates and reflect specific risks relating to the relevant units.

We performed an annual impairment test as at the balance sheet date to assess the cash-generating units' respective recoverable amounts, and concluded that there was no impairment as the recoverable amounts of the cash-generating units exceeded their carrying amounts. There were no indicators of impairment noted for 2011 and 2012.

#### ***Intangible assets with finite lives***

We amortize our intangible assets over the useful economic life on a straight-line basis and assess them for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset. There has been no change to the estimated useful lives during the periods presented.

We evaluate our intangible assets with finite lives for impairment whenever events or changes in circumstances, such as a significant adverse change to market conditions that will impact the future use of the assets, indicate that the carrying amount of intangible assets may not be recoverable. If such an indication exists, we estimate the asset's recoverable amount. There were no indicators of impairment associated with the finite lived intangible assets as of December 31, 2011 and 2012.

#### ***Impairment of trade receivables***

We recognize a provision for impairment when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. We have made judgments based on the age of the trade receivables and the customer specific credit risk in relation to the impairment of the trade receivable balances, which include the incurrence of losses, and amounts expected to be recovered in respect of any impaired trade receivables.

#### ***Treasury shares***

Our own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the statements of comprehensive income on the purchase, sale, issue or cancellation of our own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium. Voting rights related to treasury shares are nullified for us and no dividends are allocated to them.

### ***Investments in an associate and a jointly controlled entity***

Our investments in an associate and a jointly controlled entity are accounted for using the equity method. An associate is an entity in which we have significant influence. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity. Under the equity method, the investments in the associate and the jointly controlled entity are carried on at cost plus post acquisition changes in our share of net assets of the associate and the jointly controlled entity. Goodwill relating to the associate and the jointly controlled entity is included in the carrying amount of the investments and is neither amortized nor individually tested for impairment.

The statement of comprehensive income reflects our share of the profit or loss, and other comprehensive income of the associate and the jointly controlled entity. Unrealized gains and losses resulting from transactions between us and the associate and the jointly controlled entity are eliminated to the extent of the interests in the associate and the jointly controlled entity.

Our share of profit of an associate and a jointly controlled entity is the profit attributable to equity holders of the associate and the jointly controlled entity and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate and the jointly controlled entity. The financial statements of the associate and the jointly controlled entity are prepared for the same reporting period as us. When necessary, adjustments are made to bring the accounting policies in line with us. After application of the equity method, we determine whether it is necessary to recognize an additional impairment loss on its investment in its associate and jointly controlled entity. We determine at each reporting date whether there is any objective evidence that the investments in the associate and the jointly controlled entity are impaired. If this is the case, we calculate the amount of impairment as the difference between the recoverable amount of the associate and the jointly controlled entity and its carrying value and recognize the amount in the share of profit of an associate and the jointly controlled entity in the consolidated statements of comprehensive income.

Upon loss of significant influence over the associate, or joint control over the jointly controlled entity, we measure and recognize any retaining investments at their fair value. Any difference between the carrying amount of the associate and the jointly controlled entity upon loss of significant influence or joint control and the fair value of the retained investments and proceeds from disposal is recognized in profit or loss.

### **Discontinued Operations**

In early 2010, we adopted a corporate strategy to focus on our core internet-related business that includes our bitauto.com business, our taoche.com business and our digital marketing solutions business. On May 31, 2010, we distributed the net assets of certain of our SPEs that provide advertising services focusing on traditional media forms such as radio, television, newspapers and magazines, to our shareholders. We discontinued these businesses because we intend to focus on our long-term growth strategy to provide internet content and marketing services for China's automotive industry. We recognized a distribution to shareholders of RMB102.0 million (US\$16.4 million) in 2010, which included RMB8.1 million (US\$1.3 million) cash balance of the distributed entities.

The financial results associated with the distributed entities have been presented as discontinued operations for all periods presented in this annual report. The following table sets forth a summary of the results of operations for the distributed entities:

	<b>For the Year Ended December 31, 2010 RMB</b>
<b>Discontinued Operations</b>	
Revenue	32,896
Cost of revenue	(31,579)
Gross profit	1,317
Expenses	(28,709)
Other income	327
Loss before tax from discontinued operations	(27,065)
Income tax expense	(24,245)
<b>Loss from discontinued operations</b>	<b>(51,310)</b>

## Results of Operations

The following tables set forth a summary of our consolidated results of operations for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report.

	For the Year Ended December 31,			
	2010	2011	2012	
	RMB	RMB	RMB	US\$
	(In thousands)			
<b>Continuing Operations</b>				
Revenue	458,105	669,954	1,056,906	169,645
Cost of revenue	(148,701)	(213,770)	(292,151)	(46,893)
<b>Gross profit</b>	<b>309,404</b>	<b>456,184</b>	<b>764,755</b>	<b>122,752</b>
Selling and administrative expenses <sup>(1)</sup>	(212,002)	(347,734)	(557,355)	(89,462)
Product development expenses	(29,778)	(36,635)	(53,795)	(8,635)
<b>Operating profit</b>	<b>67,624</b>	<b>71,815</b>	<b>153,605</b>	<b>24,655</b>
Other income	5,358	24,840	6,580	1,056
Other expenses	(1,346)	(2,372)	(7,280)	(1,169)
Changes in fair value of derivative component of convertible preference shares	(1,270,702)	—	—	—
Interest income	618	3,963	5,535	888
Interest expense	(993)	(1,238)	(3,772)	(605)
Finance costs on convertible preference shares	(9,355)	—	—	—
Changes in fair value of financial assets	—	—	(267)	(43)
Share of losses of an associate and a jointly controlled entity <sup>(2)</sup>	—	(77)	(316)	(51)
<b>(Loss)/profit before tax from continuing operations</b>	<b>(1,208,796)</b>	<b>96,931</b>	<b>154,085</b>	<b>24,731</b>
Income tax expense	(13,185)	(9,758)	(18,923)	(3,037)
<b>(Loss)/profit from continuing operations</b>	<b>(1,221,981)</b>	<b>87,173</b>	<b>135,162</b>	<b>21,694</b>

- (1) Including share-based payments of RMB7.5 million, RMB18.7 million and RMB13.3 million (US\$2.1 million) in 2010, 2011 and 2012, respectively and including non-capitalized initial public offering expenses of RMB4.8 million in 2010.
- (2) On May 24, 2011, we acquired a 49% interest in Beijing Xinchuang Interactive Advertising Company Limited, or BXIA, whose principal activities are to provide advertising services. During the year ended December 31, 2012, our share of the profit of BXIA was only RMB0.03 million.

On October 31, 2012, we acquired a 20% interest in Target Net (Beijing) Technology Company Limited, or TNBT, a jointly controlled entity whose principal activities are to provide advertising services and system integration services. During the year ended December 31, 2012, our share of the loss of TNBT was RMB0.3 million.

### Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

*Revenue.* Our total revenue increased by 57.8% from RMB670.0 million in 2011 to RMB1.1 billion (US\$169.6 million) in 2012. This increase was primarily due to the growth of our bitauto.com business.

*Our bitauto.com business.* Revenue from our bitauto.com business increased by 81.4% from RMB463.3 million in 2011 to RMB840.6 million (US\$134.9 million) in 2012, mainly due to an increase in dealer subscription revenue, as well as an increase in advertising revenue resulting from better brand recognition of the bitauto.com website. Revenue from our new automobile dealer subscription services increased from RMB158.8 million in 2011 to RMB358.2 million (US\$57.5 million) in 2012, primarily because our EP platform subscribers increased by 57.1% to 9,900 in 2012 from 6,302 in 2011. Revenue from our advertising services on our bitauto.com website increased from RMB304.5 million in 2011 to RMB482.4 million (US\$77.4 million) in 2012, primarily attributable to the increased number of customers placing advertisements on our bitauto.com website and the increased average advertising spending by the customers.

*Our taoche.com business.* Revenue from our taoche.com business decreased by 23.2% from RMB28.1 million in 2011 to RMB21.6 million (US\$3.5 million) in 2012. This decrease was mainly driven by our annual sales policy adjustments which led to a reduction in fee paying dealer customers. Our advertising customers increased from 411 in 2011 to 539 in 2012, and our used car dealer customers increased from 1,759 in 2011 to 3,084 in 2012. Revenue from our advertising services on our taoche.com website decreased from RMB20.3 million in 2011 to RMB16.3 million (US\$2.6 million) in 2012. Revenue from our used automobile dealer listing services decreased from RMB7.8 million in 2011 to RMB5.3 million (US\$0.8 million) in 2012.

*Our digital marketing solutions business.* Revenue from our digital marketing solutions business increased by 9.1% from RMB178.5 million in 2011 to RMB194.7 million (US\$31.3 million) in 2012. The increase was attributable to an increase in spending on advertising and events by our customers.

**Cost of Revenue.** Our cost of revenue increased by 36.7% from RMB213.8 million in 2011 to RMB292.2 million (US\$46.9 million) in 2012. This increase was due to increases in cost of revenue from all three of our business lines.

*Our bitauto.com business.* Cost of revenue from our bitauto.com business increased by 54.9% from RMB104.3 million in 2011 to RMB161.6 million (US\$25.9 million) in 2012. This increase was mainly due to the purchase of handheld devices, which support our digital point-of-sales system, on behalf of our auto dealer customers of Bitcar, as well as an increase in personnel-related expenses of employees involved in revenue-generating activities, and the depreciation and amortization of equipment and intangible assets.

*Our taoche.com business.* Cost of revenue from our taoche.com business increased by 2.5% from RMB37.6 million in 2011 to RMB38.5 million (US\$6.2 million) in 2012. This increase was largely attributable to an increase in personnel-related expenses and bandwidth leasing costs.

*Our digital marketing solutions business.* Cost of revenue from our digital marketing solutions business increased by 28.1% from RMB71.8 million in 2011 to RMB92.0 million (US\$14.8 million) in 2012. This increase was mainly due to higher-direct-cost services accounting for a larger percentage of services provided to digital marketing solutions customers, as well as an increase in relevant service providing personnel-related expenses, and in tax and related surcharges.

**Gross Profit.** Our gross profit increased by 67.6% from RMB456.2 million in 2011 to RMB764.8 million (US\$122.8 million) in 2012.

*Selling and Administrative Expenses.* Our selling and administrative expenses increased by 60.3% from RMB347.7 million in 2011 to RMB557.4 million (US\$89.5 million) in 2012. This increase was mainly due to an increase in marketing expenses. To a lesser extent, the increase was also attributable to the increase in salaries and benefits and an increase in the number of employees.

*Salaries and benefits.* Expenses relating to our salaries and benefits increased by 57.3% from RMB128.2 million in 2011 to RMB201.6 million (US\$32.4 million) in 2012. This increase was mainly attributable to the increase in the number of our sales and marketing employees, a modest increase in the average employee salaries and higher PRC employee welfare contribution rates as adjusted by the relevant government authority.

*Marketing expenses.* Our marketing expenses increased by 81.5% from RMB129.7 million in 2011 to RMB235.4 million (US\$37.8 million) in 2012. This increase was mainly due to an increase in expenses relating to the search engine and navigation site marketing efforts.

*Office expenses.* Our office expenses increased by 30.2% from RMB29.9 million in 2011 to RMB39.0 million (US\$6.3 million) in 2012. This increase was in line with the operation growth.

*Operating lease expenses.* Our operating lease expenses increased by 58.1% from RMB18.3 million in 2011 to RMB29.0 million (US\$4.6 million) in 2012, mainly because we rented additional office space as we increased the number of our employees.

*Product Development Expenses.* Our product development expenses increased by 46.8% from RMB36.6 million in 2011 to RMB53.8 million (US\$8.6 million) in 2012. This increase was primarily due to an increase in product development headcount and an increase in personnel-related expenses.

**Income Tax Expense.** Our income tax expense increased from RMB9.8 million in 2011 to RMB18.9 million (US\$3.0 million) in 2012. This increase was primarily because of an increase in taxable profit.

**Profit from Continuing Operations.** As a result of foregoing, our profit increased from RMB87.2 million in 2011 to RMB135.2 million (US\$21.7 million) in 2012.

#### **Year Ended December 31, 2011 Compared to Year Ended December 31, 2010**

**Revenue.** Our total revenue increased by 46.2% from RMB458.1 million in 2010 to RMB670.0 million in 2011. This increase was primarily due to the growth of our bitauto.com business, taoche.com business and digital marketing solutions business.

**Our bitauto.com business.** Revenue from our bitauto.com business increased by 59.1% from RMB291.1 million in 2010 to RMB463.3 million in 2011, mainly due to an increase in the number of our EP platform subscribers, the increased advertising spending by automakers and automobile dealers on our *bitauto.com* website and improved penetration in established regions. Revenue from our new automobile dealer subscription services increased from RMB87.3 million in 2010 to RMB158.8 million in 2011, primarily because our EP platform subscribers increased by 79.4% to 6,302 in 2011 from 3,512 in 2010. Revenue from our advertising services on our *bitauto.com* website increased from RMB203.8 million in 2010 to RMB304.5 million in 2011, primarily attributable to the increased number of automaker customers placing advertisements on our *bitauto.com* website and the increased average advertising spending by these customers.

**Our taoche.com business.** Revenue from our taoche.com business increased by 48.0% from RMB19.0 million in 2010 to RMB28.1 million in 2011. This increase was mainly driven by increases in both the number of advertising customers and the number of used car dealer customers. Our advertising customers increased from 248 in 2010 to 411 in 2011, and our used car dealer customers increased from 1,409 in 2010 to 1,759 in 2011. Revenue from our advertising services on our *taoche.com* website increased from RMB14.6 million in 2010 to RMB20.3 million in 2011. Revenue from our used automobile dealer listing services increased from RMB4.4 million in 2010 to RMB7.8 million in 2011 primarily due to an increase in our used car dealer customers.

**Our digital marketing solutions business.** Revenue from our digital marketing solutions business increased by 20.6% from RMB148.0 million in 2010 to RMB178.5 million in 2011. The increase was attributable to an overall market growth driven by automakers allocating more of their advertising budget to online marketing platforms, an increase in spending by existing customers as well as an increase in the number of new customers.

**Cost of Revenue.** Our cost of revenue increased by 43.8% from RMB148.7 million in 2010 to RMB213.8 million in 2011. This increase was due to increases in cost of revenue from all our lines of business.

**Our bitauto.com business.** Cost of revenue from our bitauto.com business increased by 30.8% from RMB79.8 million in 2010 to RMB104.3 million in 2011. This increase was mainly due to the increase in business taxes in line with growth of revenue.

**Our taoche.com business.** Cost of revenue from our taoche.com business increased by 36.9% from RMB27.5 million in 2010 to RMB37.6 million in 2011. This increase was largely attributable to the increase in personnel-related expenses for our website editorial team, bandwidth leasing cost and higher total fees paid to our partner websites to distribute our dealer customers' used automobile listing information.

**Our digital marketing solutions business.** Cost of revenue from our digital marketing solutions business increased by 73.4% from RMB41.4 million in 2010 to RMB71.8 million in 2011. This increase was mainly due to the provision of higher-direct-cost services, such as event planning and execution, which accounted for a larger percentage of the total services provided to digital marketing solutions customers.

**Gross Profit.** Our gross profit increased by 47.4% from RMB309.4 million in 2010 to RMB456.2 million in 2011.

**Selling and Administrative Expenses.** Our selling and administrative expenses increased by 64.0% from RMB212.0 million in 2010 to RMB347.7 million in 2011. This increase was mainly due to an increase in marketing expenses. To a lesser extent, the increase was also attributable to the increase in salaries and benefits and an increase in the number of employees.

*Salaries and benefits.* Expenses relating to our salaries and benefits increased by 53.6% from RMB83.5 million in 2010 to RMB128.2 million in 2011. This increase was mainly attributable to the increase in the number of our sales and marketing employees, a modest increase in the average employee salaries and higher PRC employee welfare contribution rates as adjusted by the relevant government authority.

*Marketing expenses.* Our marketing expenses increased by 77.3% from RMB73.2 million in 2010 to RMB129.7 million in 2011. This increase was mainly due to marketing expenses relating to the cooperative agreement between Bitauto and Baidu, Inc., pursuant to which bitauto.com exclusively provides auto-related content for Baidu's open data platform starting June 1, 2011.

*Office expenses.* Our office expenses increased by 57.6% from RMB19.0 million in 2010 to RMB29.9 million in 2011. This increase was mainly attributable to the professional fees occurred in 2011, which were mostly capitalized as initial public offering expenses in 2010.

*Operating lease expenses.* Our operating lease expenses increased by 4.8% from RMB17.5 million in 2010 to RMB18.3 million in 2011, mainly because we rented additional office space as we increased the number of our employees.

*Product Development Expenses.* Our product development expenses increased by 23.0% from RMB29.8 million in 2010 to RMB36.6 million in 2011. This increase was primarily due to an increase in research and development personnel expenses.

*Income Tax Expense.* Our income tax expense decreased from RMB13.2 million in 2010 to RMB9.8 million in 2011. This decrease was primarily because BBII was designated as a High and New Technology Enterprise and eligible to enjoy a lower tax rate associated with this status. See “—Taxation.”

*Profit/(Loss) from Continuing Operations.* As a result of foregoing, we had a profit of RMB87.2 million in 2011 compared to a loss of RMB1.2 billion in 2010.

## **Inflation**

To date, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2011, 2012 and 2013 were increases of 4.6%, 4.1% and 2.5%, respectively. Although we have not been materially affected by inflation in the past, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China. For example, certain operating costs and expenses, such as personnel expenses, real estate leasing expenses, travel expenses and office operating expenses may increase as a result of higher inflation. Additionally, because a substantial portion of our assets consists of cash and cash equivalents, high inflation could significantly reduce the value and purchasing power of these assets. We are not able to hedge our exposures to higher inflation in China.

## **Recent Accounting Pronouncements**

### *New Standards, Amendments and Interpretations to Existing Standards Adopted by Us*

We adopted new standards and interpretations as of January 1, 2012, noted below:

*IAS 12, Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets.* The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment was effective for annual periods beginning on or after January 1, 2012 and had no effect on our financial position, performance or its disclosures.

*IFRS 7, Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements.* The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of our financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the users to evaluate the nature of, and risks associated with, the entity’s continuing involvement in those derecognized assets. The amendment is effective for annual periods beginning on or after July 1, 2011. We do not have any assets with these characteristics so there was no effect on our financial statements.

#### ***New Standards, Amendments and Interpretations to Existing Standards Not Yet Adopted by Us***

The following standards are not yet effective. The standards will be adopted in the period they become effective.

##### *Effective for the 2013 financial year*

*IAS 1, Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (“OCI”).* The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or “recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendment affects presentation only and therefore, has no impact on our financial position or performance.

*IAS 19, Employee Benefits (Revised).* The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism for recognizing actuarial gains and losses on defined benefit pension plans and the concept of expected returns on plan assets to simple clarifications and re-wording. Management is finalizing its analysis of this new standard and our preliminary assessment is that it is not expected to have a material impact on our financial statements. This standard becomes effective for annual periods beginning on or after January 1, 2013.

*IFRS 7, Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7.* These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity’s financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. Management is finalizing its analysis of this new standard and our preliminary assessment is that it is not expected to have a material impact on our financial statements. These amendments become effective for annual periods beginning on or after January 1, 2013.

*IFRS 10, Consolidated Financial Statements; IAS 27, Separate Financial Statements.* IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also replaces SIC-12 Consolidation – Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities (now termed “structured entities”). The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Management is finalizing its analysis of this new standard and our preliminary assessment is that it is not expected to have a material impact on our financial statements. This standard becomes effective for annual periods beginning on or after January 1, 2013.

*IFRS 11, Joint Arrangements.* IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (“JCEs”) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. Management is finalizing its analysis of this new standard and our preliminary assessment is that it is not expected to have a material impact on our financial statements. This standard becomes effective for annual periods beginning on or after January 1, 2013.

*IFRS 12, Disclosure of Involvement with Other Entities.* IFRS 12 includes the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. Management is finalizing its analysis of this new standard and our preliminary assessment is that it is not expected to have a material impact on our financial statements. This standard becomes effective for annual periods beginning on or after January 1, 2013.

*Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – Investment Entities.* The amendments to IFRS 10 were issued in December 2012. The amendments apply to a particular class of business that qualifies as an investment entity. The term “investment entity” refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. We expect that these amendments will not have any financial impact on us as it is not an investment entity as defined in IFRS 10.

*Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance.* The amendments were issued in July 2012 which provides additional transition relief in IFRS 10, IFRS 11 and IFRS 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. The amendments will not have any financial impact on us.

*IFRS 13, Fair Value Measurement.* IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. Management is finalizing its analysis of this new standard and our preliminary assessment is that it is not expected to have a material impact on our financial statements. This standard becomes effective for annual periods beginning on or after January 1, 2013.

#### Effective for the 2014 financial year

*IAS 32, Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32.* These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact our financial position or performance and become effective for annual periods beginning on or after January 1, 2014.

#### Effective for the 2015 financial year

*IFRS 9, Financial Instruments: Classification and Measurement.* IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. We are currently assessing the impact that this standard will have on the financial position and performance.

#### Annual improvements May 2012

These improvements will not have an impact on us, but include:

*IFRS 1, First-time Adoption of International Financial Reporting Standards.* This improvement clarifies that an entity that ceased applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never ceased applying IFRS.

*IAS 1, Presentation of Financial Statements.* This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

*IAS 16, Property Plant and Equipment.* This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

*IAS 32, Financial Instruments: Presentation.* This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

*IAS 34, Interim Financial Reporting.* The amendment aligns the disclosure requirements for total segment assets with those for total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after January 1, 2013.

## B. Liquidity and Capital Resources

Our PRC subsidiary is permitted to pay dividends to us only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our PRC subsidiary and its SPEs is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation. As a result of these PRC laws and regulations, our PRC subsidiary is restricted in its ability to transfer a portion of its net assets, including general reserve and registered capital, either in the form of dividends, loans or advances. Such restricted portion amounted to RMB5.7 million and RMB8.9 million (US\$1.4 million) as of December 31, 2011 and 2012, respectively. For periods from our inception to December 31, 2010, no restricted portion was recorded because we did not have after-tax profits.

To date, our principal sources of liquidity have been cash collected from customers, more recently, the proceeds from the private placement of our Series A, B, C, D-1 and D-2 convertible preference shares and the net proceeds from our initial public offering in 2010. See “Item 7. Major Shareholder and Related Party Transactions—B. Related Party Transactions.” As of December 31, 2011 and 2012, we had RMB601.4 million and RMB600.4 million (US\$96.4 million) in cash and cash equivalents, respectively. Although we consolidate the results of our PRC SPEs, we do not have direct access to their cash and cash equivalents or future earnings. However, we can direct the use of their cash through agreements that provide us with effective control of these entities. Moreover, we are entitled to receive annual fees from them in exchange for certain technology consulting services provided by us and the use of certain intellectual properties owned by us. See “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Contractual Arrangements with our PRC Special Purpose Entities and Their Shareholders.”

We believe that our current cash and anticipated cash flows from our operations will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months. We may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity securities, debt securities or borrow from lending institutions. Financing may be unavailable in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would dilute our earnings per share. The incurrence of debt would divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer.

Furthermore, cash transfers from our PRC subsidiaries to our subsidiaries outside of China are subject to PRC government control of currency conversion. Restrictions on the availability of foreign currency may affect the ability of our PRC subsidiaries and consolidated affiliated entities to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Governmental control of conversion of Renminbi into foreign currencies may limit our ability to utilize our revenues effectively and affect the value of your investment.”

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

	For the Year Ended December 31,			
	2010	2011	2012	
	RMB	RMB	RMB	US\$
	(In thousands)			
Net cash from/(used in) operating activities	14,510	(86,690)	128,362	20,604
Net cash used in investing activities	(17,955)	(71,536)	(83,303)	(13,371)
Net cash from/(used in) financing activities	656,277	(39,118)	(48,972)	(7,861)
Net increase/(decrease) in cash and cash equivalents	652,832	(197,344)	(3,913)	(628)
Net foreign exchange difference	(286)	(4,419)	2,922	469
Cash and cash equivalents at beginning of the period	150,595	803,141	601,378	96,528
Cash and cash equivalents at the end of the period	803,141	601,378	600,387	96,369

### *Operating Activities*

Net cash from operating activities was RMB128.4 million (US\$20.6 million) for the year ended December 31, 2012. This amount was (i) primarily attributable to profit before tax from continuing operations of RMB154.1 million (US\$24.7 million), (ii) adjusted for certain non-cash expenses, principally depreciation of property, plant and equipment of RMB19.4 million (US\$3.1 million), amortization of intangible assets of RMB11.9 million (US\$1.9 million), provision for bad debts of RMB10.0 million (US\$1.6 million), and share-based payment of RMB13.3 million (US\$2.1 million) and for changes in certain working capital accounts that positively affected operating cash flow, primarily an increase in other payables and accruals of RMB71.5 million (US\$11.5 million) and (iii) offset by changes in certain working capital accounts that negatively affected operating cash flow, primarily an increase of RMB59.1 million (US\$9.5 million) in trade receivables, an increase of RMB35.8 million (US\$5.8 million) in prepayments and other receivables and a decrease of RMB66.3 million (US\$10.6 million) in trade payables. The increase in other payables and accruals was attributable to an increase in employee salaries and benefits, in advances from customers, and in taxes and related surcharges. The increase in trade receivables was primarily attributable to higher sales volume in 2012. See “—B. Liquidity and Capital Resources—Trade Receivables and Payables” for more detailed information regarding our trade receivables.

Net cash used in operating activities was RMB86.7 million for the year ended December 31, 2011. This amount was (i) primarily attributable to profit before tax from continuing operations of RMB96.9 million, (ii) adjusted for certain non-cash expenses, principally depreciation of property, plant and equipment of RMB10.6 million and share-based payment of RMB18.7 million and for changes in certain working capital accounts that positively affected operating cash flow, primarily an increase in other payables and accruals of RMB33.3 million and (iii) offset by certain non-cash adjustments, primarily an unrealized exchange gains of RMB24.1 million, and changes in certain working capital accounts that negatively affected operating cash flow, primarily an increase of RMB211.3 million in trade receivables. The increase in trade receivables was primarily attributable to higher sales volume in 2011.

Net cash from operating activities was RMB14.5 million for the year ended December 31, 2010. This amount was (i) primarily attributable to loss before tax from continuing operations of RMB1.2 billion and loss before tax from discontinued operations of RMB27.1 million, (ii) adjusted for certain non-cash expenses, principally an increase in fair value of derivative component of convertible preference shares of RMB1.3 billion and for changes in certain working capital accounts that positively affected operating cash flow, primarily an increase in trade payables of RMB58.9 million and (iii) offset by changes in certain working capital accounts that negatively affected operating cash flow, primarily an increase of RMB82.6 million in trade receivables and an increase of RMB42.3 million in bills receivables. The increase in trade payables was primarily attributable to the increase in purchases from media vendors in 2010, which was in line with the increase in our sales volume. The increase in trade and bills receivables were primarily attributable to higher sales volume in 2010.

### *Investing Activities*

Our investing activities primarily relate to our purchases and disposals of property and equipment and to our acquisition activities.

Net cash used in investing activities was RMB83.3 million (US\$13.4 million) for the year ended December 31, 2012. This amount was primarily attributable to RMB57.1 million (US\$9.2 million) used in the purchase of property, plant and equipment, RMB19.0 million (US\$3.0 million) used in the purchase of available-for-sale investments and RMB9.2 million (US\$1.5 million) used in the purchase of intangible assets.

Net cash used in investing activities was RMB71.5 million for the year ended December 31, 2011. This amount was primarily attributable to RMB44.9 million used in an acquisition of a subsidiary, RMB17.1 million used in the purchase of property, plant and equipment and RMB9.1 million used in the purchase of intangible assets.

Net cash used in investing activities was RMB18.0 million for the year ended December 31, 2010. This amount was primarily attributable to RMB17.6 million used in the purchase of property, plant and equipment.

### ***Financing Activities***

Net cash used in financing activities was RMB49.0 million (US\$7.9 million) for the year ended December 31, 2012, mainly attributable to RMB46.2 million (US\$7.4 million) used in the share repurchase program.

Net cash used in financing activities was RMB39.1 million for the year ended December 31, 2011, mainly attributable to RMB20.0 million repayment for the line of credit with China Merchants Bank and RMB16.5 million used in the share repurchase program.

Net cash from by financing activities for the year ended December 31, 2010 was RMB656.3 million, which was primarily attributable to the proceeds from our initial public offering net of issuance costs amounting to RMB644.3 million, as well as RMB20.0 million withdrawn from the line of credit with China Merchants Bank partially offset by the RMB8.1 million distribution to our shareholders in connection with the distribution of our non-core business.

### ***Trade Receivables and Payables***

For the advertising agent services we provide through our digital marketing solutions business, we act as an agent in placing advertisements on the websites of our media vendors on behalf of our automaker customers. We receive fees in the capacity of an agent for assisting automaker customers in placing advertisements on media vendors' websites, and therefore, record the fees on a net basis in our consolidated financial statements. The net fees recognized from each such transaction amount to a relatively small percentage of the related accounts receivable or payable recorded on a gross basis. For the advertising services we provide through our bitauto.com business and taoche.com business, we act as the principal in the arrangement and record revenues on a gross basis in our consolidated financial statements. Revenues are recognized only after the amount has been contractually agreed with our customers, the advertisements have been published and when the collectability is reasonably assured. For both the advertising agent services and advertising services provided, we enter into publishing schedule agreements with our automaker and automobile dealer customers, before we enter into related advertising agreements with the media vendors who are then obligated to place the advertisements according to the customers' publishing schedule agreements. At such time, we record receivables from the customers and, in the same amount, corresponding payables due to the media vendors on a gross basis. Such payments are conducted through us. Gross billings include the gross value of advertisements placed by our customers that correspond to the gross payables recorded due to the media vendors. Gross billings for the year ended December 31, 2012 amounted to RMB1.6 billion (US\$249.3 million) compared to RMB1.2 billion for the year ended December 31, 2011.

As of December 31, 2012, our trade receivables were RMB472.1 million (US\$75.8 million), and our trade payables were RMB132.8 million (US\$21.3 million). Of these receivables and payables, RMB97.9 million (US\$15.7 million) was related to the receivables from our automaker customers and the corresponding payables due to media vendors in connection with the advertisements we placed with the media vendors on behalf of our automaker customers under the publishing schedule agreements. Under our contracts with media vendors, terms of our trade payables due to media vendors generally correspond to, or are longer than, the terms of our receivables due from our automaker customers. The remaining trade receivables as of December 31, 2012 were RMB374.2 million (US\$60.1 million). We have not experienced any collection issues that required us to provide for bad debts in connection with our receivables from our automaker customers. However, we may continue to be held liable to pay the media vendors the full amount of our payables when they become due and in advance of when we receive the related payments from our automaker customers. In addition, we may incur penalties for late payments. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We may be liable to pay the media vendors in connection with the advertisements we placed with them on behalf of our automaker customers even if we fail to collect some or all the payments from these automaker customers.”

### ***Capital Expenditures***

Our capital expenditures amounted to RMB18.1 million, RMB71.6 million and RMB88.2 (US\$14.2 million) in 2010, 2011 and 2012, respectively. In the past, our capital expenditures consisted principally of purchases of property, plant and equipment, purchases of intangible assets and acquisitions of subsidiaries. We expect our capital expenditures in 2013 to consist principally of similar types of items.

See Item 18 “Financial Statements.”

### **C. Research and Development, Patents and Licenses, Etc.**

#### **Intellectual Property**

The “车易通” and “车商通” trademarks, or “Easypass” and “Transtar”, respectively, in English, the *bitauto.com* and *taoche.com* domain names, our proprietary automotive content and database and our other intellectual property contribute to our competitive advantage among internet automotive content and marketing service providers in China. To protect our brand and other intellectual property, we rely on a combination of trademark, trade secret and copyright laws in China as well as imposing procedural and contractual confidentiality and invention assignment obligations on our employees, contractors and others. In 2009, we registered our “Bitauto” trademark under the Madrid Protocol of the World Intellectual Property Organization, extending the trademark protection afforded to such trademark in China to all member states of the Madrid Protocol system. As of March 31, 2013, we held 407 registered trademarks, 142 pending trademark applications, two patents and 25 computer software copyrights. We have registered 1,654 domain names for our company and our customers, including our main website domain names *www.bitauto.com* and *www.taoche.com*.

We incurred research and development expenses of RMB29.8 million, RMB36.6 million and RMB53.8 million (US\$8.6 million) in 2010, 2011 and 2012, respectively.

See “Item 4. Information on the Company—B. Business Overview—Product Development.”

### **D. Trend Information**

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events since the beginning of our fiscal year 2012 that are reasonably likely to have a material effect on our net revenues, income from operations, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

#### E. Off-balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our own shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

#### F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2012:

	Payment Due by Period				
	Total	Less Than 1	1-3	3-5	More Than 5
	(In thousands of RMB)	Year	Years	Years	Years
Operating lease obligations <sup>(1)</sup>	48,505	25,448	21,573	1,484	—

(1) Operating lease obligations are primarily related to the lease of office space. These leases have terms ranging from one to five years and are renewable upon negotiation. During 2012, our operating lease obligations increased to RMB48.5 million as a result of additional office space leased for our headquarters in Beijing with lease terms from one to three years.

#### G. Safe Harbor

See "Forward Looking Statements" on page 1 of this annual report.

### ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

#### A. Directors and Senior Management

The following table sets forth information regarding our executive officers and directors as of the date of this annual report.

<u>Directors and Executive Officers</u>	<u>Age</u>	<u>Position/Title</u>
Bin Li	38	Chairman of the Board of Directors, Chief Executive Officer
Jingning Shao	42	Director, President
Xuan Zhang	37	Chief Financial Officer
Dallas S. Clement	48	Director
Erhai Liu	44	Director
Yu Long	40	Director
Sidney Xuande Huang	47	Director
Weihai Qu	37	Director, Senior Vice President

*Mr. Bin Li* is our founder and has served as our chairman of the board of directors and chief executive officer since 2005. In 2002, Mr. Li and Mr. Weihai Qu, our senior vice president, co-founded Beijing C&I Advertising Company Limited, one of our SPEs in China, and has served as its chairman of the board of directors and chief executive officer since its inception. In 2000, Mr. Li co-founded Beijing Bitauto E-Commerce Co., Ltd. and served as its director and president until 2006. In 1996, Mr. Li co-founded Beijing Antarctic Technology Development Co., Ltd., a pioneer web hosting service provider in China, and served as its director and general manager from 1996 to 2000. Mr. Li currently also serves as the vice-chairman of China Automobile Dealers Association, or CADA, and was recognized by CADA in 2008 as one of the top 10 most influential and distinguished people in China's automobile dealer industry in the past 20 years. Mr. Li received his bachelor's degree in Sociology from Peking University where he minored in Law.

*Mr. Jingning Shao* has served as our director and president since 2010. Mr. Shao joined us in 2009 as our chief operating officer. Prior to joining us, Mr. Shao was the general manager of Sina Corporation's business operation department from 2007 to 2009 and the editor-in-chief of Sina's automotive channel from 2000 to 2009. From 1995 to 2000, Mr. Shao was a journalist and editor for newspapers of China Business Media Corporation Limited. Mr. Shao received his bachelor's degree in Literature from Capital Normal University.

*Mr. Xuan Zhang* has served as our chief financial officer since 2009 and was our vice president of finance from 2006 to 2009. Mr. Zhang has over 10 years of operational and managerial experiences with both multinational companies and local Chinese companies. His extensive involvement in Bitauto's strategy and operations contributed significantly to the growth of our company and our company's successful listing on NYSE in 2010. Prior to 2006, Mr. Zhang co-founded a consulting firm that provided professional marketing, finance and HR services to local Fortune 500 companies and multinationals in China. He also was a manager of both Ernst & Young LLP and PricewaterhouseCoopers LLP from 2000 to 2004. Mr. Zhang is a certified public accountant in the State of New York and he received both of his bachelor's degrees in Finance and Accounting from New York University.

*Mr. Dallas Clement* has served as our director since November 2012. Mr. Clement is the executive vice-president and chief financial officer for AutoTrader Group, Inc. ("ATG"), the largest automotive marketplace and a leading provider of software solutions to auto dealers throughout the U.S. Mr. Clement leads all of ATG's finance functions including accounting, financial reporting, financial planning and analysis, procurement and billing. In addition, he oversees the company's business development, strategic planning, legal and investor relations activities. Mr. Clement has served as a director of Airo wireless, Inc. since September 2012. Previously, Mr. Clement served in several leadership positions spanning 20 years at Cox Communications. Most recently, he led Cox's strategy and product management organizations. In the strategy role, he led strategic change and developed the company's long-term planning process. His team assessed competitive, technical, consumer and regulatory trends impacting the company's core businesses and the industry. In this role, he also identified new value-creating growth and steered Cox to new industries and businesses. In 2004, he received the National Cable Television Association Vanguard Award for Young Leadership. Additionally, he is a graduate of the 2006 class of Leadership Atlanta, a prestigious community leadership program. Mr. Clement received a bachelor of arts in applied mathematics and economics from Harvard College and holds a master of science in engineering-economic systems from Stanford University.

*Mr. Erhai Liu* has served as our director since 2005 and independent director since 2011. Mr. Liu is a managing director of Legend Capital, a China-based private investment fund. Mr. Liu also serves on the board of directors of other Legend Capital portfolio companies, including Rock Mobile (Cayman) Corporation, MAS Technology Company Limited, China Auto Rental Inc., Chongqing New Standard Medical Equipment Co., Ltd., Universal Education Holdings, Coremax Group Limited, Pod Inn, Beijing 21Cake Food Co., Ltd. and Joint Star Limited. Prior to joining Legend Capital in 2003, Mr. Liu was the chief operating officer of China RailcomNet Co., Ltd. from 2001 to 2003, the vice general manager of Clarent China from 2000 to 2001 and the director of the Value Added Service business of Jitong Communications Co., Ltd. from 1994 to 2000. Mr. Liu received his bachelor's degree in Telecommunications from Guilin Institute of Electronic Technology, his master's degree in Telecommunications and Information System from Xidian University and his EMBA from Peking University.

*Ms. Yu Long* has served as our director since 2008 and independent director since 2011. Ms. Long is a chief executive of Bertelsmann China Corporate Center and a managing director of Bertelsmann Asia Investments AG, the strategic investment arm of Bertelsmann AG based in Beijing, China. Ms. Long also serves on the board of directors of other Bertelsmann portfolio companies, including BMG Music, China Distance Education Holdings Limited, and Optimix. Ms. Long joined Bertelsmann in New York in 2005 before moving to Asia in 2007. Prior to that, Ms. Long was a lead anchor and later a producer of Sichuan Broadcasting Group from 1996 to 2003 and a host and producer of Chengdu People's Radio Broadcasting Networks from 1994 to 1996. Ms. Long received her bachelor's degree in Electrical Engineering from the University of Electronic Science and Technology in China and her MBA from the Stanford Graduate School of Business.

*Mr. Sidney Xuande Huang* has served as our independent director since 2010. Mr. Huang has been the chief financial officer of Pactera Technology International, a leading China-based IT services provider, and its predecessor company VanceInfo Technologies Inc. since 2006. Mr. Huang also served as VanceInfo's co-president from 2011 to 2012 and its chief operating officer from 2008 to 2010. Prior to joining VanceInfo, he served as the chief financial officer with two other China-based companies in technology and internet sectors between 2004 and 2006. Prior to 2004, Mr. Huang was an investment banker with Citigroup Global Markets Inc. in New York and prior to that an audit manager of KPMG LLP. He was a Certified Public Accountant in the State of New York. Mr. Huang obtained his master's degree of business administration with distinction from the Kellogg School of Management at Northwestern University as an Austin Scholar. He received his bachelor's degree in accounting from Bernard M. Baruch College, where he graduated as class valedictorian.

*Mr. Weihai Qu* has served as our director since 2005 and as our senior vice president since 2007. In 2002, Mr. Qu and Mr. Bin Li, our chairman of the board of directors and chief executive officer, co-founded Beijing C&I Advertising Company Limited, one of our SPEs in China. Mr. Qu served as the general manager of Beijing C&I Advertising Company Limited and managed the operation of our digital marketing solutions business until 2009. Prior to joining us in 2000, Mr. Qu served as a project manager of the strategic planning department of Beiqi Foton Motor Co., Ltd. from 1997 to 2000. Mr. Qu received his bachelor's degree in Automotive Engineering and minored in computer application courses from Jilin University (formerly known as Jilin University of Technology) and obtained his Executive MBA from China Europe International Business School in 2010.

#### **B. Compensation of Directors and Executive Officers**

For the fiscal year ended December 31, 2012, we paid an aggregate of approximately RMB6.3 million (US\$1.0 million) in cash compensation to our executive officers and directors as a group, which includes bonuses, salaries and social welfare benefits, and paid an aggregate of approximately RMB99,345 (US\$15,946) in premiums for commercial medical insurance coverage for one executive officer. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. Our PRC subsidiary and SPEs are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, housing fund, unemployment and other statutory benefits.

#### **Employment Agreements**

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified period. We may terminate employment for cause, at any time, without notice or remuneration, for certain acts of the employee, such as willful misconduct or gross negligence, and indictment or conviction for, or confession of, a felony or any crime involving moral turpitude. We may also terminate an executive officer's employment without cause upon thirty days' advance written notice or with thirty days' salary in lieu of the written notice under certain circumstances when he or she is no longer able to perform his or her duty.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with his or her employment, any of our confidential information or trade secrets, any confidential information or trade secrets of our customers or prospective customers, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations. In addition, each executive officer has agreed to be bound by non-competition restrictions during his or her employment for one year after the termination of his or her employment. Specifically, each executive officer has agreed (i) not to provide services to, own or operate any business that provides products, services or technologies substantially similar to the business currently conducted or proposed to be conducted by us; (ii) interfere with our business or solicit any of our suppliers or customers in connection with our business activities; and (iii) solicit any employee or consultant who was employed or was engaged by us at any time in the year preceding such termination.

#### **Share Incentives**

##### **2006 Stock Incentive Plan**

On December 31, 2006, we adopted the 2006 Plan to attract and retain the best available personnel and provide additional incentives to employees, directors and consultants. As of March 31, 2013, options to purchase 723,512.5 ordinary shares under the 2006 Plan were outstanding.

The following table summarizes, as of March 31, 2013, the shares related to options granted under the 2006 Plan to certain of our directors and executive officers and to other individuals as a group.

<u>Name</u>	<u>Number of Shares</u>	<u>Exercise Price (US\$/Share)</u>	<u>Date of Grant</u>	<u>Date of Expiration</u>	<u>Vesting Schedule</u>
Sidney Xuande Huang	93,750	10.20	December 28, 2010	December 28, 2020	3 years
Other individuals as a group	184,762.5	10.20	December 28, 2010	December 28, 2020	3 years or 4 years
Other individuals as a group	445,000 <sup>(1)</sup>	0.4	December 31, 2006	December 31, 2016	3 years

(1) As of March 31, 2013, certain employees terminated their services with us and accordingly forfeited options related to 155,000 shares granted to them under the 2006 Plan.

The following paragraphs describe the principal terms of the 2006 Plan.

*Types of awards.* The 2006 Plan permits the awards of options, share application rights, restricted shares, restricted share units or deferred equity rights.

*Plan Administration.* Our board of directors or a committee designated by our board of directors will administer the 2006 Plan. The committee or the full board of directors, as appropriate, will determine the terms and conditions of each award grant.

*Award Agreement.* Awards granted under the 2006 Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award. In addition, the award agreement may also provide that securities granted are subject to a 180-day lock-up period following the effective date of a registration statement filed by us under the Securities Act, if so requested by us or any representative of the underwriters in connection with any registration of the offering of any of our securities.

*Evidence of Award.* Awards can be evidenced by an agreement, certificate, resolution or other type of writing or an electronic medium approved by the board of directors that sets forth the terms and conditions of the awards granted. An evidence of award, with the approval of the board of directors, need not be signed by a representative of our company or the recipient.

*Eligibility.* Awards other than incentive stock options, within the meaning of Section 422 of the Internal Revenue Code of 1986 as amended, may be granted to employees, directors and consultants. Incentive stock options may be granted only to our employees.

*Acceleration of Awards upon Change in Control of Our Company.* Except as provided otherwise in an award agreement, in the event of a change in control, each award which is at the time outstanding under the 2006 Plan automatically shall become fully vested and exercisable and be released from any repurchase or forfeiture rights immediately prior to the specified effective date of such change in control, provided that the grantee's continuous service has not terminated prior to such date.

*Exercise Price and Term of Awards.* Our board of directors, or a committee designated by our board of directors, determines the exercise price, grant price and expiration date for each award. The term of each award shall be stated in the award agreement, provided however, that the term of each option may not be more than 10 years from the date of grant.

*Vesting Schedule.* In general, our board of directors, or a committee designated by our board of directors, determines, or the evidence of award specifies, the vesting schedule.

*Transfer Restrictions.* Incentive stock options may not be transferred in any manner by the recipient other than by will or the laws of descent and distribution. Awards other than incentive stock options shall be transferable by will or the laws of descent and distribution and during the lifetime of the grantee, to the extent and in the manner authorized by our board of directors, or a committee designated by our board of directors.

*Termination of the 2006 Stock Incentive Plan.* Unless terminated earlier, the 2006 Plan will terminate automatically in 2016. Our board of directors has the authority to amend or terminate the 2006 Plan to the extent necessary to comply with applicable law or the rules of the principal securities exchange upon which our ADSs are traded or quoted.

## 2010 Stock Incentive Plan

On February 8, 2010, we adopted a second stock incentive plan, or the 2010 Plan, to attract and retain the best available personnel and provide additional incentives to employees, directors and consultants. As of March 31, 2013, options to purchase 2,981,362.5 ordinary shares under the 2010 Plan were outstanding.

The following table summarizes, as of March 31, 2013, the shares related to options granted under the 2010 Plan to certain of our directors and executive officers and to other individuals as a group.

<u>Name</u>	<u>Number of Shares</u>	<u>Exercise Price (US\$/Share)</u>	<u>Date of Grant</u>	<u>Date of Expiration</u>	<u>Vesting Schedule</u>
Bin Li	*	10.20	December 28, 2010	December 28, 2020	4 years
Jingning Shao	*	3.20	February 8, 2010	February 8, 2020	4 years
Jingning Shao	*	10.20	December 28, 2010	December 28, 2020	4 years
Jingning Shao	*	4.03	August 7, 2012	August 7, 2022	4 years
Xuan Zhang	*	3.20	February 8, 2010	February 8, 2020	(2)
Xuan Zhang	*	10.20	December 28, 2010	December 28, 2020	4 years
Xuan Zhang	*	4.03	August 7, 2012	August 7, 2022	4 years
Other individuals as a group	676,875 <sup>(1)</sup>	3.20	February 8, 2010	February 8, 2020	4 years
Other individuals as a group	* <sup>(1)</sup>	10.20	December 28, 2010	December 28, 2020	4 years
Other individuals as a group	450,000	4.03	August 7, 2012	August 7, 2022	4 years

\* Less than one percent of our outstanding shares.

(1) As of March 31, 2013, certain employees terminated their services with us and accordingly forfeited options related to 8,125 shares granted to them under the 2010 Plan.

(2) 25% has been vested and exercised, 37.5% vested on December 31, 2011 and 37.5% vested on December 31, 2012.

The following paragraphs describe the principal terms of the 2010 Plan.

*Types of awards.* The 2010 Plan permits the awards of options, share application rights, restricted shares, restricted share units or deferred equity rights.

*Plan Administration.* Our board of directors or a committee designated by our board of directors will administer the 2010 Plan. The committee or the full board of directors, as appropriate, will determine the terms and conditions of each award grant.

*Award Agreement.* Awards granted under the 2010 Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award. In addition, the award agreement may also provide that securities granted are subject to a 180-day lock-up period following the effective date of a registration statement filed by us under the Securities Act, if so requested by us or any representative of the underwriters in connection with any registration of the offering of any of our securities.

*Evidence of Award.* Awards can be evidenced by an agreement, certificate, resolution or other type of writing or an electronic medium approved by the board of directors that sets forth the terms and conditions of the awards granted. An evidence of award, with the approval of the board of directors, need not be signed by a representative of our company or the recipient.

*Eligibility.* Awards other than incentive stock options, within the meaning of Section 422 of the Internal Revenue Code of 1986 as amended, may be granted to employees, directors and consultants. Incentive stock options may be granted only to our employees.

*Acceleration of Awards upon Change in Control of Our Company.* Except as provided otherwise in an award agreement, in the event of a change in control, each award which is at the time outstanding under the 2010 Plan automatically shall become fully vested and exercisable and be released from any repurchase or forfeiture rights immediately prior to the specified effective date of such change in control, provided that the grantee's continuous service has not terminated prior to such date.

*Exercise Price and Term of Awards.* Our board of directors, or a committee designated by our board of directors, determines the exercise price, grant price and expiration date for each award. The term of each award shall be stated in the award agreement, provided however, that the term of each option may not be more than 10 years from the date of grant.

*Vesting Schedule.* In general, our board of directors, or a committee designated by our board of directors, determines, or the evidence of award specifies, the vesting schedule.

*Transfer Restrictions.* Incentive stock options may not be transferred in any manner by the recipient other than by will or the laws of descent and distribution. Awards other than incentive stock options shall be transferable by will or the laws of descent and distribution and during the lifetime of the grantee, to the extent and in the manner authorized by our board of directors, or a committee designated by our board of directors.

*Termination of the 2010 Stock Incentive Plan.* Unless terminated earlier, the 2010 Plan will terminate automatically in 2020. Our board of directors has the authority to amend or terminate the 2010 Plan to the extent necessary to comply with applicable law or the rules of the principal securities exchange upon which our ADSs are traded or quoted.

## **2012 Share Incentive Plan**

On August 7, 2012, we adopted our 2012 Share Incentive Plan, or the 2012 Plan, to motivate, attract and retain employees, directors and consultants. As of the date of this annual report, we have not granted any awards under this plan.

The following paragraphs describe the principal terms of the 2012 Plan.

*Types of Awards.* The 2012 Plan permits the awards of options, restricted shares or restricted share units.

*Plan Administration.* The plan administrator is our board of directors or the compensation committee of the board. The board or the compensation committee may delegate a committee of one or more members of the board the authority to grant or amend awards to participants other than senior executives of our company. The plan administrator will determine the provisions and terms and conditions of each grant.

*Award Agreement.* Options, restricted shares, or restricted share units granted under the plan are evidenced by an award agreement that sets forth the terms, conditions, and limitations for each grant.

*Option Exercise Price.* The exercise price subject to an option shall be determined by the plan administrator and set forth in the award agreement. The exercise price may be amended or adjusted in the absolute discretion of the plan administrator, the determination of which shall be final, binding and conclusive. To the extent not prohibited by applicable laws or the rules of any exchange on which our securities are listed, a downward adjustment of the exercise prices of options shall be effective without the approval of the shareholders or the approval of the affected participants.

*Eligibility.* We may grant awards to our employees, directors and consultants.

*Term of the Awards.* The term of each option grant shall be stated in the award agreement, provided that the term shall not exceed 10 years from the date of the grant. As for the restricted shares and restricted share units, the plan administrator shall determine and specify the period of restriction in the award agreement.

*Vesting Schedule.* In general, the plan administrator determines the vesting schedule, which is set forth in the award agreement.

*Transfer Restrictions.* Options to purchase our ordinary shares may not be transferred in any manner by the option holder other than by will or the laws of descent and distribution and may be exercised during the lifetime of the option holder only by the option holder. Restricted shares and restricted share units may not be transferred during the period of restriction.

*Termination of the Plan.* Unless terminated earlier, the 2012 plan will terminate automatically in 2022. In the event that the award recipient ceases employment with us or ceases to provide services to us, the options will terminate after a period of time following the termination of employment and the restricted shares and restricted share units that are at that time subject to restrictions will be forfeited to or repurchased by us. Our board of directors has the authority to amend or terminate the plan. However, no such action may adversely affect in any material way any awards previously granted pursuant to the 2012 Plan without the prior written consent of the participants.

### C. Board Practices

Our board of directors consists of seven directors. A director is not required to hold any shares in the company by way of qualification. A director may vote with respect to any contract, proposed contract or arrangement in which he is materially interested provided the nature of the interest is disclosed prior to voting. A director may exercise all the powers of our company to borrow money, mortgage its undertaking, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of our company or of any third party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of employment.

#### **Committees of the Board of Directors**

We have established three committees under the board of directors: the audit committee, the compensation committee and the nominating and corporate governance committee. We have adopted a charter for each of these committees. Each committee's members and functions are summarized below.

*Audit Committee.* Our audit committee consists of Mr. Sidney Xuande Huang, Ms. Yu Long and Mr. Erhai Liu. Mr. Sidney Xuande Huang is the chairman of our audit committee and meets the criteria of an audit committee financial expert under applicable rules. Mr. Sidney Xuande Huang, Ms. Yu Long and Mr. Erhai Liu satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the NYSE and Rule 10A-3 under the Securities Exchange Act of 1934. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;
- reviewing and approving past or proposed related party transactions;
- reviewing the annual audited financial statements with management and the independent auditors;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies; and
- meeting separately and periodically with management and the independent auditors.

*Compensation Committee.* Our compensation committee consists of Mr. Erhai Liu and Ms. Yu Long. Mr. Erhai Liu is the chairman of our compensation committee. Each of Mr. Erhai Liu and Ms. Yu Long satisfies the "independence" requirements of Section 303A of the Corporate Governance Rules of the NYSE. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors; and
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements.

*Nominating and Corporate Governance Committee.* Our nominating and corporate governance committee consists of Mr. Bin Li and Mr. Erhai Liu. Mr. Bin Li is the chairman of our nominating and corporate governance committee. Mr. Erhai Liu satisfies the "independence" requirements of Section 303A of the Corporate Governance Rules of the NYSE. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;

- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

### Duties of Directors

Under Cayman Islands law, our directors have a statutory duty of loyalty to act honestly in good faith with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association. A shareholder has the right to seek damages if a duty owed by our directors is breached.

### Terms of Directors and Officers

Our directors may hold office for such term as the shareholders or the board may determine or in the absence of such determination until their successors are elected or appointed or their office is otherwise vacated in accordance with our articles of association. Each director whose term of office expires shall be eligible for re-election at a meeting of the board. A director will vacate office automatically if, among other things, the director (i) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors, or (ii) is found to be or becomes of unsound mind or dies.

Our officers are elected by and serve at the discretion of the board of directors.

### D. Employees

We had 1,290, 1,737 and 1,980 employees as of December 31, 2010, 2011 and 2012, respectively. Of all the employees as of December 31, 2012, 1,296 were located in Beijing, and 684 in other cities in China.

The following table sets forth the number and percentage of our employees by functional area as of December 31, 2012:

<u>Functional Area</u>	<u>Number of Employees</u>	<u>% of Total</u>
Sales, marketing and customer support	1,179	60%
Editorial and creative	260	13%
Product development	373	19%
General and administrative	168	8%
<b>Total</b>	<b>1,980</b>	<b>100.0%</b>

We invest significant resources in the recruitment, retention, training and development of our employees. Through a combination of short-term performance evaluations and long-term incentive arrangements, we have built a competent, loyal and highly motivated workforce. We believe that our relationships with our employees are good, and we have not experienced any work stoppages due to labor disputes.

### E. Share Ownership

Except as specifically noted in the table, the following table sets forth information with respect to the beneficial ownership of our ordinary shares as of March 31, 2013 by:

- each of our directors and executive officers;
- each person known to us to own beneficially more than 5% of our ordinary shares; and
- each selling shareholder.

Beneficial ownership is determined in accordance with the rules and regulations of the United States Securities and Exchange Commission. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Shares Beneficially Owned	
	Number	%*
<b>Directors and Executive Officers:</b>		
Bin Li <sup>(1)†</sup>	9,544,997.5	23.1%
Jingning Shao <sup>(2)†</sup>	593,750	1.4%
Dallas S. Clement <sup>(3)</sup>	9,000,000	21.8%
Erhai Liu <sup>(4)</sup>	2,176,235	5.3%
Yu Long <sup>(5)</sup>	2,484,345	6.0%
Sidney Xuande Huang	**	**
Weihai Qu <sup>†</sup>	**	**
Xuan Zhang <sup>(6)†</sup>	555,000	1.3%
All Directors and Executive Officers as a group	24,422,702	58.1%
<b>Principal Shareholders:</b>		
Proudview Limited <sup>(7)†</sup>	9,019,997.5	21.8%
ATG Global Management L.P. <sup>(8)</sup>	9,000,000	21.8%
DCM IV, L.P. and DCM Affiliates Fund IV, L.P. <sup>(9)</sup>	2,596,769	6.3%
Bertelsmann Asia Investment AG <sup>(10)</sup>	2,484,345	6.0%
LC Fund II <sup>(11)</sup>	2,176,235	5.3%
FMR LLC <sup>(12)</sup>	2,105,568	5.1%

\* All percentages are based on 41,340,890 shares issued and outstanding as of March 31, 2013, excluding 300,000 shares issued to and held by the depository for the purpose of future option exercise.

\*\* Less than 1% of our total outstanding shares.

† (i) Proudview Limited, a British Virgin Islands company owned by Mr. Bin Li, (ii) Serene View Investment Limited, a British Virgin Islands company owned by Mr. Bin Li, (iii) Avner Developments Limited, a British Virgin Islands company owned by Mr. Jingning Shao, (iv) Full Riches Holdings Limited, a British Virgin Islands company owned by Mr. Xuan Zhang, (v) Speedview Investment Limited, a British Virgin Islands company owned by Mr. Weihai Qu, (vi) Mr. Bin Li, (vii) Mr. Jingning Shao, (viii) Mr. Xuan Zhang, (ix) Mr. Weihai Qu, and (x) AutoTrader Group, may be deemed to be a member of a “group” within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934. The persons above may be deemed to share voting power with respect to the shares held by them. The persons above expressly disclaim beneficial ownership of such shares pursuant to Rule 13d-4 under the Securities Exchange Act of 1934, except to the extent of each of their respective pecuniary interests therein.

- (1) Includes (i) 9,019,997.5 ordinary shares owned by Proudview Limited, a British Virgin Islands company owned by Mr. Bin Li and Mr. Weihai Qu, (ii) 500,000 ordinary shares owned by Serene View Investment, a British Virgin Islands company owned by Mr. Bin Li, and (iii) 25,000 ordinary shares Mr. Li has the right to acquire upon exercise of the share options within 60 days after March 31, 2013. Mr. Li owns 86.3% of the outstanding capital stock of Proudview Limited and has the sole voting and investment power over Proudview Limited. The remaining 13.7% of Proudview is owned by Mr. Weihai Qu. Mr. Li is a director of Proudview Limited. Proudview Limited has pledged 1,699,080 ordinary shares to ATG Global Management L.P. as collateral for certain loans received from ATG Global Management L.P. Serene View Investment Limited has pledged 500,000 ordinary shares to ATG Global Management L.P. as collateral for certain loans received from ATG Global Management L.P. The business address of Mr. Li is New Century Hotel Office Tower, 6/F, No. 6 South Capital Stadium Road, Beijing, China, 100044.
- (2) Includes (i) 250,000 ordinary shares owned by Avner Developments Limited, a British Virgin Islands company owned by Mr. Jingning Shao, and (ii) 343,750 ordinary shares Mr. Shao has the right to acquire upon exercise of the share options within 60 days after March 31, 2013. Avner Developments Limited has pledged 250,000 ordinary shares to ATG Global Management L.P. as collateral for certain loans received from ATG Global Management L.P. The business address of Mr. Shao is New Century Hotel Office Tower, 6/F, No. 6 South Capital Stadium Road, Beijing, China, 100044.
- (3) Includes (i) 4,380,000 ordinary shares and (ii) 4,620,000 ordinary shares in the form of ADSs hold by ATG Global Management L.P. (“ATGGM”). ATG International Management, LLC (“ATGIM”), a Delaware limited liability company, is the general partner of ATGGM. In addition, (i) ATG Investments, Inc. (“ATGI”), a Delaware corporation, as sole member of ATGIM, (ii) AutoTrader.com, Inc. (“ATC”), a Delaware corporation and sole stockholder of ATGI; and (iii) AutoTrader Group, Inc., a Delaware corporation, as the sole stockholder of ATC, may be deemed to have beneficial ownership over our shares held by ATGGM. Mr. Clement is the executive vice-president and chief financial officer for AutoTrader Group, Inc. The principal office and business address for ATGGM, ATGIM, ATGI, ATC and AutoTrader Group, Inc. is c/o AutoTrader Group, Inc., 3003 Summit Boulevard, Atlanta, Georgia 30319.
- (4) Includes 2,176,235 ordinary shares held by LC Fund II. Mr. Liu is a managing director of LC Fund II. Mr. Liu disclaims beneficial ownership with respect to the above shares except to the extent of his pecuniary interest therein. The business address for Mr. Liu is 10/F, Tower A, Raycom InfoTech Park, No. 2 Kexueyuan Nan Lu, Zhongguancun, Haidian District, Beijing, China, 100190.

- (5) Includes 2,484,345 ordinary shares held by Bertelsmann Asia Investment AG. Ms. Yu Long is a managing director of Bertelsmann Asia Investment AG. Ms. Long disclaims beneficial ownership with respect to the above shares except to the extent of her pecuniary interest therein. The business address of Ms. Long is Units 2804-2805, SK Tower 6A Jianguomenwai Avenue, Chaoyang District, Beijing, China, 100022.
- (6) Includes (i) 180,000 ordinary shares owned by Full Riches Holdings Limited, a British Virgin Islands company owned by Mr. Xuan Zhang, (ii) 87,500 ordinary shares, and (iii) 287,500 ordinary shares Mr. Zhang has the right to acquire upon exercise of the share options within 60 days after March 31, 2013. Full Riches Holdings Limited has pledged 180,000 ordinary shares to ATG Global Management L.P. as collateral for certain loans received from ATG Global Management L.P. The business address of Mr. Zhang is New Century Hotel Office Tower, 6/F, No. 6 South Capital Stadium Road, Beijing, China, 100044.
- (7) See (1).
- (8) See (3).
- (9) Includes 2,532,368 ordinary shares in the form of ADSs held by DCM IV, L.P., and 64,401 ordinary shares in the form of ADSs held by DCM Affiliates Fund IV, L.P. The general partner of DCM IV, L.P. and DCM Affiliates Fund IV, L.P. is DCM Investment Management IV, L.P., whose general partner is DCM International IV, Ltd. DCM International IV, Ltd., through DCM Investment Management IV, L.P., has sole voting and investment power over these shares, and such voting and investment power is exercised by K. David Chao, Peter W. Moran and Thomas Blaisdell, the directors of DCM International IV, Ltd. Each of the directors disclaims beneficial ownership of the shares held by DCM IV, L.P. and DCM Affiliates Fund IV, L.P., except to the extent of each person's pecuniary interest therein. The business address of DCM IV, L.P. and DCM Affiliates Fund IV, L.P. is 2420 Sand Hill Road, Suite 200, Menlo Park, CA 94025, the United States.
- (10) Bertelsmann SE & Co. KGaA (formerly known as Bertelsmann AG) is the indirect beneficial owner of 2,484,345 ordinary shares, which are held directly by its wholly-owned subsidiary Bertelsmann Asia Investments AG. Bertelsmann Asia Investment AG is an investment fund used to finance Bertelsmann's strategic investments. Bertelsmann SE & Co. KGaA is a privately held stock corporation. 80.9% of the capital shares in Bertelsmann SE & Co. KGaA are held indirectly by foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung, BVG-Stiftung) and 19.1% are held indirectly by the Mohn family. The Bertelsmann Verwaltungsgesellschaft (BVG) controls all voting rights in the Bertelsmann SE & Co. KGaA Annual General Meeting. The business address for Bertelsmann Asia Investment AG is Dammstrasse 19, 6300 Zug, Switzerland.
- (11) LC Fund II is a Cayman Islands fund 63.46% owned by Right Lane Limited, which is wholly owned by Legend Holdings Ltd., a limited liability company organized under the laws of the PRC. Right Lane Limited and Legend Holdings Limited may be deemed to beneficially own all of ordinary shares beneficially owned by LC Fund II. The business address for LC Fund II is 10/F, Tower A, Raycom InfoTech Park, No. 2 Kexueyuan Nan Lu, Zhongguancun, Haidian District, Beijing, China, 100190.
- (12) Based on a Schedule 13G jointly filed on February 14, 2013 by FMR LLC, Edward C. Johnson 3d, and Fidelity Management & Research Company. FMR LLC lists its address as 82 Devonshire Street, Boston, Massachusetts 02109, in such filing.

As of March 31, 2013, 41,640,890 of our ordinary shares were issued and outstanding. To our knowledge, 22,492,809 ordinary shares, representing approximately 54.0% of our total outstanding shares, were held by one record holder in the United States, which was Citibank, N.A., the depository of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States. None of our existing shareholders has different voting rights from other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

## **ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **A. Major Shareholders**

Please refer to "Item 6. Directors, Senior Management and Employees—E. Share Ownership."

### **B. Related Party Transactions**

#### **Transactions with Entities Controlled by Certain Directors, Officers and Shareholders**

In late 2011, we acquired 100% equity interest in Bitcar from two members of our key management personnel in an all-cash transaction that values Bitcar at between RMB45.0 million (US\$7.2 million) and RMB63.0 million (US\$10.1 million). We made an initial payment of RMB45.0 million by the end of 2011, subject to a future contingent consideration amounting to the difference between Bitcar's audited IFRS fiscal 2012 revenues and the initial payment of RMB45.0 million, with a total consideration capped at RMB63.0 million. In March 2013, we made an additional payment of RMB18.0 million (US\$2.9 million) for the contingent consideration.

In 2012, we purchased advertising services from Beijing Auto Radio Advertising Company Limited and Auto Weekly (Beijing) Media Advertising Company Limited, both of which are controlled by our ordinary shareholders, in the amount of RMB0.2 million (US\$0.03 million) and RMB0.3 million (US\$0.05 million), respectively.

### **Transactions with an Associate and a Joint Controlled Entity**

On May 24, 2011, we acquired a 49% interest in Beijing Xinchuang Interactive Advertising Company Limited, or BXIA, whose principal activities were intended to be the provision of advertising services, for RMB0.5 million (US\$0.08 million). In 2012, we purchased services from BXIA in the aggregate amount of RMB0.2 million (US\$0.03 million).

On October 31, 2012, we acquired a 20% interest in Target Net (Beijing) Technology Company Limited, or TNBT, a jointly controlled entity whose principal activities are to provide advertising services and system integration services. In 2012, we purchased services from TNBT in the aggregate amount of RMB1.0 million (US\$0.2 million).

### **Contractual Arrangements with our PRC Special Purpose Entities and Their Shareholders**

Due to certain restrictions under PRC law on foreign ownerships of entities engaged in internet and advertising businesses, we conduct our operations in China through contractual arrangements among our wholly foreign owned PRC subsidiary, Beijing Bitauto Internet Information Company Limited, or BBII, our SPEs in China, or SPEs, and the shareholders of these SPEs.

#### ***Agreements that Provide Us with Effective Control over Our PRC SPEs***

##### *Loan Agreements*

As part of the contractual arrangements, each shareholder of our PRC SPEs entered into a loan agreement with BBII, pursuant to which BBII provides interest-free loans to each of the shareholders of BBIT, CIG and BEAM. The purpose of the loans is to provide capital and/or registered capital to our PRC SPEs in order to develop their businesses. Each loan has a term of 10 years and may be extended upon mutual written consent of the parties.

Each loan agreement contains a number of covenants to restrict the actions that a SPE shareholder may take or cause the SPE to take. For example, a SPE shareholder (i) shall not transfer, sell, mortgage, dispose of, or encumber his/her equity interest in a SPE except in accordance with the share pledge agreement discussed below, (ii) without BBII's prior written consent, shall not take actions or omissions that may have a material impact on the assets, business and liabilities of a SPE, (iii) shall cause the shareholders' meeting and/or the board of directors of a SPE not to approve the merger or consolidation of such SPE with any person, or any acquisition or investment in any person, without BBII's prior written consent, and (iv) shall appoint any director candidates nominated by BBII.

##### *Irrevocable Power of Attorney*

Each shareholder of our PRC SPEs executed an irrevocable power of attorney, appointing BBII or a person designated by BBII as his or her attorney-in-fact to attend shareholders' meetings of the respective SPE, exercise all the shareholder's voting rights, including but not limited to the sale, transfer, pledge or disposition of his or her equity interest in each SPE, and designate or appoint legal representatives, directors and officers of the SPEs. Each power of attorney remains valid and irrevocable from the date of execution so long as he or she remains as the shareholder of the respective SPE. These powers of attorneys for each shareholder of our SPEs are substantially the same.

##### *Share Pledge Agreement*

On March 31, 2009, BBII entered into share pledge agreements with BBIT and each of BBIT's shareholders. Pursuant to the share pledge agreements, each shareholder of BBIT agrees to pledge his/her shares in BBIT to secure BBIT's payment obligations, including payment of consulting and service fees, under the exclusive business cooperation agreement between BBII and BBIT described below. This agreement amended and replaced the share pledge agreements among BBII, BBIT and BBIT's shareholders dated March 9, 2006.

On March 31, 2009, BBII entered into share pledge agreements with CIG and each of its shareholders. These agreements have substantially the same terms as the agreements between BBII, BBIT and BBIT's shareholders described above. These agreements amended and replaced the share pledge agreements between BBII, CIG and CIG's shareholders dated March 9, 2006.

On April 30, 2010, BBII entered into equity interest pledge agreements with BEAM and each of BEAM's eight shareholders. Pursuant to the equity interest pledge agreements, each shareholder of BEAM agrees to pledge his/her equity interests in BEAM to secure BEAM's payment obligations, including payment of consulting and service fees, under the exclusive business cooperation agreement between BBII and BEAM described below.

The terms of these pledge agreements are substantially the same. Each pledge of shares or equity interests is effective on the date when it is registered with the local administration for industry and commerce and remains effective until all payments due under the exclusive business cooperation agreements have been fulfilled by the respective SPE. During the term of a pledge, BBII, the pledgee, may dispose of the pledge if the SPE fails to pay the consulting and services fees under the exclusive business cooperation agreement. BBII also has the right to collect dividends generated by the shares or equity interests pursuant to these pledge agreements. In addition, each shareholder of our PRC SPEs agreed not to transfer or create any new encumbrance adverse to BBII on his/her equity interest in such SPEs without BBII's prior written consent. We have registered the pledges of the shares or equity interests in our PRC SPEs with the local administration for industry and commerce.

### ***Agreements that Transfer Economic Benefits from Our PRC SPEs to Us***

#### *Exclusive Business Cooperation Agreement*

On March 9, 2006, BBII entered into an exclusive business cooperation agreement with BBIT, pursuant to which BBII agreed to provide BBIT, on an exclusive basis, with technical, consulting and other services in relation to BBIT's e-commerce and internet content business. BBII's services include, among other things, technical services, network support, business consultations, intellectual property licenses, equipment or property leasing, marketing consultancy, product search and development and system maintenance. In return, BBIT agreed to pay BBII service fees. During the term of this agreement, BBIT agreed not to accept any consultation and/or services provided by any third party without BBII's prior written consent. The term of this agreement is 10 years and may be extended upon BBII's prior written consent. BBII determines the extended term and BBIT agrees to unconditionally accept such extended term.

The exclusive business cooperation agreement dated March 9, 2006 between BBII and CIG and the exclusive business cooperation agreement dated April 30, 2010 between BBII and BEAM have terms that are substantially the same as those of the exclusive business cooperation agreement between BBII and BBIT described above.

#### *Exclusive Option Agreements*

On March 31, 2009, BBII entered into exclusive option agreements with BBIT and each of BBIT's shareholders. Pursuant to these agreements, each of BBIT's shareholders irrevocably granted BBII an exclusive right to purchase, or designate one or more persons to purchase, the equity interests in BBIT then held by such shareholder of BBIT. BBII or its designee may elect to purchase such equity interests at any time, once or at multiple times, in part or in whole at its own sole and absolute discretion to the extent permitted by the PRC laws. Unless an appraisal is required by any applicable PRC laws, the purchase price shall equal the actual capital contribution paid in the registered capital of BBIT by BBIT's shareholders. As agreed in the loan agreements between BBII and BBIT's shareholders, upon BBII's exercise of its option to purchase the equity interests in BBIT, BBII may elect to pay for the purchase by canceling the outstanding amount of loans owed by BBIT's shareholders to BBII. The terms of these agreements are 10 years. The agreements may be renewed for an additional 10 years at BBII's discretion. These agreements amended and replaced the exclusive option agreements among BBII, CIG and CIG's shareholders dated March 9, 2006.

On March 31, 2009, BBII entered into exclusive option agreements with CIG and each of CIG's shareholders, which amended and replaced the previous exclusive option agreement dated March 9, 2006. On April 30, 2010, BBII entered into exclusive option agreements with BEAM and each of BEAM's shareholders. The terms of these agreements are substantially the same as the exclusive option agreements among BBII, BBIT and each of BBIT's shareholders described above.

As a result of these contractual arrangements, we control our SPEs and have consolidated the financial information of these SPEs and their subsidiaries into our consolidated financial statements in accordance with IFRS. We have been advised by our PRC counsel, Han Kun Law Offices, that each of such contractual agreements for operating our business in China, including our corporate structure and contractual arrangements with the SPEs, complies with all applicable existing PRC laws, rules and regulations, and does not violate, breach, contravene or otherwise conflict with any applicable PRC laws, rules or regulations.

However, we cannot assure you that the PRC regulatory authorities will not adopt any new regulations to restrict or prohibit foreign investment in internet and online internet and advertising businesses through contractual arrangements in the future, or will not determine that our corporate structure and contractual arrangements violate the PRC laws, rules or regulations. See “Item 3. Risk Factors—Risks Related to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC governmental restrictions on foreign investment in internet content and marketing services, 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” and “Risk Factors—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could limit the protection available to you and us.”

For further disclosure on related party transactions, see Item 18 “Financial Statements—Notes to the financial statements—Note 21.”

C. Interests of Experts and Counsel

Not applicable.

**ITEM 8. FINANCIAL INFORMATION**

A. Consolidated Statements and Other Financial Information

See Item 18 “Financial Statements.”

**Legal and Administrative Proceedings**

We may from time to time be subject to various legal or administrative proceedings, either as plaintiff or defendant, arising in the ordinary course of our business. We are not currently a party to, nor are we aware of, any legal proceeding, investigation or claim that, in the view of our management, is likely to materially and adversely affect our business, financial position or results of operations.

**Dividend Policy**

We are a Cayman Islands holding company and substantially all of our operations are conducted through our PRC subsidiary, BBII, and our SPEs. We rely principally on dividends paid to us by our PRC subsidiary for our cash requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, service any debt we may incur and pay our operating expenses. In China, the payment of dividends is subject to certain limitations. PRC regulations currently permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, foreign-invested enterprises in China are required to allocate at least 10% of its after-tax profit based PRC accounting standards to its statutory general reserves each year until the accumulative amount of the reserves reaches 50% of its registered capital. BBII, as a foreign-invested enterprise, is required to set aside funds for employee bonus and welfare fund from its after-tax profits each year at percentages determined at its sole discretion. These reserves are not distributable as cash dividends.

BBII had accumulated profits amounting to RMB88.8 million (US\$14.3 million) as of December 31, 2012 pursuant to PRC Accounting Standards. Therefore, BBII appropriated reserves amounting to RMB8.9 million (US\$1.4 million) as of December 31, 2012. The accounting policies applied by BBII in preparing its financial statements under PRC accounting standards are materially consistent with our accounting policies under IFRS. There is no material difference between the accumulated profits of BBII determined under PRC accounting standards and the accumulated profits of BBII consolidated by us under IFRS. For a description of how earnings are transferred from our PRC subsidiary, BBII, and our SPEs to us, see “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Contractual Arrangements with our PRC Special Purpose Entities and Their Shareholders.”

In addition, we do not have any present plan to pay cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Our board of directors has significant discretion on whether to distribute dividends. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial position, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends, the depository will distribute such payments to our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

**B. Significant Changes**

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

**ITEM 9. THE OFFER AND LISTING**

**A. Offering and Listing Details**

See “—C. Markets.”

**B. Plan of Distribution**

Not applicable.

**C. Markets**

Our ADSs, each representing one ordinary share, has been listed on the NYSE since November 17, 2010 and trade under the symbol “BITA.” The following table provides the high and low trading prices for our ADSs on the NYSE for the periods indicated.

	Trading Price	
	High	Low
	US\$	US\$
<b>2010</b>	14.39	8.11
<b>2011</b>	12.71	3.73
First Quarter of 2011	12.71	8.35
Second Quarter of 2011	12.20	5.83
Third Quarter of 2011	7.82	5.57
Fourth Quarter of 2011	6.33	3.73
<b>2012</b>	7.66	3.50
First Quarter of 2012	5.97	3.50
Second Quarter of 2012	5.34	3.50
Third Quarter of 2012	5.00	3.51
Fourth Quarter of 2012	7.66	4.47
<b>Monthly Highs and Lows</b>		
October 2012	5.22	4.47
November 2012	7.40	4.95
December 2012	7.66	5.90
<b>2013</b>		
First Quarter of 2013	10.40	7.06
Second Quarter of 2013 (through April 25, 2013)	11.57	9.45
<b>Monthly Highs and Lows</b>		
January 2013	10.24	7.21
February 2013	10.11	7.06
March 2013	10.40	8.50
April 2013 (through April 25, 2013)	11.57	9.45

**D. Selling Shareholders**

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are a Cayman Islands company and our affairs are governed by our memorandum and articles of association and the Companies Law (2012 Revision) of the Cayman Islands, which is referred to as the Companies Law below. The following are summaries of material provisions of our amended and restated memorandum and articles of association in effect as of the date of this annual report insofar as they relate to the material terms of our ordinary shares.

**Registered Office and Objects**

Our registered office in the Cayman Islands is located at the offices of Offshore Incorporations (Cayman) Limited, Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands, or at such other place as our board of directors may from time to time decide. The objects for which our company is established are unrestricted and we have and are capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided by Section 27(2) of the Companies Law.

**Board of Directors**

A director is not required to hold any shares in our company by way of qualification. A director may generally vote with respect to any contract, proposed contract or arrangement in which he is materially interested provided the nature of his interest is disclosed prior to voting. A director may exercise all the powers of our company to borrow money, mortgage its undertaking, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of our company or of any third party. The directors may receive such remuneration as our board may from time to time determine. There is no age limit requirement with respect to the retirement or non-retirement of a director. See also “Item 6. Directors, Senior Management and Employees—C. Board Practices—Duties of Directors” and “—Terms of Directors and Officers.”

**Ordinary Shares**

*General.* All of our outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares.

*Dividends.* The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Law and to our amended and restated memorandum and articles of association.

*Voting Rights.* Each ordinary share is entitled to one vote on all matters upon which the ordinary shares are entitled to vote. Voting at any shareholders’ meeting is by show of hands unless required by the rules of the listing exchange or a poll is demanded. A poll may be demanded by the chairman of such meeting or any one shareholder present in person or by proxy.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the ordinary shares. A special resolution is required for important matters such as amending our amended and restated memorandum and articles of association. Holders of the ordinary shares may effect certain changes by ordinary resolution, including increasing the amount of our authorized share capital, consolidate and divide all or any of our share capital into shares of larger amount than our existing share capital, and cancel any shares.

*Transfer of Shares.* Subject to the restrictions contained in our amended and restated memorandum and articles of association, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors. Our board of directors may, in its sole discretion, decline to register any transfer of any ordinary share. Our directors may also decline to register any transfer of any ordinary share unless (a) the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer; (b) the instrument of transfer is in respect of only one class of ordinary shares; (c) the instrument of transfer is properly stamped, if required; (d) the ordinary shares transferred are fully paid and free of any lien in favor of us; (e) in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; or (f) any fee related to the transfer has been paid to us.

If our directors refuse to register a transfer they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal. The registration of transfers may, after compliance with any notice requirements of the NYSE, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year.

*Liquidation.* On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately.

*Redemption of Shares.* Subject to the provisions of the Companies Law and other applicable law, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders, on such terms and in such manner, including out of capital, as may be determined by the board of directors.

*Variations of Rights of Shares.* All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with such previously existing class of shares.

*Inspection of Books and Records.* Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we have in our amended and restated memorandum and articles of association provided our shareholders with the right to inspect our list of shareholders and to receive annual audited financial statements. See “Where You Can Find Additional Information.”

*Anti-Takeover Provisions.* Some provisions of our amended and restated memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to call meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

*General Meetings of Shareholders.* Shareholders' meetings may be convened by a majority of our board of directors or our chairman. Advance notice of at least ten clear days is required for the convening of our annual general shareholders' meeting and any other general meeting of our shareholders. A quorum for a meeting of shareholders consists of at least two shareholders present or by proxy, representing not less than one-third in nominal value of the total issued voting shares in our company.

#### C. Material Contracts

Our digital marketing solutions business provides services to FAW Mazda pursuant to a framework Internet Marketing Service Agreement, which term starts on January 1 each year and ends on December 31 of the same year. This agreement has been renewed on similar terms and conditions over the past three years and has been renewed for 2012 as well. Under this agreement, FAW Mazda agrees not to source internet marketing services from other companies unless we fail to meet its requirements and are unable to remediate such failure or materially breach this agreement which causes significant losses to FAW Mazda. In return, we agree that our digital marketing solutions business will not provide the same type of services listed in the agreement to four automakers that directly compete with FAW Mazda.

In June 2011, we entered into an agreement with Baidu Inc., the leading Chinese language internet search provider, to be the exclusive supplier of auto-related content for Aladdin, Baidu's open data platform. Pursuant to the year-long agreement, effective from June 1, 2011, we provide selected auto-related content, including auto listings, pictures, reviews, and dealer information to enhance Aladdin-enabled search research results, which include real-time, dynamic and interactive content alongside static search results. When Baidu users search for auto-related information, Baidu agreed to exclusively display relevant content provided by us in the Aladdin-enabled section of the search results page. The agreement expires on May 31, 2012. In June 2012, we renewed the agreement for another three years.

In November 2012, AutoTrader Group, Inc. purchased an aggregate of 9,000,000 ordinary shares, or approximately 21.8% of our total outstanding shares, from certain of our pre-IPO shareholders in a private transaction. Concurrently, certain members of our senior management, namely, Mr. Bin Li, our chairman of the board and chief executive officer, Mr. Jingning Shao, our director and president, Mr. Xuan Zhang, our chief financial officer, and Mr. Weihai Qu, our director and senior vice president purchased an aggregate of 1,000,000 ordinary shares, or approximately 2.4% of our total outstanding shares, from another Pre-IPO shareholder. The senior management team funded the purchase through a four-year term loan from AutoTrader Group. Under a shareholder agreement dated November 1, 2012 among our company, AutoTrader Group and certain other shareholders of our company controlled by the above management members, AutoTrader Group is entitled to nominate at least one director to our board of directors. For so long as AutoTrader Group continues to beneficially own at least 20% of our outstanding shares, at any time after twelve months anniversary of November 16, 2012, AutoTrader Group will be entitled to nominate one additional director to the board.

We have not entered into any other material contracts other than in the ordinary course of business and other than those described in "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions" or elsewhere in this annual report on Form 20-F.

#### D. Exchange Controls

See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Foreign Currency Exchange."

#### E. Taxation

The following discussion of certain Cayman Islands, PRC and U.S. federal income tax consequences of an investment in our ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report on Form 20-F, all of which are subject to change. This discussion does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under state, local and other tax laws. Accordingly, each investor should consult its own tax advisor regarding the tax consequences of an investment in our ADSs or ordinary shares applicable under its particular circumstances.

## **Cayman Islands Taxation**

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Council:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on our shares, debentures or other obligations.

The undertaking for us is for a period of twenty years from August 24, 2010.

## **People's Republic of China Taxation**

Under the Enterprise Income Tax Law, or EIT Law, and its implementation rules, enterprises established under the laws of jurisdictions outside China with their “de facto management bodies” located within China may be considered to be PRC tax resident enterprises for tax purposes. We are a holding company incorporated in the Cayman Islands, which indirectly holds, through our Hong Kong subsidiary, 100% of our equity interests in our subsidiary in the PRC. Our business operations are principally conducted through our PRC subsidiary and its SPEs and most of our directors and management staff are PRC nationals. If we are considered a PRC tax resident enterprise under the above definition, then our global income will be subject to PRC enterprise income tax at the rate of 25%. Further, the EIT Law and the implementation rules provide that an income tax rate of 10% may be applicable to China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its overseas parent that is not a PRC resident enterprise, which (i) do not have an establishment or 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, unless there are applicable treaties that reduce such rate. Under a special arrangement between China and Hong Kong, such dividend withholding tax rate is reduced to 5% if a Hong Kong resident enterprise owns more than 25% of the equity interest in the PRC company distributing the dividends and is determined by the competent PRC tax authority to have satisfied other conditions and requirements under the Double Tax Avoidance Arrangement between Hong Kong and Mainland China and other applicable PRC laws. As our Hong Kong subsidiary owns 100% of our PRC subsidiary, under the aforesaid arrangement, any dividends that our PRC subsidiary pay our Hong Kong subsidiary may be subject to a withholding tax at the rate of 5% if our Hong Kong subsidiary is not considered to be a PRC tax resident enterprises as described below and is determined by the competent PRC tax authority to have satisfied relevant conditions and requirements. However, if our Hong Kong subsidiary is not considered to be the beneficial owners of such dividends under a tax notice promulgated on October 27, 2009 or is determined by the competent PRC tax authority not to have satisfied any other relevant condition or requirement, such dividends would be subject to the withholding tax rate of 10%.

The implementation rules of the Enterprise Income Tax Law provide that (i) if the enterprise that distributes dividends is domiciled in the PRC, or (ii) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then such dividends or capital gains are treated as China-sourced income. It is not clear how “domicile” may be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered as a PRC tax resident enterprise for tax purposes, any dividends we pay to our overseas shareholders or ADS holders as well as gains realized by such shareholders or ADS holders from the transfer of our shares or ADSs may be regarded as China-sourced income and as a result become subject to PRC withholding tax at a rate of up to 10% if such shareholders are non-PRC resident enterprises or up to 20% if such shareholders are non-PRC resident individuals, and it is not clear whether the tax treaty benefit would be applicable in such cases.

See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Dividends we receive from our subsidiary located in the PRC may be subject to PRC withholding tax.”

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or Circular 698, issued by the State Administration of Taxation on December 10, 2009, where a non-PRC resident enterprise transfers the equity interests of a PRC resident enterprise indirectly via disposing of the equity interests of an overseas holding company, or an “Indirect Transfer,” and such overseas holding company is located in a tax jurisdiction that: (a) has an effective tax rate less than 12.5% or (b) does not tax foreign income of its residents, the foreign investor shall report this Indirect Transfer to the competent tax authority. The PRC tax authority will examine the true nature of the Indirect Transfer, and if the tax authority concludes that the foreign investor has adopted an “abusive arrangement” in order to avoid PRC tax, it may disregard the existence of the overseas holding company and re-characterize the Indirect Transfer and as a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. 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 fair market value, the competent tax authority has the power to make a reasonable adjustment to the taxable income of the transaction. Circular 698 is retroactively effective from January 1, 2008. On March 28, 2011, the SAT released the SAT Public Notice (2011) No. 24, or Notice 24, to clarify several issues related to Circular 698. Notice 24 became effective on April 1, 2011. According to Notice 24, the term “effective tax rate” refers to the effective tax rate on the gains derived from disposition of the equity interests of an overseas holding company; and the term “does not impose income tax” refers to the cases where the gains derived from disposition of the equity interests of an overseas holding company is not subject to income tax in the country or region where the overseas holding company is a resident.

See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC shareholders.”

In November 2011, the PRC Ministry of Finance and the State Administration of Taxation jointly issued two circulars setting out the details of the VAT Pilot Program, which change business tax to value-added tax for certain industries, including, among others, transportation services, research and development and technical services, information technology services, and cultural and creative services. The VAT Pilot Program initially applied only to these industries in Shanghai, and has been expanded to eight additional cities and provinces, including Beijing, Tianjin, Zhejiang Province, Anhui Province, Guangdong Province, Fujian Province, Hubei Province and Jiangsu province, in 2012. Furthermore, it has been reported that the VAT Pilot Program will be expanded nationwide from August 1, 2013.

With respect to our entities located outside of these cities and provinces, and for the period immediately prior to the implementation of the VAT Pilot Program, revenues from our services are subject to a 5% PRC business tax. Our entities located in these areas fall within the scope of the VAT Pilot Program have been subject to a 6% value-added tax since the respective effective time of the VAT Pilot Program implemented in those cities and provinces for our services that are deemed by the relevant tax authorities to be within the relevant industries.

See “Item 3. Key Information—D. Risk Factors—We may have exposure to greater than anticipated tax liabilities.”

## **Certain United States Federal Income Tax Considerations**

The following is a summary of certain U.S. federal income tax considerations relating to the acquisition, ownership and disposition of our ADSs or ordinary shares by a U.S. Holder (as defined below) that will acquire our ADSs or ordinary shares and will hold our ADSs or ordinary shares as “capital assets” (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended (“the Code”). This summary is based upon existing United States federal tax law, including the Code, its legislative history, existing, temporary and proposed regulations thereunder, published rulings and court decisions, all of which are subject to differing interpretations or change, possibly with retroactive effect. No ruling has been sought from the IRS with respect to any U.S. federal income tax consequences described below, and there can be no assurance that the IRS or a court will not take a contrary position. This summary does not discuss all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (for example, banks, financial institutions, insurance companies, regulated investment companies, real estate investment trusts, broker-dealers, traders in securities that elect mark-to-market treatment, partnerships (or other entities treated as partnerships for U.S. federal income tax purposes) and their partners and tax-exempt organizations (including private foundations)), holders who are not U.S. Holders, holders who own (directly, indirectly or constructively) 10% or more of our voting stock, holders who acquire their ADSs or ordinary shares pursuant to any employee share option or otherwise as compensation, investors that will hold their ADSs or ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes, certain expatriates or former long-term residents of the United States, governments or agencies or instrumentalities thereof, or investors that have a functional currency other than the United States dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. This summary does not address holders of equity interests in a holder of ADSs or ordinary shares. In addition, this summary does not discuss any United States federal estate, gift or alternative minimum tax consequences or any non-United States (except for the limited instances where PRC tax law and potential PRC taxes are discussed), state or local tax considerations. Each U.S. Holder is urged to consult its tax advisor regarding the United States federal, state, local and non-United States income and other tax considerations of an investment in our ADSs or ordinary shares.

### ***General***

For purposes of this summary, a “U.S. Holder” is a beneficial owner of our ADSs or ordinary shares that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created in, or organized under the law of, the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a United States person under the Code.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our ADSs or ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner of a partnership holding our ADSs or ordinary shares, the U.S. Holder is urged to consult its tax advisor regarding an investment in our ADSs or ordinary shares.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement have been and will be complied with in accordance with the terms.

For U.S. federal income tax purposes, a U.S. Holder of ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs.

### ***Passive Foreign Investment Company Considerations***

A non-United States corporation, such as our company, will be classified as a “passive foreign investment company” (a “PFIC”), for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. Passive income is generally any income that would be foreign personal holding company income under the Code including, without limitation, dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income, net gains from commodity transactions, net foreign currency gains and net income from notional principal contracts. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock.

Although the law in this regard is unclear, we treat Beijing Bitauto Information Technology Company Limited, or BBIT, Beijing C&I Advertising Company Limited, or CIG, and Beijing Easy Auto Media Company Limited, or BEAM, as being owned by us for U.S. federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operations in our consolidated financial statements. If it were determined, however, that we were not the owner of the above entities for U.S. federal income tax purposes, we would likely be treated as a PFIC.

Assuming that we are the owner of BBIT, CIG and BEAM for U.S. federal income tax purposes, we primarily operate as a provider of internet marketing services for China's automotive industry. Although not free from doubt, based on the market value of our ADSs and ordinary shares and the composition of our assets and income, we do not believe that we were a PFIC for our taxable year ended December 31, 2012. However, the United States Internal Revenue Service, or the IRS, does not issue rulings with respect to PFIC status, and there can be no assurance that the IRS, or a court, will agree with our determination. Further, there can be no assurance that we will or will not be a PFIC for our current taxable year or for any subsequent taxable years, as PFIC status is retested each year and depends on the actual facts in such year. Among other matters, if our market capitalization declines, we may be or become classified as a PFIC for the current or one or more future taxable years.

Furthermore, because there are uncertainties in the application of the relevant rules, it is possible that the IRS may successfully challenge our classification of certain income and assets as non-passive, which may result in our company being classified as a PFIC. If we are classified as a PFIC for any year during which a U.S. Holder holds our ADSs or ordinary shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or ordinary shares (unless such U.S. holder makes a "deemed sale" election, as discussed below), and such a U.S. Holder will become subject to special rules discussed below. U.S. Holders are urged to consult with their tax advisors regarding the consequences of potentially holding an interest in a PFIC, and the ramifications of making a "deemed sale" election, as discussed further below.

The discussion below under "Dividends" and "Sale or Other Disposition of ADSs or Ordinary Shares" is written on the basis that we will not be classified as a PFIC for U.S. federal income tax purposes. The U.S. federal income tax rules that apply if we are classified as a PFIC for our current or subsequent taxable years are generally discussed below under "Passive Foreign Investment Company Rules."

### ***Dividends***

Any cash distributions (including the amount of any PRC tax withheld) paid on our ADSs or ordinary shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of ordinary shares, or by the depository, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution paid will generally be treated as a "dividend" for U.S. federal income tax purposes. A non-corporate recipient of dividend income generally will be subject to tax on dividend income from a "qualified foreign corporation" at the lower applicable capital gains rate rather than the marginal tax rates generally applicable to ordinary income, provided that certain holding period requirements are met. A non-United States corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation if (i) it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of the rules applicable to qualified dividends and which includes an exchange of information program, or (ii) our ADSs or ordinary shares are readily tradable on an established securities market in the United States. For this purpose, ADSs listed on the New York Stock Exchange will generally be considered to be readily tradable on an established securities market in the United States, though no assurances can be given with respect to our ADSs in this regard. Dividends received on our ADSs or ordinary shares will not be eligible for the dividend received deduction allowed to corporations.

In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, a U.S. Holder may be subject to PRC withholding taxes on dividends paid on both our ADSs or ordinary shares. See “Item 10. Additional Information—E. Taxation—PRC Taxation.” We may, however, be eligible for the benefits of the United States-PRC income tax treaty. If we are eligible for such benefits, dividends we pay on our ordinary shares, regardless of whether such shares are represented by the ADSs, would be eligible for the reduced rates of taxation. You should consult your tax advisor regarding the availability of the lower rate for dividends paid with respect to our ADSs or ordinary shares.

Dividends generally will be treated as income from foreign sources for United States foreign tax credit purposes and generally will constitute passive category income. A U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on our ADSs or ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld, may instead claim a deduction, for U.S. federal income tax purposes, in respect of such withholdings, but only for a year in which such U.S. Holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

### ***Sale or Other Disposition of ADSs or Ordinary Shares***

A U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or ordinary shares in amounts equal to the difference, if any, between the amount realized upon the disposition and the U.S. Holder’s adjusted tax basis in such ADSs or ordinary shares. Any capital gain or loss will be long-term if the ADSs or ordinary shares have been held for more than one year and will generally be United States source gain or loss for United States foreign tax credit purposes. Long-term capital gains of non-corporate taxpayers are currently eligible for reduced rates of taxation. The deductibility of a capital loss is subject to limitations. In the event that gain from the disposition of the ADSs or ordinary shares is subject to tax in the PRC, such gain may be treated as PRC source gain under the United States-PRC income tax treaty. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign withholding tax is imposed on a disposition of our ADSs or ordinary shares, including the availability of the foreign tax credit under their particular circumstances.

### ***Passive Foreign Investment Company Rules***

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares, and unless the U.S. Holder makes a mark-to-market election (with respect to our ADSs, as described below), the U.S. Holder will generally be subject to special U.S. federal income tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder’s holding period for the ADSs or ordinary shares), and (ii) any gain realized on the sale or other disposition, including a pledge, of ADSs or ordinary shares. Under the PFIC rules the:

- excess distribution or gain will be allocated ratably over the U.S. Holder’s holding period for the ADSs or ordinary shares;
- amounts allocated to the current taxable year and any taxable years in the U.S. Holder’s holding period prior to the first taxable year in which we are classified as a PFIC (a “pre-PFIC year”) will be taxable as ordinary income; and
- amounts allocated to each prior taxable year, other than the current taxable year or a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to the U.S. Holder for that year, and such amounts will be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to such years.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares and any of our non-United States subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of each such non-United States subsidiary classified as a PFIC for purposes of the application of these rules. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

If we are classified as a PFIC, our ADSs or ordinary shares generally will continue to be treated as shares in a PFIC for all succeeding years during which a U.S. Holder holds our ADSs or ordinary shares, unless we cease to be a PFIC and the U.S. Holder makes a “deemed sale” election with respect to the ADSs or ordinary shares. If you make a deemed sale election, you will be deemed to have sold the ADSs or ordinary shares you hold at their fair market value as of the last day of the last year during which we were a PFIC. Any gain from such deemed sale would be taxed as an excess distribution as described above. You are urged to consult your tax advisor regarding our possible status as a PFIC as well as the benefit of making a deemed sale election.

As an alternative to the foregoing rules, a U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election for such stock in a PFIC to elect out of the tax treatment discussed in the preceding paragraphs. If a U.S. Holder makes a valid mark-to-market election with respect to our ADSs, the U.S. Holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis in such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. Holder’s adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the U.S. Holder will not be required to take into account the gain or loss described above during any period that such corporation is not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. In the case of a U.S. Holder who has held ADSs during any taxable year in respect of which we were classified as a PFIC and continues to hold such ADSs (or any portion thereof) and has not previously determined to make a mark-to-market election, and who is now considering making a mark-to-market election, special tax rules may apply relating to purging the PFIC taint of such ADSs.

The mark-to-market election is available only for “marketable stock”, which is stock that is traded in other than *de minimis* quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. Our ADSs are listed on the New York Stock Exchange, which is a qualified exchange or other markets for these purposes. Consequently, if the ADSs continue to be listed on the New York Stock Exchange and are regularly traded, if you are a holder of ADSs, it is expected that the mark-to-market election would be available to you were we to become a PFIC.

Because a mark-to-market election, as a technical matter, cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder’s indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund, or QEF elections, which, if available, would result in tax treatment different from, and generally less adverse than, the general tax treatment of PFICs described above.

If a U.S. Holder owns our ADSs or ordinary shares during any taxable year that we are a PFIC or are treated as such with respect to such holder, the holder may be required to file an annual IRS Form 8621. Each U.S. Holder is urged to consult its tax advisor concerning the U.S. federal income tax consequences of purchasing, holding and disposing ADSs or ordinary shares if we are or become classified as a PFIC, including the possibility of making a mark-to-market election and the unavailability of the QEF election.

### ***Information Reporting and Backup Withholding***

Dividend payments with respect to the ADSs or ordinary shares and proceeds from the sale, exchange or redemption of the ADSs or ordinary shares may be subject to information reporting to the IRS and possible United States backup withholding at a rate of 28%. Backup withholding will not apply, however, to a U.S. Holder that furnishes a correct taxpayer identification number and makes any other required certification, or that is otherwise exempt from backup withholding. U.S. Holders that are required to establish their exempt status generally must provide such certification on IRS Form W-9. U.S. Holders should consult their tax advisors regarding the application of the United States information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder’s U.S. federal income tax liability, and a U.S. Holder generally may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

### ***Additional Tax Reporting Requirements***

Pursuant to the Hiring Incentives to Restore Employment Act of 2010, individual U.S. Holders and certain domestic entities may be required to submit to the IRS certain information with respect to their beneficial ownership of the ADSs or ordinary shares, if such ADSs or ordinary shares are not held on their behalf by a financial institution. This law also imposes penalties if a U.S. Holder is required to submit such information to the IRS and fails to do so.

#### **F. Dividends and Paying Agents**

Not applicable.

#### **G. Statement by Experts**

Not applicable.

#### **H. Documents on Display**

We previously filed with the SEC a registration statement on Form F-1 under the Securities Act with respect to the offering of our ordinary shares represented by ADSs.

We are subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year for fiscal years, which is December 31. The SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. Copies of reports and other information, when filed, may also be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish Citibank, N.A., the depository of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with IFRS, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depository will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depository from us.

#### **A. Subsidiary Information**

See "Item 4. Information on the Company—C. Organizational Structure."

## **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Foreign Exchange Risk**

Our presentation currency is Renminbi. The functional currency of our holding company Bitauto Holdings Limited and our wholly owned subsidiary Bitauto Hong Kong Limited is U.S. dollar, while the functional currency of our PRC subsidiary and SPEs is Renminbi. We earn all of our revenues and incur most of our expenses in Renminbi, and substantially all of our services contracts are denominated in Renminbi. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk. Although in general, our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the exchange rate between the U.S. dollar and the Renminbi because the value of our business is effectively denominated in Renminbi, while the ADSs will be traded in U.S. dollars.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies, including 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 was halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. As a consequence, the Renminbi fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. Since June 2010, the PRC government has allowed the Renminbi to appreciate slowly against the U.S. dollar again, though there have been periods when the U.S. dollar has appreciated against the Renminbi as well. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future. The Renminbi appreciated by 2.3% against the U.S. dollar in 2012.

There remains significant international pressure on the PRC government to adopt a substantial liberalization of its currency policy, which could result in further appreciation in the value of the Renminbi against the U.S. dollar. To the extent that we need to convert U.S. dollars into RMB for capital expenditures and working capital and other business purposes, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, strategic acquisitions or investments or other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us.

### **Interest Risk**

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. We have not used derivative financial instruments in our investment portfolio. Interest earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

See Item 18 "Financial Statements—Notes to the financial statements—Note 23."

## **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

### **A. Debt Securities**

Not applicable.

### **B. Warrants and Rights**

Not applicable.

### **C. Other Securities**

Not applicable.

## D. American Depositary Shares

### **Fees and Charges our ADS Holders May Have to Pay**

Citibank, N.A., the depository of our ADS program, collects fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depository collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depository may collect its annual fee for depository services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depository may generally refuse to provide fee-attracting services until its fees for those services are paid. Citibank's principal executive office is located at 388 Greenwich Street, New York, New York, 10013. The depository bank typically appoints a custodian to safe keep the securities on deposit. In this case, the custodian is Citibank Hong Kong, located at 10/F, Harbour Front (II), 22, Tak Fung Street, Hung Hom, Kowloon, Hong Kong. As an ADS holder, you will be required to pay the following service fees to the depository bank:

<u>Service</u>	<u>Fees</u>
• Issuance of ADSs	Up to US5¢ per ADS issued
• Cancellation of ADSs	Up to US5¢ per ADS canceled
• Distribution of cash dividends or other cash distributions	Up to US5¢ per ADS held
• Distribution of ADSs pursuant to stock dividends, free stock distributions or exercise of rights.	Up to US5¢ per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to US5¢ per ADS held
• Depository services	Up to US5¢ per ADS held on the applicable record date(s) established by the depository bank
• Transfer of ADSs	US\$1.50 per certificate presented for transfer

As an ADS holder you will also be responsible to pay certain fees and expenses incurred by the depository bank and certain taxes and governmental charges such as:

- fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in the Cayman Islands (i.e. upon deposit and withdrawal of ordinary shares);
- expenses incurred for converting foreign currency into U.S. dollars;
- expenses for cable, telex and fax transmissions and for delivery of securities;
- taxes and duties upon the transfer of securities (i.e. when ordinary shares are deposited or withdrawn from deposit); and
- fees and expenses incurred in connection with the delivery or servicing of ordinary shares on deposit.

Depository fees payable upon the issuance and cancellation of ADSs are typically paid to the depository bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depository bank and by the brokers (on behalf of their clients) delivering the ADSs to the depository bank for cancellation. The brokers in turn charge these fees to their clients. Depository fees payable in connection with distributions of cash or securities to ADS holders and the depository services fee are charged by the depository bank to the holders of record of ADSs as of the applicable ADS record date.

The Depository fees payable for cash distributions are generally deducted from the cash being distributed. In the case of distributions other than cash (i.e., stock dividend, rights), the depository bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depository bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depository bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depository banks.

In the event of refusal to pay the depository fees, the depository bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depository fees from any distribution to be made to the ADS holder.

Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of such changes.

#### **Fees and Other Payments Made by the Depositary to Us**

The depositary bank may reimburse us for certain expenses incurred by us in respect of the ADR program established pursuant to the deposit agreement, by making available a portion of the depositary fees charged in respect of the ADR program or otherwise, upon such terms and conditions as the Company and the Depositary may agree from time to time. Since the completion of our initial public offering in November 2010, we have received approximately US\$1.2 million, net of applicable withholding taxes in the U.S., from the depositary as reimbursement for our expenses incurred in connection with the establishment and maintenance of the ADS program.

## **PART II**

### **ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

### **ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

See “Item 10. Additional Information” for a description of the rights of securities holders, which remain unchanged.

We received net proceeds of approximately US\$96.4 million from our initial public offering after deducting expenses. For the period from the completion of our initial public offering to December 31, 2012, we used the net proceeds received from our initial public offering as follows:

- approximately US\$10.0 million to repurchase ADSs from the open market; and
- approximately US\$3.0 million for a strategic investment.

### **ITEM 15. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based on that evaluation, our management has concluded that, as of December 31, 2012, our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

#### **Management’s Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined under Rule 13(a)-15(f) and 15(d)-15(f) of the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reports and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financials.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management, under the supervision and with the participation of our chief executive officer and chief financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee on Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control-Integrated Framework, our management concluded that, as of December 31, 2012, our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The effectiveness of our internal control over financial reporting as of December 31, 2012 has been audited by Ernst & Young Hua Ming LLP, an independent registered public accounting firm, as stated in their attestation report thereon which appears herein.

#### **Attestation Report of the Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of Bitauto Holdings Limited,

We have audited Bitauto Holdings Limited's (the "Company") internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management's Annual Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Bitauto Holdings Limited maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Bitauto Holdings Limited as of December 31, 2011 and 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2012 of Bitauto Holdings Limited and our report dated April 26, 2013, expressed an unqualified opinion thereon.

/s/ Ernst & Young Hua Ming LLP  
Beijing, People's Republic of China

April 26, 2013

## Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Sidney Xuande Huang, an independent director (under the standards set forth in Section 303A of the NYSE Listed Company Manual and Rule 10A-3 under the Exchange Act) and the chairman of our audit committee, is our audit committee financial expert.

## ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our chief executive officer, chief financial officer and any other persons who perform similar functions for us. We have posted a copy of our code of business conduct and ethics on our website at <http://ir.bitauto.com>. We hereby undertake to provide to any person without charge a copy of our code of business conduct and ethics within ten working days after we receive such person's written request.

## ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Ernst & Young Hua Ming LLP, our independent registered public accounting firm, for the periods indicated. We did not pay any other fees to our independent registered public accounting firm during the periods indicated below.

	For the Year Ended December 31,	
	2011	2012
	(In US\$ thousands)	
Audit fees <sup>(1)</sup>	794	997
Tax fees <sup>(2)</sup>	13	—

- (1) "Audit fees" means the aggregate fees billed for professional services rendered by our independent registered public accounting firm for the audit of our annual financial statements (including the attestation and reporting on the effectiveness of our internal control over financial reporting) and limited procedures on our quarterly earnings releases.
- (2) "Tax fees" represents the aggregated fees billed for professional services rendered by our independent registered public accounting firm for tax compliance, tax advice, and tax planning.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by Ernst & Young Hua Ming LLP, including audit services, audit-related services, tax services and other services as described above, other than those for *de minimis* services which are approved by the audit committee prior to the completion of the audit.

## ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

## ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On August 11, 2011, our board of directors approved a share repurchase program, pursuant to which we were authorized to purchase our own ADSs with an aggregate value of up to US\$10 million within 12 months. The share repurchase program permitted us to purchase shares from time to time on the open market at prevailing market prices, in negotiated transactions off the market and in block trades, in accordance with applicable securities laws and subject to restrictions regarding price, volume and timing. As of June 30, 2012, we have repurchased 1,908,180 ADSs in aggregate under this share repurchase plan for a total consideration of US\$9.98 million, including transaction charges.

The following table sets forth a summary of our repurchase of our ADSs made from August 11, 2011 to June 30, 2012.

<u>Period</u>	<u>Total Number of ADSs Purchased (2)</u>	<u>Average Price Paid Per ADS(2)</u>	<u>Total Number of ADSs Purchased as Part of Publicly Announced Plans or Programs(1)</u>	<u>Maximum Dollar Value of ADSs that May Yet Be Purchased Under Plans or Programs (US\$)</u>
August 11 through August 31, 2011	28,568	6.37	28,568	9,816,951.13
September 1 through September 30, 2011	278,182	6.48	306,750	8,005,588.90
October 1 through October 30, 2011	—	—	306,750	8,005,588.90
November 1 through November 30, 2011	65,953	4.48	372,703	7,707,178.58
December 1 through December 30, 2011	82,303	4.32	455,006	7,347,712.91
January 1 through January 31, 2012	—	—	455,006	7,347,712.91
February 1 through February 29, 2012	—	—	455,006	7,347,712.91
March 1 through March 31, 2012	1,445,550	5.02	1,900,556	48,266.65
April 1 through April 30, 2012	—	—	1,900,556	48,266.65
May 1 through May 31, 2012	—	—	1,900,556	48,266.65
June 1 through June 30, 2012	7,624	3.98	1,908,180	17,572.04
Total	<u>1,908,180</u>	<u>5.23</u>	<u>1,908,180</u>	<u>—</u>

(1) On August 11, 2011, our board of directors approved a share repurchase program, under which we may repurchase up to US\$10 million worth of our issued and outstanding ADSs. We completed the share repurchase in June 2012 and the program expired on August 11, 2012.

(2) One ADS represents one ordinary share.

## ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

## ITEM 16G. CORPORATE GOVERNANCE

Certain corporate governance practices in the Cayman Islands, which is our home country, are considerably different than the standards applied to U.S. domestic issuers. We are exempt from certain corporate governance requirements of the NYSE by virtue of being a foreign private issuer. For example, we are not required to:

- have a majority of the board be independent (other than due to the requirements for the audit committee under the United States Securities Exchange Act of 1934, as amended, or the Exchange Act);
- have regularly scheduled executive sessions with only non-management directors;
- have a fully independent corporate governance and nominating committee;
- have at least one executive session of solely independent directors each year; or

- seek shareholder approval for (i) the implementation and material revisions of the terms of share incentive plans, (ii) the issuance of more than 1% of our outstanding ordinary shares or 1% of the voting power outstanding to a related party, (iii) the issuance of more than 20% of our outstanding ordinary shares, and (iv) an issuance that would result in a change of control.

We currently intend to rely on certain exemptions provided by the NYSE to a foreign private issuer, except that we have a minimum of three members on our audit committee that is fully independent, we have a compensation committee composed entirely of independent directors and we have adopted and disclosed a code of business conduct and ethics for directors, officers and employees. We have also adopted our corporate governance guidelines and made it publicly available. As a result, our investors may not be provided with the benefits of certain corporate governance requirements of the NYSE.

A copy of our corporate governance guidelines is available on our website at <http://ir.bitauto.com>.

#### **ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

### **PART III**

#### **ITEM 17. FINANCIAL STATEMENTS**

We have elected to provide financial statements pursuant to Item 18.

#### **ITEM 18. FINANCIAL STATEMENTS**

The consolidated financial statements of Bitauto Holdings Limited are included at the end of this annual report.

#### **ITEM 19. EXHIBITS**

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1	Second Amended and Restated Memorandum of Association and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 99.2 to the Form 6-K furnished on November 8, 2011 (File No. 001- 34947))
2.1	Registrant's Specimen American Depositary Receipt (incorporated herein by reference to Exhibit 4.1 to the registration statement on Form F-1, as amended (File No. 333- 170238))
2.2	Registrant's Specimen Certificate for Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1, as amended (File No. 333- 170238))
2.3	Form of Deposit Agreement, among the Registrant, the depositary and holder of the American Depositary Receipts (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form F-1, as amended (File No. 333- 170238))
2.4	Shareholders Agreement between the Registrant and other parties therein dated July 8, 2009 (incorporated herein by reference to Exhibit 4.4 to the registration statement on Form F-1, as amended (File No. 333- 170238))
2.5	Amendment to the Shareholders' Agreement between the Registrant and other parties therein, dated October 28, 2010 (incorporated herein by reference to Exhibit 4.5 to the registration statement on Form F-1, as amended (File No. 333- 170238))
2.6	Shareholders Agreement by and among the Registrant and other parties thereto dated November 1, 2012 (incorporated herein by reference to Exhibit G to Schedule 13D filed by AutoTrader Group, Inc. on November 26, 2012 (File No. 005-85981))
4.1	2006 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1, as amended (File No. 333- 170238))
4.2	2010 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1, as amended (File No. 333- 170238))

<u>Exhibit Number</u>	<u>Description of Document</u>
4.3*	2012 Share Incentive Plan
4.4	Form of Indemnification Agreement between the Registrant and its directors and officers (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1, as amended (File No. 333- 170238))
4.5	Form of Employment Agreement between the Registrant and the officers of the Registrant (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1, as amended (File No. 333- 170238))
4.6*	Exclusive Business Cooperation Agreement between BBII and BBIT
4.7*	Exclusive Option Agreement among BBII, BBIT and a shareholder of BBIT
4.8*	Share Pledge Agreement among BBII, BBIT and a shareholder of BBIT
4.9*	Loan Agreement between BBII and a shareholder of BBIT
4.10*	Exclusive Business Cooperation Agreement between BBII and BEAM
4.11*	Exclusive Option Agreement among BBII, BEAM and a shareholder of BEAM
4.12*	Equity Interest Pledge Agreement among BBII, BEAM and a shareholder of BEAM
4.13*	Loan Agreement between BBII and a shareholder of BEAM
4.14*	Power of Attorney by the shareholders of each PRC SPE
4.15	Translation of Form of Internet Marketing Service Agreement between FAW Mazda, BBII and CIG (incorporated herein by reference to Exhibit 4.12 to the Form 20-F/A furnished on August 31, 2011 (File No. 001- 34947))
8.1*	List of Subsidiaries and Affiliated Entities of the Registrant
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1, as amended (File No. 333- 170238))
12.1*	Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Han Kun Law Offices
15.2*	Consent of Ernst & Young Hua Ming LLP

\* Filed with this annual report on Form 20-F.

\*\* Furnished with this annual report on Form 20-F.

## SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

BITAUTO HOLDINGS LIMITED

By: /s/ Bin Li

Name: Bin Li

Title: Chairman and Chief Executive Officer

Date: April 26, 2013

**BITAUTO HOLDINGS LIMITED**  
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## **Report of Independent Registered Public Accounting Firm**

### **The Board of Directors and Shareholders of Bitauto Holdings Limited**

We have audited the accompanying consolidated statements of financial position of Bitauto Holdings Limited (the “Company”) as of December 31, 2011 and 2012, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bitauto Holdings Limited at December 31, 2011 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Bitauto Holdings Limited’s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 26, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young Hua Ming LLP

Beijing, People’s Republic of China

April 26, 2013

**BITAUTO HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2010, 2011 AND 2012**  
(Amounts in Renminbi (“RMB”) except for number of shares)

	Notes	2010 RMB	2011 RMB	2012 RMB
<b>Continuing operations</b>				
Revenue	5	458,105,042	669,954,316	1,056,905,980
Cost of revenue		<u>(148,700,716)</u>	<u>(213,770,767)</u>	<u>(292,150,155)</u>
<b>Gross profit</b>		309,404,326	456,183,549	764,755,825
Selling and administrative expenses	6.1	(212,002,175)	(347,734,054)	(557,355,414)
Product development expenses		<u>(29,777,897)</u>	<u>(36,634,393)</u>	<u>(53,794,845)</u>
<b>Operating profit</b>		67,624,254	71,815,102	153,605,566
Other income	6.2	5,358,201	24,840,678	6,579,959
Other expenses	6.3	(1,345,753)	(2,371,416)	(7,279,115)
Changes in fair value of derivative component of convertible preference shares	20.1	(1,270,701,904)	—	—
Interest income		618,258	3,963,484	5,534,742
Interest expense		(992,650)	(1,238,314)	(3,771,809)
Finance costs on convertible preference shares		(9,354,999)	—	—
Changes in fair value of financial assets	20.3	—	—	(267,297)
Share of losses of an associate and a jointly controlled entity	4	—	(77,292)	(317,143)
<b>(Loss)/profit before tax from continuing operations</b>		(1,208,794,593)	96,932,242	154,084,903
Income tax expense	7	(13,185,495)	(9,758,440)	(18,923,256)
<b>(Loss)/profit for the year from continuing operations</b>		(1,221,980,088)	87,173,802	135,161,647
<b>Discontinued operations</b>				
Loss after tax for the year from discontinued operations	8	(51,309,828)	—	—
<b>(Loss)/profit for the year</b>		<u>(1,273,289,916)</u>	<u>87,173,802</u>	<u>135,161,647</u>
<b>Other comprehensive income/(loss)</b>				
Foreign currency exchange differences, net of tax of nil		25,413,043	(28,477,818)	(1,679,942)
Net gain on available-for-sale financial instrument, net of tax of nil	20.3	—	—	1,093,734
<b>Other comprehensive income/(loss) for the year, net of tax</b>		25,413,043	(28,477,818)	(586,208)
<b>Total comprehensive (loss)/income for the year</b>		<u>(1,247,876,873)</u>	<u>58,695,984</u>	<u>134,575,439</u>

*The accompanying notes are an integral part of the consolidated financial statements*

**BITAUTO HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2010, 2011 AND 2012**  
(Amounts in Renminbi (“RMB”) except for number of shares)

	Notes	2010 RMB	2011 RMB	2012 RMB
<b>Attributable to:</b>				
<b>Ordinary shareholders</b>				
(Loss)/profit for the year from continuing operations		(1,221,980,088)	87,173,802	135,161,647
Loss for the year from discontinued operations		(51,309,828)	—	—
(Loss)/profit for the year attributable to ordinary shareholders		<u>(1,273,289,916)</u>	<u>87,173,802</u>	<u>135,161,647</u>
<b>Non-controlling interest</b>				
Profit for the year from continuing operations		—	—	—
Profit for the year from discontinued operations		—	—	—
Profit for the year attributable to non-controlling interest		<u>—</u>	<u>—</u>	<u>—</u>
<b>Total comprehensive (loss)/income attributable to:</b>				
Ordinary shareholders		(1,247,876,873)	58,695,984	134,575,439
Non-controlling interest		—	—	—
<b>(Loss)/profit per share</b>	<b>18</b>			
- basic, (loss)/profit for the year per share attributable to ordinary shareholders		(38.29)	2.11	3.40
- diluted, (loss)/profit for the year per share attributable to ordinary shareholders		(38.29)	2.06	3.33
<b>(Loss)/profit per share from continuing operations</b>	<b>18</b>			
- basic, (loss)/profit per share from continuing operations attributable to ordinary shareholders		(36.74)	2.11	3.40
- diluted, (loss)/profit from continuing operations attributable to ordinary shareholders		(36.74)	2.06	3.33

*The accompanying notes are an integral part of the consolidated financial statements*

**BITAUTO HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2011 AND 2012**  
(Amounts in Renminbi (“RMB”) except for number of shares)

	Notes	2011 RMB	2012 RMB
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	34,967,855	78,042,235
Intangible assets	10	56,455,354	48,309,534
Investments in an associate and a jointly controlled entity	4	412,708	3,408,599
Available-for-sale investments	20	—	19,645,330
Goodwill	11	38,992,640	38,992,640
Deferred tax assets	7	10,871,800	12,537,048
Other non-current assets		420,060	—
		<u>142,120,417</u>	<u>200,935,386</u>
<b>Current assets</b>			
Trade receivables	13	433,782,917	472,074,696
Bills receivables	14	74,539,413	68,768,260
Prepayments and other receivables	15	37,034,646	75,326,627
Due from related parties	23	10,426,465	5,445,445
Inventories		—	42,572
Financial assets at fair value through profit or loss	20	—	37,713
Cash and cash equivalents	16	601,377,150	600,385,558
Other current assets		2,038,944	764,604
		<u>1,159,199,535</u>	<u>1,222,845,475</u>
<b>TOTAL ASSETS</b>		<u><u>1,301,319,952</u></u>	<u><u>1,423,780,861</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	17	11,696	11,696
Share premium	17	2,409,156,049	2,409,156,049
Treasury shares	17	(16,809,532)	(62,727,907)
Employee equity benefit reserve	19	27,706,721	40,992,540
Other reserve			
- Foreign currency translation reserve		26,464,548	24,784,606
- Available-for-sale financial instrument reserve		—	1,093,734
Accumulated losses		<u>(1,560,667,982)</u>	<u>(1,425,506,335)</u>
<b>Total equity</b>		<u>885,861,500</u>	<u>987,804,383</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	7	<u>9,697,740</u>	<u>7,291,615</u>
		<u>9,697,740</u>	<u>7,291,615</u>
<b>Current liabilities</b>			
Trade payables	21	201,125,551	132,821,192
Other payables and accruals	22	153,243,688	224,477,692
Due to related parties	23	15,920,150	18,425,000
Income tax payable		35,471,323	52,960,979
		<u>405,760,712</u>	<u>428,684,863</u>
<b>Total liabilities</b>		<u>415,458,452</u>	<u>435,976,478</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,301,319,952</u></u>	<u><u>1,423,780,861</u></u>

*The accompanying notes are an integral part of the consolidated financial statements*

**BITAUTO HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2010, 2011 AND 2012**  
**(Amounts in Renminbi (“RMB”) except for number of shares)**

	Attributable to ordinary shareholders							Non-controlling interest	Total equity
	Issued capital (Note 17)	Share premium (Note 17)	Employee equity benefits reserve (Note 19)	translation reserve, net of tax of nil	Accumulated losses	Total	RMB		
<b>At January 1, 2010</b>	3,905	45,864,771	3,024,104	29,529,323	(272,589,481)	(194,167,378)	(830)	(194,168,208)	
Loss for the year	—	—	—	—	(1,273,289,916)	(1,273,289,916)	—	(1,273,289,916)	
Other comprehensive income	—	—	—	—	—	—	—	—	
Total comprehensive income/(loss) for the year	—	—	—	—	25,413,043	25,413,043	—	25,413,043	
Recognition of non-controlling interest	—	—	—	—	(1,273,289,916)	(1,247,876,873)	—	(1,247,876,873)	
Distribution to Shareholders (Note 8)	—	—	—	—	(101,962,387)	(101,962,387)	665,000	665,000	
Exercise of options	41	1,007,580	(598,019)	—	—	409,602	—	409,602	
Issuance of ordinary shares	2,394	641,036,115	—	—	—	641,038,509	—	641,038,509	
Conversion of preference shares to ordinary shares upon completion of the initial public offering (Note 20.1)	5,255	1,718,456,252	—	—	—	1,718,461,507	—	1,718,461,507	
Share-based payment	—	—	7,509,698	—	—	7,509,698	—	7,509,698	
<b>At December 31, 2010</b>	<u>11,595</u>	<u>2,406,364,718</u>	<u>9,935,783</u>	<u>54,942,366</u>	<u>(1,647,841,784)</u>	<u>823,412,678</u>	<u>—</u>	<u>823,412,678</u>	

*The accompanying notes are an integral part of the consolidated financial statements*

**BITAUTO HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2010, 2011 AND 2012**  
**(Amounts in Renminbi (“RMB”) except for number of shares)**

	Issued capital (Note 17) RMB	Share premium (Note 17) RMB	Treasury shares (Note 17) RMB	Employee equity benefits reserve (Note 19) RMB	Other reserve- foreign currency translation reserve, net of tax of nil RMB	Accumulated losses RMB	Total equity RMB
<b>At January 1, 2011</b>	11,595	2,406,364,718	—	9,935,783	54,942,366	(1,647,841,784)	823,412,678
Profit for the year	—	—	—	—	—	87,173,802	87,173,802
Other comprehensive loss	—	—	—	—	(28,477,818)	—	(28,477,818)
Total comprehensive (loss)/income for the year	—	—	—	—	(28,477,818)	87,173,802	58,695,984
Exercise of options	24	2,791,331	—	(946,238)	—	—	1,845,117
Issuance of ordinary shares in connection with the future exercise of share options (Note 17)	77	—	—	—	—	—	77
Share-based payment	—	—	(16,809,532)	18,717,176	—	—	18,717,176
Repurchase of ordinary shares	—	—	(16,809,532)	—	—	—	(16,809,532)
<b>At December 31, 2011</b>	<u>11,696</u>	<u>2,409,156,049</u>	<u>(16,809,532)</u>	<u>27,706,721</u>	<u>26,464,548</u>	<u>(1,560,667,982)</u>	<u>885,861,500</u>

*The accompanying notes are an integral part of the consolidated financial statements*

**BITAUTO HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2010, 2011 AND 2012**  
**(Amounts in Renminbi (“RMB”) except for number of shares)**

	Issued capital (Note 17) RMB	Share premium (Note 17) RMB	Treasury shares (Note 17) RMB	Employee equity benefits reserve (Note 19) RMB	Other reserve-foreign currency translation reserve, net of tax of nil RMB	Other reserve-available-for-sale financial instrument reserve, net of tax of nil RMB	Accumulated losses RMB	Total equity RMB
<b>At January 1, 2012</b>	11,696	2,409,156,049	(16,809,532)	27,706,721	26,464,548	—	(1,560,667,982)	885,861,500
Profit for the year	—	—	—	—	—	—	135,161,647	135,161,647
Other comprehensive (loss)/income	—	—	—	—	(1,679,942)	1,093,734	—	(586,208)
Total comprehensive (loss)/income for the year	—	—	—	—	(1,679,942)	1,093,734	135,161,647	134,575,439
Share-based payment	—	—	(45,918,375)	13,285,819	—	—	—	13,285,819
Repurchase of ordinary shares	—	—	—	—	—	—	—	(45,918,375)
<b>At December 31, 2012</b>	<u>11,696</u>	<u>2,409,156,049</u>	<u>(62,727,907)</u>	<u>40,992,540</u>	<u>24,784,606</u>	<u>1,093,734</u>	<u>(1,425,506,335)</u>	<u>987,804,383</u>

*The accompanying notes are an integral part of the consolidated financial statements*

**BITAUTO HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010, 2011 AND 2012**  
(Amounts in Renminbi (“RMB”) except for number of shares)

	Notes	2010 RMB	2011 RMB	2012 RMB
<b>Operating activities</b>				
(Loss)/profit before tax from continuing operations		(1,208,794,593)	96,932,242	154,084,903
Loss before tax from discontinued operations		(27,065,324)	—	—
(Loss)/profit before tax		(1,235,859,917)	96,932,242	154,084,903
Non-cash adjustments to reconcile (loss)/profit before tax to net cash flows:				
Depreciation of property, plant and equipment	9	7,591,275	10,626,979	19,415,439
Amortization of intangible assets	10	1,951,964	2,831,004	11,902,559
Loss on disposal of property, plant and equipment	6	74,556	33,683	1,388,379
Share-based payment	19	7,509,698	18,717,176	13,285,819
Provision for bad debts		634,839	2,086,570	10,023,510
Interest income		(618,258)	(3,963,484)	(5,534,742)
Interest expense		992,650	1,238,314	3,771,809
Share of losses of an associate and a jointly controlled entity	4	—	77,292	4,109
Unrealized exchange gains	6.2	(5,317,384)	(24,059,008)	(4,484,641)
Finance costs on convertible preference shares		9,354,999	—	—
Changes in fair value of derivative component of convertible preference shares		1,270,701,904	—	—
Changes in fair value of financial assets		—	—	267,297
Fair value adjustment of a contingent consideration		—	—	1,870,000
Changes in working capital:				
Trade receivables		(82,633,055)	(211,278,085)	(59,099,136)
Bills receivables		(42,304,278)	(15,169,786)	5,771,153
Prepayments and other receivables		(24,370,013)	(915,728)	(35,845,164)
Due from related parties		2,586,619	2,728,329	4,981,020
Inventories		—	—	(42,572)
Other current assets		(879,182)	1,530,203	1,274,340
Other non-current assets		(971,329)	551,269	420,060
Trade payables		58,939,120	(737,088)	(66,272,727)
Other payables and accruals		49,755,483	33,328,538	71,526,121
Deferred revenue		(2,095,987)	—	—
Due to related parties		(176,581)	(4,684,755)	(374,996)
		14,867,123	(90,126,335)	128,332,540
Interest received		618,258	3,963,484	5,534,742
Income tax paid		(975,595)	(527,396)	(5,504,973)
<b>Net cash flows from/(used in) operating activities</b>		<b>14,509,786</b>	<b>(86,690,247)</b>	<b>128,362,309</b>
<b>Investing activities</b>				
Proceeds from sale of property, plant and equipment		164,000	33,000	4,943,299
Purchases of property, plant and equipment	9	(17,616,900)	(17,113,138)	(57,071,099)
Purchases of intangible assets	10	(502,555)	(9,079,916)	(9,201,739)
Investment in an associate and a jointly controlled entity	4	—	(490,000)	(3,000,000)
Purchase of available-for-sale investments	20.3	—	—	(18,973,656)
Acquisition of a subsidiary, net of cash acquired	3	—	(44,886,367)	—
<b>Net cash flows used in investing activities</b>		<b>(17,955,455)</b>	<b>(71,536,421)</b>	<b>(83,303,195)</b>

*The accompanying notes are an integral part of the consolidated financial statements*

**BITAUTO HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2010, 2011 AND 2012**  
(Amounts in Renminbi (“RMB”) except for number of shares)

	Notes	2010 RMB	2011 RMB	2012 RMB
<b>Financing activities</b>				
Distribution to shareholders	8	(8,135,379)	—	—
Contribution from non-controlling interest		665,000	—	—
Proceeds from interest-bearing borrowing		20,000,000	—	—
Repayment of interest-bearing borrowing		—	(20,000,000)	—
Interest expense paid		(992,650)	(1,154,160)	(2,761,963)
Exercise of options		409,602	1,845,117	—
Proceeds from issuance of ordinary shares, net of issuance costs		644,329,940	—	—
Payment of offering expenses		—	(3,291,354)	—
Repurchase of ordinary shares		—	(16,517,415)	(46,210,492)
<b>Net cash flows from/(used in) financing activities</b>		<u>656,276,513</u>	<u>(39,117,812)</u>	<u>(48,972,455)</u>
Net increase/(decrease) in cash and cash equivalents		652,830,844	(197,344,480)	(3,913,341)
Net foreign exchange difference		(285,719)	(4,418,810)	2,921,749
Cash and cash equivalents at beginning of the year		<u>150,595,315</u>	<u>803,140,440</u>	<u>601,377,150</u>
<b>Cash and cash equivalents at end of the year</b>		<u><u>803,140,440</u></u>	<u><u>601,377,150</u></u>	<u><u>600,385,558</u></u>
<b>Supplemental disclosure of non-cash activities:</b>				
Repurchase of ordinary shares		—	292,117	—
Purchase consideration for acquisition of Beijing Bitcar Interactive Information Technology Company Limited (“Bitcar”) due to related parties	3	—	15,120,154	2,879,846
Settlement of due from Bitcar as part of the acquisition of Bitcar		—	11,319,822	—
Purchases of property, plant and equipment		1,900,319	193,300	1,586,668
Exchange of advertising services for motor vehicles		—	—	10,783,847
Purchases of intangible assets		—	3,425,000	—
Conversion of convertible preference shares	20.1	1,718,461,507	—	—
Offering expenses accrued for in other payables and accruals		3,291,431	—	—

*The accompanying notes are an integral part of the consolidated financial statements*

**BITAUTO HOLDINGS LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010, 2011 AND 2012**  
**(Amounts in Renminbi (“RMB”) except for number of shares)**

**1. Corporate information**

Bitauto Holdings Limited (the “Company”) is a limited liability company incorporated and domiciled in the Cayman Islands. The registered office is located at Scotia Centre, George Town, Grand Cayman, Cayman Islands.

The Company does not conduct any substantial operations other than acting as an investment holding company and parent of its subsidiaries and special purpose entities (the “SPEs”). The Company conducts its business operations through its subsidiary, Beijing Bitauto Internet Information Company Limited (“BBII”) and the SPEs (collectively, the “Group”), which are all established in the People’s Republic of China (the “PRC”). The Company owns 100% of the equity of BBII through a wholly-owned subsidiary, Bitauto Hong Kong Limited (“Bitauto HK”).

The Group is principally engaged in the provision of Internet content and marketing services in the automobile industry, including advertising services, subscription services, listing services and one-stop digital marketing services in the PRC.

As at December 31, 2012, the Company’s subsidiaries and the SPEs are as follows:

<u>Name</u>	<u>Place and date of incorporation or registration and place of operations</u>
<b>Subsidiaries</b>	
Beijing Bitauto Internet Information Company Limited	January 20, 2006 PRC
Bitauto Hong Kong Limited	April 27, 2010 Hong Kong
<b>SPEs</b>	
Beijing C&I Advertising Company Limited	December 30, 2002 RPC
Beijing Bitauto Information Technology Company Limited	November 30, 2005 PRC
Beijing Brainstorm Advertising Company Limited	February 10, 2006 PRC
Beijing New Line Advertising Company Limited	June 8, 2006 PRC
Beijing Bitauto Interactive Advertising Company Limited	December 12, 2007 PRC
Beijing Taoche Information Technology Company Limited (formerly known as You Jie Wei Ye (Beijing) Culture Media Company Limited)	February 2, 2008 PRC
Beijing Easy Auto Media Company Limited	March 7, 2008 PRC
Beijing You Jie Information Company Limited	July 11, 2008 PRC
Beijing Bitcar Interactive Information Technology Company Limited	October 16, 2008 PRC
Beijing BitOne Technology Company Limited	August 13, 2010 PRC
Beijing Bit EP Information Technology Company Limited	June 3, 2011 PRC

Bitauto HK’s principal activities are the provision of administrative and consulting services to BBII. BBII’s principal activities are the provision of technical and consulting services to the SPEs. All of the SPEs’ principal activities are the provision of advertising services, subscription services, listing services and one-stop digital marketing services through various forms of media, such as websites.

**BITAUTO HOLDINGS LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2010, 2011 AND 2012**  
**(Amounts in Renminbi (“RMB”) except for number of shares)**

**2.1 Basis of preparation**

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in Renminbi (“RMB”). Certain items reported in the prior year’s consolidated financial statements have been reclassified to conform to the current year’s presentation.

*Statement of compliance*

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

*Basis of consolidation*

Pursuant to a number of contractual and trust agreements, the Company owns and controls its SPEs through nominees. At the option of the Company, the Company could or could direct another person to purchase the entire equity interests of the SPEs from the nominees. In addition, the nominees transferred to the Company all the voting power over the financial and operating policies of the SPEs as well as all the economic benefits received from the SPEs.

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries and its SPEs for the years ended December 31, 2010, 2011 and 2012.

Subsidiaries and SPEs are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries and SPEs are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary or SPE, without a change of control, is accounted for as an equity transaction.

**BITAUTO HOLDINGS LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2010, 2011 AND 2012**  
**(Amounts in Renminbi (“RMB”) except for number of shares)**

**2.1 Basis of preparation (continued)**

*Basis of consolidation (continued)*

If the Company loses control over a subsidiary or SPE, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary or SPE
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent’s share of components previously recognized in other comprehensive income to profit or loss.

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities. Details on subsidiaries of the Company are disclosed in Note 1 – Corporate information.

In order to effectively control the SPEs, the subsidiary of the Company has entered into exclusive business cooperation agreements and supplementary agreements with the SPEs, which entitle the subsidiary of the Company to receive a majority of SPEs’ residual returns. The paid-in capital of the SPEs was funded by the Company through long-term loans to the nominees. As a security for such loans, the nominees have pledged their interests in the SPEs to the subsidiary of the Company. In addition to the aforesaid agreements, the nominees have agreed not to transfer the equity interests, or place or permit the existence of any security interest or other encumbrance that affects the Company’s rights and interests in the SPEs, without the prior written consent of the Company.

Based on these contractual arrangements, the Company believes that the SPEs are considered special purpose entities under SIC 12 “Consolidation – *Special Purpose Entity*” (“SIC 12”) and the SPEs are consolidated under SIC 12 as the SPEs are controlled by the Company, even when the Company directly owns none of the equity of an entity.

The substance of all the aforesaid arrangements is that the Company controlled the SPEs in which:

- i) the activities of the SPEs are being conducted on behalf of the Company according to its specific business needs so that the Company obtains benefits from the SPEs’ operations;
- ii) the Company has the decision-making powers to obtain the majority of the benefits of the activities of the SPEs;
- iii) in substance, the Company has rights to obtain the majority of the benefits of the activities of the SPEs; or
- iv) in substance, the Company retains the majority of the residual or ownership risks related to the SPEs or its assets in order to obtain benefits from their activities.

Based on the advice of Han Kun Law Offices, the Group’s PRC legal counsel, the corporate structure and contractual arrangements of the SPEs and BBII are in compliance with all existing PRC laws and regulations. Therefore, in the opinion of management, (i) the ownership structure of the Company, Bitauto HK, BBII and the SPEs are in compliance with existing PRC laws and regulations; (ii) the contractual arrangements with the SPEs and their nominee shareholders are valid and binding, and will not result in any violation of PRC laws or regulations currently in effect; and (iii) the Group’s business operations are in compliance with existing PRC law and regulations in all material respects.

Accordingly, all SPEs are consolidated by the Company.

**BITAUTO HOLDINGS LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2010, 2011 AND 2012**  
**(Amounts in Renminbi (“RMB”) except for number of shares)**

**2.2 Significant accounting estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. Impairment of trade receivables

The Group recognizes a provision for bad debts associated with its trade receivables in accordance with the accounting policy stated in Note 2.3. The Group has made judgments based on the age of the trade receivables and the customer specific credit risk in relation to the impairment of the trade receivable balances, which include the incurrence of losses, and amounts expected to be recovered in respect of any impaired trade receivables. As of December 31, 2011 and 2012, the provision for bad debts amounted to RMB3,430,109, and RMB13,453,619, respectively.

b. Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangible assets are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Further details are set out in Note 12.

c. Share-based payment

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

The Company measures the cost of equity-settled transactions with non-employees by reference to the fair value of the goods or services received at the date at which the services are rendered to the Company, and only on the fair value of the equity instruments if the fair value of the goods and services cannot be reliably estimated.

Estimating fair value requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed in Note 19.

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**2.2 Significant accounting estimates and assumptions (continued)**

d. Deferred tax assets

Deferred tax assets are recognized for unused tax losses and other deductible temporary tax differences reversing in future years to the extent it is probable taxable profit will be available against which the losses and other deductible temporary tax differences can be recognized. Significant management estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are set out in Note 7.

e. Fair values of other financial assets

As the fair values of financial assets at fair value through profit or loss and available-for-sale investments recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using valuation techniques.

The major inputs to the valuations model for the assessment of the fair values of other financial assets are the enterprise valuation, expected volatility of the enterprise share value and the discount rate. The enterprise valuation is assessed based on the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing the fair values. Changes in assumptions about these factors could affect the reported fair values of the financial instruments. The assumptions and models used are further disclosed in Note 20.3.

f. Property, plant and equipment and intangible assets - estimated useful lives and residual values

The Group determines the estimated useful lives and residual values (if applicable) and consequently related depreciation/amortization charges for its property, plant and equipment and intangible assets. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions, or based on value-in-use calculations or market valuations according to the estimated periods that the Group intends to derive future economic benefits from the use of intangible assets. Management will increase the depreciation/amortization charge where useful lives are less than previously estimated lives, and it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation/amortization expense in future periods.

g. Fair value measurement of contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a derivative and, thus, a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

As part of the identification and measurement of assets and liabilities in the acquisition of Bitcar, the Group identified an element of contingent consideration with a fair value of RMB15,036,000 at the acquisition date, remeasured to RMB18,000,000 as at December 31, 2012 (2011: RMB15,120,154), which is classified as due to related parties (see Notes 3 and 23).

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**2.3 Summary of significant accounting policies**

*Business Combinations and Goodwill*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”) either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the Group’s net identifiable assets acquired and liabilities assumed. If the aggregate consideration is lower than the fair value of the net assets acquired, the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units (“CGU”) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the CGU retained.

When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated to the identifiable assets and liabilities (and contingent liabilities, if relevant) are made within the measurement period, a period of no more than one year from the acquisition date.

When the initial allocation of goodwill to a CGU was determined provisionally, any adjustments to the provisional values allocated to the CGU are made before the end of the first annual period beginning after the acquisition date.

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**2.3 Summary of significant accounting policies (continued)**

*Investments in an associate and a jointly controlled entity*

The Group’s investments in its associate and jointly controlled entity are accounted for using the equity method. An associate is an entity in which the Group has significant influence. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the entity.

Under the equity method, the investments in the associate and the jointly controlled entity are carried at cost plus post acquisition changes in the Group’s share of net assets of the associate and the jointly controlled entity. Goodwill relating to the associate and the jointly controlled entity is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of comprehensive income reflects the Group’s share of profit or loss, and other comprehensive income of the associate and the jointly controlled entity. Unrealized gains and losses resulting from transactions between the Group and the associate and the jointly controlled entity are eliminated to the extent of the interest in the associate and the jointly controlled entity.

The Group’s share of profit or loss of an associate and a jointly controlled entity is the profit or loss attributable to equity holders of the associate and the jointly controlled entity and, therefore, is profit or loss after tax and non-controlling interests in the subsidiaries of the associate and the jointly controlled entity.

The financial statements of the associate and the jointly controlled entity are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investments in its associate and jointly controlled entity. The Group determines at each reporting date whether there is any objective evidence that the investments in the associate and the jointly controlled entity 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 the jointly controlled entity and its carrying value and recognizes the amount in the share of losses of an associate and a jointly controlled entity in the consolidated statements of comprehensive income.

Upon loss of significant influence or joint control over the associate or the jointly controlled entity respectively, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate and the jointly controlled entity upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

*Foreign currencies*

The Group’s presentation currency is the RMB. The Company, its subsidiaries and the SPEs individually determine their functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Company and its wholly owned subsidiary Bitauto HK is the U.S. dollar (US\$), while the functional currency of BBII and the SPEs is the RMB. Since the Group’s operations are primarily denominated in the RMB, the Group has chosen the RMB as the presentation currency for the consolidated financial statements.

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**2.3 Summary of significant accounting policies (continued)**

*Foreign currencies (continued)*

Transactions in foreign currencies are initially recorded by the entities within the Group at their respective functional currency spot rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

The assets and liabilities of entities that have a functional currency that is different from the presentation currency are translated into the RMB at the rates of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign entity, the component of other comprehensive income relating to that particular entity is recognized in profit or loss.

*Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statements of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

	Estimated useful life	
Computers and servers		3 – 5 years
Motor vehicles		5 years
Furniture and fixtures		5 years
Leasehold improvements	over the shorter of the remaining lease terms or the estimated useful lives of the assets	

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of comprehensive income when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at least at each financial year end, and adjusted prospectively, if appropriate.

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**2.3 Summary of significant accounting policies (continued)**

*Intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets with finite lives are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit and loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

	Estimated useful life	Internally generated or acquired
Purchased software	5 – 10 years	Acquired
Digital Sales Assistant system (Note 3)	10 years	Acquired
Trade name and lifetime membership	Indefinite	Acquired
Domain names	10 years	Acquired
Contract backlog	2 years	Acquired
Others	5 years	Acquired

Intangible assets with finite lives are amortized over the useful economic life on straight line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The trade name and lifetime membership acquired may be used indefinitely without significant costs of renewal. The expected cash flows generated from the trade name and lifetime membership are for an indefinite period. As a result, the trade name and lifetime membership are assessed as having an indefinite useful life.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

On May 31, 2010, the Company distributed cash and net assets of the distributed entities to its shareholders, which included intangible assets such as the customer relationships, partnership agreement, others and a portion of purchased software (Note 8).

On November 30, 2011, the Group acquired intangible assets as part of its acquisition of Bitcar, which included a Digital Sales Assistant system and contract backlog (Note 3).

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**2.3 Summary of significant accounting policies (continued)**

*Impairment of non-financial assets other than goodwill and intangible assets with indefinite lives*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, or other available fair value indicators. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

Impairment losses of continuing operations are recognized in the income statement in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

*Impairment of goodwill and intangible assets with indefinite lives*

Goodwill and intangible assets with indefinite lives are tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill and intangible assets with indefinite lives by assessing the recoverable amount of the CGU, to which the goodwill and intangible assets with indefinite lives relates. When the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill are not reversed in future periods.

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**2.3 Summary of significant accounting policies (continued)**

*Product development expenses*

Expenditure on product development research is expensed as incurred.

Expenditure on development or from the development phase of an individual project is recognized as an internally generated intangible if, and only if, the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

In addition, expenditure on website development should only be capitalized as an intangible asset if, in addition to complying with all of the conditions above, the Group can demonstrate that the website is used directly in the revenue generating process.

Following initial recognition of the development expenditure as an asset, requiring the asset will be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

*Borrowing costs*

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All borrowing costs are expensed in the period they are incurred unless they relate to eligible assets, in which case they are capitalized.

*Inventories*

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the specific identification method. The cost comprises purchase cost and any other direct costs. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

*Cash and cash equivalents*

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and on hand and cash equivalents with an original maturity of three months or less.

For the purpose of the consolidated statements of cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

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**2.3 Summary of significant accounting policies (continued)**

*Initial recognition and subsequent measurement of financial assets*

The Group’s financial assets include cash and cash equivalents, trade receivables, bills receivables, financial assets at fair value through profit or loss and available-for-sale investments. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded 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 profit or loss. Regular 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.

The subsequent measurement of financial assets depends on their classification as follows:

*Loans and receivables*

Trade and bills receivables, categorized as loans and receivables, are subsequently measured at amortized cost, to the extent that the effect of discounting is material, using the effective interest rate method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are discounted if the effect of discounting is material. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. When a trade and bills receivable is uncollectible, it is written-off against the allowance account for trade and bills receivables. Subsequent recoveries of amounts previously written-off are recognized as income in profit or loss.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives such as the warrant associated with the financial assets discussed in Note 20.3 are measured at fair value with changes in fair value recognized in profit or loss. Dividend or interest income, if any, from financial assets at fair value through profit or loss is recognized in profit or loss as part of other income when the Group’s right to receive payments is established.

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**2.3 Summary of significant accounting policies (continued)**

*Initial recognition and subsequent measurement of financial assets (continued)*

*Available-for-sale investments*

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale financial instrument reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale financial instrument reserve to profit or loss. The cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. If any such evidence exists for available-for-sale investments, 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 other comprehensive income and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss.

*Initial recognition and subsequent measurement of financial liabilities*

The Group's financial liabilities mainly include trade and other payables. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The subsequent measurement of financial liabilities depends on their classification as follows:

*Other financial liabilities*

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

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**2.3 Summary of significant accounting policies (continued)**

*Derecognition of financial assets and liabilities*

*Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

*Employee Benefits - PRC contribution scheme*

Full-time employees of the Group in the PRC participate in a government mandated contribution scheme pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the Group makes contributions to the government for these benefits based on certain percentages of the employees’ salaries. The Group has no legal or constructive obligations for further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to their current and past services. The total expenses for the plan were RMB25,758,701, RMB34,794,604 and RMB53,876,162 for the years ended December 31, 2010, 2011 and 2012, respectively.

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**2.3 Summary of significant accounting policies (continued)**

*Treasury shares*

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the statements of comprehensive income on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

*Provisions*

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognized in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

*Share-based compensation transactions*

Employees (including senior executives and board members) and non-employees of the Group receive remuneration in the form of share-based payment transactions, whereby individuals above render services as consideration for equity instruments (“equity-settled transactions”). When the Group grants an award that vest in installments, or graded vesting, each installment or vesting tranche is treated as a separate award.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The cost of equity-settled transactions with employees is recognized, together with a corresponding increase in equity, presented as employee equity benefit reserve, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied.

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**2.3 Summary of significant accounting policies (continued)**

*Share-based compensation transactions (continued)*

Where the terms of an equity-settled transaction are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transactions, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

Non-employee equity-settled transactions are generally accounted for in the same manner as employee equity-settled transactions except for the measurement date and measurement basis of the expense. Non-employee costs are measured and recognized at the service date, which is the date when goods or services are rendered to the Group. This implies that, where the goods or services are received on a number of dates over a period, the fair value at each date should be used. Therefore, at each date the non-employee provides service, the fair value needs to be calculated and recorded as an expense with a corresponding increase in equity. The measurement basis of the expense is the fair value of the goods or services received by the Group, and only on the fair value of the equity instruments if, the fair value of the goods and services cannot be reliably estimated.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 18).

*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 fulfilment 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 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, the lease is classified as operating leases. 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.

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**2.3 Summary of significant accounting policies (continued)**

*Revenue recognition*

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied: (i) the amount of revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the transaction will flow to the Group; (iii) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and (iv) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The Group enters into transactions that may include website design, set-up, and maintenance services, and customer relationship management services on mobile internet enabled sales tools. The commercial effect of each separately identifiable component of the transaction is evaluated in order to reflect the substance of the transaction. The consideration from these transactions is allocated to each separately identifiable component based on the relative fair value of each component. The Group determines the fair value of each component based on the selling price of the component if sold separately by the Group. The consideration allocated to each component is recognized as revenue when the revenue recognition criteria for that component have been met. The following specific recognition criteria must also be met before revenue is recognized:

(a) Advertising services

(i) *Advertising activities*

Revenue from advertising activities is recognized when the advertisements are published over the stated display period in the case of websites or for the first time in the case of television, radio, newspapers and magazines and when the collectability is reasonably assured. The Group also organizes promotional activities to assist customers to promote their products. The Group recognizes revenue from organizing promotional activities when the services have been rendered, and the collectability is reasonably assured. Additionally, the Group provides website design, setup and maintenance services, which is generally completed within a year. Revenue from development services is recognized when the services have been rendered, which is once the design and setup of the website is complete, and the collectability is reasonably assured. Revenue for maintenance services is recognized ratably over the contract period. Revenues from advertising activities are reported at a gross amount.

(ii) *Dealer subscription and listing services*

The Group provides advertisement services to new and used car dealers. The Group makes available throughout the subscription or listing period a proprietary platform linked to its website or media vendors' websites where auto dealers can publish information such as the pricing of their automobiles, locations and addresses and other related information. The revenue is recognized on a straight-line basis over the subscription or listing period. Additionally, the Group provides customer relationship management services on mobile internet enabled sales tools to auto dealers. The revenue is recognized when the services have been rendered and the collectability is reasonably assured. Revenues from dealer subscription and listing services are reported at a gross amount.

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**2.3 Summary of significant accounting policies (continued)**

*Revenue recognition (continued)*

*(b) Advertising agent services*

Advertising agent service revenues are primarily derived from fees received for assisting customers in placing advertisements on media vendor websites and radio. The net commission revenue from advertising agent services is recognized when the advertisements are published over the stated display period in the case of websites or for the first time in the case of radio, and when the collectability is reasonably assured. The Group also receives performance-based rebates from the media vendors, equal to a percentage of the purchase price for qualifying advertising space purchased and utilized by the customers the Group represents. Revenue is recognized when the amounts of these performance-based rebates are probable and reasonably estimable. Revenues from advertising agent services are reported at a net amount.

*Taxes*

*Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation or uncertainty exists related to the sustainability of such positions taken and establishes provisions where appropriate.

*Deferred tax*

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss);
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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**2.3 Summary of significant accounting policies (continued)**

*Taxes (continued)*

*Deferred tax (continued)*

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is recovered or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income tax relating to item recognized outside profit or loss is recognized outside profit or loss. Income tax relating to an item accounted for directly in equity is recognized directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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**2.3 Summary of significant accounting policies (continued)**

*Discontinued operations*

A discontinued operation is a component of the Group’s business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statements of comprehensive income, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

Comparative information for prior periods is re-presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

The classification, measurement and presentation requirements above are also applied to non-current assets that are held for distribution, or distributed to shareholders acting in their capacity as shareholders.

*Related parties*

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person’s family and that person

- (i) has control, or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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**2.4 Recent accounting pronouncements**

*New Standards, Amendments and Interpretations to Existing Standards Adopted by the Group*

*IAS 12, Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets.* The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment was effective for annual periods beginning on or after January 1, 2012 and had no effect on the Group’s financial position, performance or its disclosures.

*IFRS 7, Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements.* The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group’s financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the users to evaluate the nature of, and risks associated with, the entity’s continuing involvement in those derecognized assets. The amendment is effective for annual periods beginning on or after July 1, 2011. The Group does not have any assets with these characteristics so there was no effect on the Group’s financial statements.

*New Standards, Amendments and Interpretations to Existing Standards not yet adopted by the Group*

*Effective for the 2013 financial year*

*IAS 1, Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (“OCI”).* The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or “recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendment affects presentation only and therefore, has no impact on the Group’s financial position or performance.

*IAS 19, Employee Benefits (Revised).* The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism for recognizing actuarial gains and losses on defined benefit pension plans and the concept of expected returns on plan assets to simple clarifications and re-wording. Management is finalizing its analysis of this new standard and our preliminary assessment is that it is not expected to have a material impact on the Group’s financial statements. This standard becomes effective for annual periods beginning on or after January 1, 2013.

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**2.4 Recent accounting pronouncements (continued)**

*New Standards, Amendments and Interpretations to Existing Standards not yet adopted by the Group (continued)*

*Effective for the 2013 financial year (continued)*

*IFRS 7, Disclosures - Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7.* These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity’s financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. Management is finalizing its analysis of this new standard and our preliminary assessment is that it is not expected to have a material impact on the Group’s financial statements. These amendments will become effective for annual periods beginning on or after January 1, 2013.

*IFRS 10, Consolidated Financial Statements; IAS 27, Separate Financial Statements.* IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also replaces SIC-12 Consolidation – Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities (now termed “structured entities”). The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Management is finalizing its analysis of this new standard and our preliminary assessment is that it is not expected to have a material impact on the Group’s financial statements. This standard becomes effective for annual periods beginning on or after January 1, 2013.

*IFRS 11, Joint Arrangements.* IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (“JCEs”) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. Management is finalizing its analysis of this new standard and our preliminary assessment is that it is not expected to have a material impact on the Group’s financial statements. This standard becomes effective for annual periods beginning on or after January 1, 2013.

*IFRS 12, Disclosure of Involvement with Other Entities.* IFRS 12 includes the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. Management is finalizing its analysis of this new standard and our preliminary assessment is that it is not expected to have a material impact on the Group’s financial statements. This standard becomes effective for annual periods beginning on or after January 1, 2013.

**BITAUTO HOLDINGS LIMITED**  
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**2.4 Recent accounting pronouncements (continued)**

*New Standards, Amendments and Interpretations to Existing Standards not yet adopted by the Group (continued)*

Effective for the 2013 financial year (continued)

*Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – Investment Entities.* The amendments to IFRS 10 were issued in December 2012. The amendments apply to a particular class of business that qualifies as an investment entity. The term “investment entity” refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. The Group expects that these amendments will not have any financial impact on the Group as it is not an investment entity as defined in IFRS 10.

*Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance.* The amendments were issued in July 2012 which provides additional transition relief in IFRS 10, IFRS 11 and IFRS 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. The amendments will not have any financial impact on the Group.

*IFRS 13, Fair Value Measurement.* IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. Management is finalizing its analysis of this new standard and our preliminary assessment is that it is not expected to have a material impact on the Group’s financial statements. This standard becomes effective for annual periods beginning on or after January 1, 2013.

Effective for the 2014 financial year

*IAS 32, Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32.* These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group’s financial position or performance and become effective for annual periods beginning on or after January 1, 2014.

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**2.4 Recent accounting pronouncements (continued)**

*New Standards, Amendments and Interpretations to Existing Standards not yet adopted by the Group (continued)*

Effective for the 2015 financial year

*IFRS 9, Financial Instruments: Classification and Measurement.* IFRS 9, as issued, reflects the first phase of the IASB’s work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to January 1, 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Group is currently assessing the impact that this standard will have on the financial position and performance.

Annual improvements May 2012

These improvements will not have an impact on the Group, but include:

*IFRS 1, First-time Adoption of International Financial Reporting Standards.* This improvement clarifies that an entity that ceased applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never ceased applying IFRS.

*IAS 1, Presentation of Financial Statements.* This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

*IAS 16, Property Plant and Equipment.* This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

*IAS 32, Financial Instruments: Presentation.* This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

*IAS 34, Interim Financial Reporting.* The amendment aligns the disclosure requirements for total segment assets with those for total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after January 1, 2013.

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**3. Acquisitions**

*Acquisition of Bitcar*

On November 30, 2011, the Group acquired 100% equity interest in Bitcar, a company incorporated in PRC from key management personnel of the Group (Note 23). Bitcar is a provider of mobile Internet enabled sales tools for the PRC automobile industry. The Group acquired Bitcar to integrate Bitcar’s Digital Sales Assistant system with its existing online marketing platform.

The fair values of the identifiable assets and liabilities as at the date of acquisition and the corresponding carrying values immediately before the acquisition were:

	Fair value recognized on acquisition RMB	Previous carrying value RMB
Property, plant and equipment	2,732,843	2,732,843
Deferred tax assets	3,164,169	3,164,169
Cash and cash equivalents	113,633	113,633
Trade receivables	348,600	348,600
Prepayment and other receivables	1,632,575	1,632,575
Intangible assets		
Digital Sales Assistant (“DSA”) system	25,430,000	—
Contract backlog	14,163,000	—
Deferred tax liability	(9,898,250)	—
Other payables and accruals	(16,643,210)	(16,643,210)
Net assets	21,043,360	(8,651,390)
Goodwill arising on acquisition	38,992,640	
Total consideration	60,036,000	

From the date of acquisition to December 31, 2011, Bitcar has contributed RMB4,156,080 of revenue and RMB83,221 to the net profit before tax from continuing operations of the Group, respectively. If the combination had taken place at the beginning of 2011, revenue from continuing operations would have been RMB681,598,621 and the profit from continuing operations for the Group would have been RMB79,887,974.

The fair value and gross amount of the trade receivables amounted to RMB348,600. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected. The DSA system which is similar to an enterprise resource management system enables automobile manufacturers and dealers to manage their products, services and customer needs on mobile Internet enabled sales tools. The contract backlog comprises of outstanding unfulfilled revenue contracts of Bitcar. As of December 31, 2012, the remaining amortization period for the DSA system and the contract backlog is approximately nine years and one year, respectively.

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**3. Acquisitions (continued)**

*Acquisition of Bitcar (continued)*

The goodwill of RMB38,992,640 represented expected synergies arising at acquisition, and the knowledge and expertise of the employees of Bitcar that did not qualify for separate recognition. None of the goodwill recognized is expected to be deductible for income tax purposes.

The total purchase consideration comprises of two cash payments, a closing payment and one payment contingent on achieving certain performance targets. There will be an additional cash payment to the selling shareholders of Bitcar (who are the Group’s key management personnel), amounting to the difference between (i) Bitcar’s revenues for the year ended December 31, 2012 calculated in accordance with IFRS; and (ii) the closing payment of RMB45,000,000, subject to a total purchase consideration cap of RMB63,000,000.

As at the acquisition date, the fair value of the contingent consideration was estimated to be RMB15,036,000 according to the key performance indicators of Bitcar at that time. During the year ended December 31, 2012, the actual revenues exceeded the revenues estimates as of the acquisition date. Accordingly, the contingent consideration has been adjusted to reflect this development and a charge of RMB1,870,000 has been recognized through profit or loss.

Consideration at acquisition date:

	RMB
Closing payment	45,000,000
Contingent consideration	15,036,000
<b>Total consideration</b>	<b><u>60,036,000</u></b>

Cash flows associated with this acquisition:

	2011 RMB	2012 RMB
Cash acquired	113,633	—
Cash paid	(45,000,000)	—

**4. Investments in an associate and a jointly controlled entity**

On May 24, 2011, the Group acquired a 49% interest in Beijing Xinchuang Interactive Advertising Company Limited (“BXIA”), whose principal activities were intended to be the provision of advertising services, for RMB490,000. BXIA is in the start-up phase with no material operations, and is a private entity that is not listed on any public exchange. The Group’s investment in BXIA was accounted for under the equity method.

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**4. Investments in an associate and a jointly controlled entity (continued)**

The following table illustrates the summarized financial information of the Group’s investment in BXIA:

	2011 RMB	2012 RMB
Share of the associate’s statement of financial position:		
Current assets	413,090	488,437
Non-current assets	—	—
Current liabilities	(382)	—
Non-current liabilities	—	—
Equity	<u>412,708</u>	<u>488,437</u>
Share of the associate’s revenue and loss:		
Revenue	—	104,701
Loss	<u>(77,292)</u>	<u>(28,972)</u>
Carrying amount of the investment	<u>412,708</u>	<u>488,437</u>

On October 31, 2012, the Group acquired a 20% interest in Target Net (Beijing) Technology Company Limited (“TNBT”), a jointly controlled entity involved in the provision of advertising services, for RMB3,000,000. TNBT is a private entity that is not listed on any public exchange. The Group’s investment in TNBT was accounted for under the equity method.

The following table illustrates the summarized financial information of the Group’s investment in TNBT:

	2012 RMB
Share of the jointly controlled entity’s statement of financial position:	
Current assets	3,561,806
Non-current assets	1,843,231
Current liabilities	(2,142,442)
Non-current liabilities	<u>(342,433)</u>
Equity	<u>2,920,162</u>
Share of the jointly controlled entity’s revenue and loss:	
Revenue	<u>1,174,293</u>
Loss	<u>(288,171)</u>
Carrying amount of the investment	<u>2,920,162</u>

As at December 31, 2012, there was no material contingent liabilities relating to the Group’s interest in its associate and jointly controlled entity, and the associate and the jointly controlled entity themselves. As at December 31, 2012, the Group also had no capital commitments in relation to its interest in its associate and jointly controlled entity, and the associate and the jointly controlled entity themselves.

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**5. Revenue**

	2010 RMB	2011 RMB	2012 RMB
Advertising activities	255,676,275	403,017,024	608,861,223
Dealer subscription and listing services	91,686,816	166,677,760	363,464,468
Advertising agent services	110,741,951	100,259,532	84,580,289
	<u>458,105,042</u>	<u>669,954,316</u>	<u>1,056,905,980</u>

**6. (Loss)/profit before tax**

*6.1 Selling and administrative expenses*

	2010 RMB	2011 RMB	2012 RMB
Salaries and benefits	83,462,731	128,185,220	201,587,270
Depreciation and amortization	6,322,278	12,167,384	18,027,258
Operating lease expenses	17,477,838	18,312,089	28,953,931
Share based payment	7,509,698	18,717,176	13,285,819
Office expenses	18,987,923	29,925,094	38,974,820
Provision for bad debts	634,839	2,086,570	10,023,510
Marketing expenses	73,157,210	129,679,881	235,380,893
Others	4,449,658	8,660,640	11,121,913
	<u>212,002,175</u>	<u>347,734,054</u>	<u>557,355,414</u>

*6.2 Other income*

	2010 RMB	2011 RMB	2012 RMB
Unrealized exchange gains	5,317,384	24,059,008	4,484,641
Gain on disposal of property, plant and equipment	—	—	302,603
Others	40,817	781,670	1,792,715
	<u>5,358,201</u>	<u>24,840,678</u>	<u>6,579,959</u>

Unrealized exchange gains represent foreign exchange differences from monetary assets and liabilities denominated in foreign currencies translated at the functional currency spot rates of exchange ruling at the reporting date. The unrealized exchange gain above is as a result from the appreciation of the RMB against the US\$.

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**6. (Loss)/profit before tax (continued)**

*6.3 Other expenses*

	2010 RMB	2011 RMB	2012 RMB
Loss on disposal of property, plant and equipment	74,556	33,683	1,690,982
Change in the contingent consideration	—	—	1,870,000
Others	<u>1,271,197</u>	<u>2,337,733</u>	<u>3,718,133</u>
	<u>1,345,753</u>	<u>2,371,416</u>	<u>7,279,115</u>

**7. Income tax expense**

The major components of income tax expense for the years ended December 31, 2010, 2011 and 2012 are:

	2010 RMB	2011 RMB	2012 RMB
<b>Current income tax</b>			
Current income tax charge	14,228,153	14,970,011	22,994,629
<b>Deferred income tax</b>			
Relating to operating loss	(1,209,416)	(846,296)	1,023,600
Relating to origination and reversal of temporary differences	<u>166,758</u>	<u>(4,365,275)</u>	<u>(5,094,973)</u>
Income tax expense reported in the consolidated statements of comprehensive income	<u>13,185,495</u>	<u>9,758,440</u>	<u>18,923,256</u>

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**7. Income tax expense (continued)**

A reconciliation between income tax expense and the product of the accounting (loss)/profit multiplied by the PRC tax rate for the years ended December 31, 2010, 2011, and 2012 is as follows:

	2010 RMB	2011 RMB	2012 RMB
(Loss)/profit before tax from continuing operations	(1,208,794,593)	96,932,242	154,084,903
Loss before tax from discontinued operations	(27,065,324)	—	—
Accounting (loss)/profit before income tax	<u>(1,235,859,917)</u>	<u>96,932,242</u>	<u>154,084,903</u>
Tax at statutory tax rate of 25%	(308,964,979)	24,233,061	38,521,226
Tax holiday or lower tax rates for certain entities comprising the Group	(11,970,126)	(18,438,869)	(31,725,957)
Effect of differing tax rates in different jurisdictions	320,967,060	3,564,632	4,718,669
Utilization of previously unrecognized tax losses	(5,638,100)	(1,681,597)	(219,669)
Non-taxable income	(1,111,720)	(5,003,525)	(1,580,152)
Non-deductible expenses	36,900,930	8,116,292	9,045,182
Research and development expense additional deduction	—	—	(864,507)
Adjustment to current income tax of prior years	—	(2,944,739)	—
Effect on deferred tax of changes in tax rates	—	(441,614)	—
Unrecognized tax losses	6,786,509	1,642,869	1,026,437
Others	460,425	711,930	2,027
	<u>37,429,999</u>	<u>9,758,440</u>	<u>18,923,256</u>
Income tax expense reported in the consolidated statements of comprehensive income	13,185,495	9,758,440	18,923,256
Income tax attributable to a discontinued operation	24,244,504	—	—
	<u>37,429,999</u>	<u>9,758,440</u>	<u>18,923,256</u>
Effective income tax rate	(3.0%)	10.1%	12.3%

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**7. Income tax expense (continued)**

*Deferred tax*

Deferred tax at December 31, 2011 and 2012, relates to the following:

	Consolidated statements of financial position		Consolidated statements of comprehensive income	
	2011 RMB	2012 RMB	2011 RMB	2012 RMB
<b>Deferred tax assets</b>				
Amortization of intangible assets	247,209	387,574	140,979	140,365
Provision for bad debts	—	—	(650,000)	—
Tax losses available for offset against future taxable income	5,950,805	4,927,205	846,296	(1,023,600)
Accrued wages and salaries	4,673,786	7,222,269	4,673,786	2,548,483
	<u>10,871,800</u>	<u>12,537,048</u>	<u>5,011,061</u>	<u>1,665,248</u>
<b>Deferred tax liabilities</b>				
Intangible assets acquired in a business combination	(9,697,740)	(7,291,615)	200,510	2,406,125
	<u>(9,697,740)</u>	<u>(7,291,615)</u>	<u>200,510</u>	<u>2,406,125</u>
Deferred tax expense			<u>5,211,571</u>	<u>4,071,373</u>
Deferred tax assets, net	<u>1,174,060</u>	<u>5,245,433</u>		

Reconciliation of deferred tax assets, net

	2011 RMB	2012 RMB
Opening balance as of January 1	2,696,570	1,174,060
Tax expense recognized in profit or loss during the period	5,211,571	4,071,373
Deferred taxes, net acquired in a business combination	(6,734,081)	—
Closing balance as at December 31	<u>1,174,060</u>	<u>5,245,433</u>

At December 31, 2012, the Group had RMB43,830,447 (2011: RMB44,697,774; 2010: RMB28,810,825) of tax losses carry forwards that would be available to offset against future taxable profit. A deferred tax asset has been recognized in respect of RMB19,708,821 of tax losses carry forward in 2012 (2011: RMB23,803,221; 2010: RMB7,761,360). The recognition of these deferred tax assets are supported by forecast of future taxable profits. No deferred tax asset has been recognized in respect of RMB24,121,626 of tax losses carry forward in 2012 (2011: RMB20,894,553; 2010: RMB21,049,465) as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in SPEs that have been loss-making for some time. These SPEs have no taxable temporary differences or any tax planning opportunities available that could support the recognition of these losses as deferred tax assets. The tax losses would expire five years after the losses were incurred.

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**7. Income tax expense (continued)**

*Deferred tax (continued)*

At December 31, 2012, the Group had RMB5,919,034 (2011: RMB16,606,310; 2010: RMB3,565,731) of other temporary differences. Deferred tax liabilities or assets have been recognized in 2012 for RMB5,919,034 of these temporary differences (2011: RMB16,606,310; 2010: RMB3,565,731). Deferred tax liabilities or assets were fully recognized in respect of the other temporary differences in 2011 and 2012. These other temporary differences do not have a fixed expiry date.

The Group did not provide for deferred taxes on the undistributed earnings of its subsidiaries and SPEs as of December 31, 2011 and 2012 on the basis of its intent to reinvest the earnings. The Company is able to control the timing of the reversal of the temporary differences of its subsidiaries and SPEs. The Group also did not provide for deferred taxes on its interests in its associate and jointly controlled entity as distributions are not taxable. The Company also does not intend to sell its interests in its associate and jointly controlled entity. Also, management considered that it is probable that the temporary differences will not reverse in the foreseeable future. The undistributed earnings amounted to RMB61,437,870 and RMB206,626,354 as of December 31, 2011 and 2012, respectively. Determination of the amount of unrecognized deferred tax liability related to these earnings is not practicable.

**8. Discontinued operations**

On May 31, 2010, the Company distributed cash and the net assets of the distributed entities to its shareholders. This decision was based on the Board of Directors assessment that the distributed entities were not aligned with the Group’s long-term growth strategy, making it difficult for management to focus on its core business, which is the provision of internet related services to derive growth and profitability for the Group.

Accordingly, the Group recognized a distribution to shareholders amounting to RMB101,962,387 in the consolidated statement of changes in equity for the year ended December 31, 2010, which included RMB8,135,379 of cash balances of the distributed entities. The assets and liabilities distributed are as follows:

	RMB
Trade receivables	61,895,238
Bills receivables	3,495,200
Goodwill	58,745,849
Prepayments and other receivables	21,626,248
Intangible assets	14,377,415
Cash and cash equivalents	8,135,379
Property, plant and equipment	4,512,330
Other payables and accruals	(28,984,916)
Income tax payable	(23,881,296)
Trade payables	(13,615,391)
Deferred tax liabilities	(3,679,499)
Non-controlling interest	(664,170)
	<u>101,962,387</u>

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**8. Discontinued operations (continued)**

The distributed entities are considered to be discontinued operations. The results of the distributed entities are as follows:

	2010 RMB
Revenue	32,895,720
Cost of revenue	<u>(31,578,680)</u>
Gross profit	1,317,040
Expenses	(28,709,417)
Other income	<u>327,053</u>
Loss before tax from discontinued operations	(27,065,324)
Income tax expense	<u>(24,244,504)</u>
<b>Loss for the year from the discontinued operations</b>	<b><u>(51,309,828)</u></b>

On May 31, 2010, prior to the distribution to shareholders, BBII waived amounts due from certain SPEs included in the distributed entities. PRC tax law does not allow intercompany gains or losses to be offset upon consolidation and requires corporate income tax to be recognized at the statutory rate of 25% by the entity that receives the waiver. Accordingly, the distributed entities recognized corporate income tax expenses amounting to RMB23,891,313 for the year ended December 31, 2010.

The cash flows of the discontinued operations for the years ended December 31, 2010 was as follows:

	2010 RMB
Operating activities	(20,577,156)
Investing activities	—
Financing activities	—
<b>Net cash outflows</b>	<b><u>(20,577,156)</u></b>

*Loss per share:*

	2010 RMB
Basic, attributable to ordinary shareholders	(1.55)
Diluted, attributable to ordinary shareholders	(1.55)

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**9. Property, plant and equipment**

	Computers and servers RMB	Motor vehicles RMB	Furniture and fixtures RMB	Leasehold improvements RMB	Total RMB
<b>Cost:</b>					
At January 1, 2011	25,147,428	5,291,176	1,108,101	10,143,906	41,690,611
Additions	14,330,553	1,660,272	54,396	7,122	16,052,343
Acquisition of a subsidiary (Note 3)	2,495,784	—	12,954	224,105	2,732,843
Disposals	(85,475)	(116,700)	—	—	(202,175)
At December 31, 2011	41,888,290	6,834,748	1,175,451	10,375,133	60,273,622
Additions	17,463,961	38,696,192	140,164	12,521,180	68,821,497
Disposals	(664,750)	(7,590,548)	(6,250)	—	(8,261,548)
At December 31, 2012	<u>58,687,501</u>	<u>37,940,392</u>	<u>1,309,365</u>	<u>22,896,313</u>	<u>120,833,571</u>
<b>Accumulated depreciation:</b>					
At January 1, 2011	10,704,569	2,347,576	240,549	1,521,586	14,814,280
Charge for the year	7,274,782	1,092,536	223,897	2,035,764	10,626,979
Disposals	(71,307)	(64,185)	—	—	(135,492)
At December 31, 2011	17,908,044	3,375,927	464,446	3,557,350	25,305,767
Charge for the year	10,710,528	4,714,801	249,269	3,740,841	19,415,439
Disposals	(634,743)	(1,292,315)	(2,812)	—	(1,929,870)
At December 31, 2012	<u>27,983,829</u>	<u>6,798,413</u>	<u>710,903</u>	<u>7,298,191</u>	<u>42,791,336</u>
<b>Net book value:</b>					
At December 31, 2012	<u>30,703,672</u>	<u>31,141,979</u>	<u>598,462</u>	<u>15,598,122</u>	<u>78,042,235</u>
At December 31, 2011	<u>23,980,246</u>	<u>3,458,821</u>	<u>711,005</u>	<u>6,817,783</u>	<u>34,967,855</u>

As of December 31, 2012 and 2011, the gross carrying amount of fully depreciated property, plant and equipment that were still in use were RMB6,762,780 and RMB4,641,458, respectively.

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**10. Intangible assets**

	Purchased software RMB	Digital Sales Assistant system RMB	Trade name and lifetime membership RMB	Domain names RMB	Contract backlog RMB	Others RMB	Total RMB
<b>Cost:</b>							
At January 1, 2011	7,211,085	—	2,561,525	—	—	—	9,772,610
Additions	4,511,380	—	3,202,000	4,787,636	—	3,900	12,504,916
Acquisition of a subsidiary (Note 3)	—	25,430,000	—	—	14,163,000	—	39,593,000
At December 31, 2011	11,722,465	25,430,000	5,763,525	4,787,636	14,163,000	3,900	61,870,526
Additions	928,396	—	2,273,200	555,143	—	—	3,756,739
At December 31, 2012	12,650,861	25,430,000	8,036,725	5,342,779	14,163,000	3,900	65,627,265
<b>Amortization:</b>							
At January 1, 2011	2,584,168	—	—	—	—	—	2,584,168
Amortization	1,784,652	211,917	—	244,297	590,125	13	2,831,004
At December 31, 2011	4,368,820	211,917	—	244,297	590,125	13	5,415,172
Amortization	1,753,440	2,543,000	—	524,541	7,081,500	78	11,902,559
At December 31, 2012	6,122,260	2,754,917	—	768,838	7,671,625	91	17,317,731
<b>Net book value:</b>							
At December 31, 2012	6,528,601	22,675,083	8,036,725	4,573,941	6,491,375	3,809	48,309,534
At December 31, 2011	7,353,645	25,218,083	5,763,525	4,543,339	13,572,875	3,887	56,455,354

As of December 31, 2012 and 2011, the gross carrying amount of fully amortized intangible assets that were still in use were RMB2,048,576 and RMB213,709, respectively.

The addition in purchased software in 2011 was mainly related to Microsoft software to improve the enterprise resource process. The addition in trade name and domain names in 2011 was mainly due to the purchase consideration paid to third parties to acquire the “易车; EARS” trade name, and “yiche.com” and “taoche.com” domain names, respectively. The additions in 2012 were mainly related to the lifetime golf club membership.

Management determined the trade name and lifetime membership would have an indefinite useful life as the assets may be used indefinitely without significant costs of renewal.

There were no indicators of impairment associated with the finite lived intangible assets as of December 31, 2011 and 2012. Refer to Note 12 for further discussion on the impairment testing of indefinite lived intangible assets.

**11. Goodwill**

	RMB
At January 1, 2011	—
Acquisition of Bitcar (Note 3)	38,992,640
At December 31, 2011	38,992,640
At December 31, 2012	38,992,640

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**12. Impairment testing of goodwill and intangible assets with indefinite lives**

Goodwill has been allocated to the following CGUs, which are separate entities, respectively, for impairment testing.

- Beijing Bitcar Interactive Information Technology Company Limited (“Bitcar”)
- Beijing Bit EP Information Technology Company Limited (“EP”)

The allocation of goodwill associated with the acquisition of Bitcar to the Bitcar CGU as of acquisition date (November 30, 2011) was made on a provisional basis. As of December 31, 2012, the goodwill allocation was finalized and the goodwill was allocated to the Bitcar CGU and the EP CGU, respectively, which were the CGUs that were expected to benefit from the synergies of the acquisition of Bitcar.

Intangible assets with indefinite lives are mainly lifetime memberships and trade names. They do not generate cash inflows independently of other assets or groups of assets and their carrying amount cannot be allocated on a reasonable and consistent basis to the individual cash-generating units under review. The lifetime memberships and trade names qualify as corporate assets and are allocated to the Group for impairment testing.

	December 31, 2011		
	Corporate assets RMB	Bitcar RMB	Total RMB
Goodwill	—	38,992,640	38,992,640
Lifetime membership	1,641,480	—	1,641,480
Trade name with indefinite useful lives	4,122,045	—	4,122,045

	December 31, 2012			Total RMB
	Corporate assets RMB	Bitcar RMB	EP RMB	
Goodwill	—	23,395,584	15,597,056	38,992,640
Lifetime membership	3,866,480	—	—	3,866,480
Trade name with indefinite useful lives	4,170,245	—	—	4,170,245

The Group performed annual impairment tests as at December 31, 2011 and 2012 to assess the cash-generating units’ respective recoverable amounts. Management concluded that there was no impairment as the recoverable amounts of the cash generating units exceeded their carrying amounts.

The recoverable amount of each CGU was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rates applied to the cash flow projections ranged from 20% to 22% and cash flows beyond the five-year period are extrapolated using growth rates of 3%.

Key assumptions were used in the value in use calculation of each CGU as of December 31, 2011 and 2012. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

*Budgeted gross margins* – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements.

*Discount rates* – The discount rates used are pre-tax interest rates and reflect specific risks relating to the relevant units.

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**13. Trade receivables**

	2011 RMB	2012 RMB
Trade receivables	437,213,026	485,528,315
Less: Provision for bad debts	(3,430,109)	(13,453,619)
	<u>433,782,917</u>	<u>472,074,696</u>

Trade receivables are non-interest bearing and are generally on terms of 60 to 90 days. In some cases, these terms are extended up to 180 days for certain qualifying long term customers who have met specific credit requirements.

For the advertising agent services the Group provides, the Group acts as an agent in placing automaker customers’ advertisements on the websites of media vendors in the PRC. The Group receives fees in the capacity of an agent for assisting automaker customers in placing advertisements on media vendors’ websites, and therefore, records the fees on a net basis in its consolidated financial statements. For the advertising services the Group provides, the Group acts as the principal in the arrangement and records revenues on a gross basis in its consolidated financial statements. For the advertising agent services and advertising services provided, the Group enters into publishing schedule agreements with its automaker and automobile dealer customers; and related advertising agreements with media vendors who are then obligated to place the advertisements according to the Group’s customers’ publishing schedule agreements. Therefore, the Group records trade receivables from its customers and accounts payable to media vendors on a gross basis. Gross billings include the gross value of advertisements placed by the Group’s customers that correspond to the gross payables recorded due to the media vendors. Gross billings for the year ended December 31, 2012 was RMB1,552,873,929 (2011: RMB1,173,048,585).

As at December 31, 2012, trade receivables at initial value of RMB13,453,619 (2011: RMB3,430,109) were impaired and fully provided for. Movements in the provision for individually impaired trade receivables were as follows:

	Individually impaired RMB
At January 1, 2011	1,243,539
Charge for the year	<u>2,186,570</u>
At December 31, 2011	3,430,109
Charge for the year	<u>10,023,510</u>
At December 31, 2012	<u>13,453,619</u>

As at December 31, the ageing analysis of trade receivables was as follows:

	Total RMB	Neither past due nor impaired RMB	Past due but not impaired		
			<90 days RMB	90-180 days RMB	>180 days RMB
2012	472,074,696	146,165,430	146,307,102	87,378,166	92,223,998
2011	433,782,917	138,699,737	127,367,764	96,168,612	71,546,804

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**14. Bills receivables**

	2011 RMB	2012 RMB
Bills receivables	<u>74,539,413</u>	<u>68,768,260</u>

Bills receivables represent short-term notes receivable issued by reputable financial institutions that entitle the Group to receive the full face amount from the financial institutions at maturity, which generally range from three to six months from the date of issuance.

**15. Prepayments and other receivables**

	2011 RMB	2012 RMB
Advances to suppliers	7,628,629	13,528,345
Prepaid expenses	12,291,586	21,824,857
Deposits	5,389,008	16,671,406
Staff advances	11,269,078	7,949,168
Tax refund receivable	—	14,981,180
Others	456,345	371,671
	<u>37,034,646</u>	<u>75,326,627</u>

Prepayments and other receivables are unsecured, interest-free and have no fixed terms of repayment.

**16. Cash and cash equivalents**

	2011 RMB	2012 RMB
Cash at bank and on hand	<u>601,377,150</u>	<u>600,385,558</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

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**17. Issued capital, share premium and treasury shares**

Authorized shares	2011	2012
Ordinary shares of US\$0.00004 each	1,227,852,525.0	1,227,852,525.0
<i>Ordinary shares issued and fully paid</i>		
	Number of shares	RMB
At January 1, 2010	12,343,050.0	3,905
Options exercised on May 5, 2010	150,000.0	41
Issuance of ordinary shares on November 17, 2010 to public	9,000,000.0	2,394
Automatic conversion of convertible preference shares to ordinary shares upon completion of the IPO	19,760,340.0	5,255
At December 31, 2010	41,253,390.0	11,595
Options exercised on January 17, 2011	87,500.0	24
Issuance of ordinary shares on August 4, 2011 in connection with the future exercise of share options	300,000.0	77
At December 31, 2011	41,640,890.0	11,696
At December 31, 2012	41,640,890.0	11,696
<i>Share premium</i>		
		RMB
At January 1, 2010		45,864,771
Options exercised on May 5, 2010		1,007,580
Issuance of ordinary shares on November 17, 2010 to public		641,036,115
Automatic conversion of convertible preference shares to ordinary shares upon completion of the IPO		1,718,456,252
At December 31, 2010		2,406,364,718
Options exercised on January 17, 2011		2,791,331
At December 31, 2011		2,409,156,049
At December 31, 2012		2,409,156,049

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**17. Issued capital, share premium and treasury shares (continued)**

<i>Treasury shares</i>	Number of shares	RMB
At January 1, 2011	—	—
Repurchase of ordinary shares	<u>455,006.0</u>	<u>16,809,532</u>
At December 31, 2011	455,006.0	16,809,532
Repurchase of ordinary shares	<u>1,453,174.0</u>	<u>45,918,375</u>
At December 31, 2012	<u>1,908,180.0</u>	<u>62,727,907</u>

Options related to 150,000.0 shares that were granted under the December 31, 2006 Employee Stock Incentive Plan (Note 19) were exercised on May 5, 2010.

The Company issued a total of 9,000,000.0 ordinary shares upon the Company’s initial public offering (“IPO”) on November 17, 2010. The proceeds from the IPO amounted to RMB641,038,509, which were net of transaction costs amounting to RMB26,787,050. Upon completion of the IPO, all of the Series A, B, C, D-1 and D-2 convertible preference shares outstanding automatically converted into ordinary shares, a total of 19,760,340.0 shares.

Options related to 87,500.0 shares that were granted under the February 8, 2010 Employee Stock Incentive Plan (Note 19) were exercised on January 17, 2011.

On August 4, 2011, the Company issued 300,000.0 ordinary shares to its depository for future delivery to employees upon exercise of vested stock options. As of December 31, 2012, nil ordinary shares out of the 300,000.0 ordinary shares have been issued to the employees upon exercise of their stock options.

On August 12, 2011, the Board of Directors approved an ordinary share repurchase program, which authorized the Company’s management to repurchase up to US\$10,000,000 of the Company’s American Depositary Shares (“ADSs”) within 12 months from approval date. Each ADS represents one ordinary share of the Company. As of December 31, 2012, the Company repurchased a total of 1,908,180.0 ADSs (2011: 455,066.0 ADSs) for a total consideration of RMB62,727,907 (2011: RMB16,809,532).

In November 2012, AutoTrader Group, Inc. purchased an aggregate of 9,000,000.0 ordinary shares, or approximately 21.8% of the Group’s total outstanding shares, from certain of the Group’s pre-IPO shareholders in a private transaction. Concurrently, certain members of the Group’s senior management purchased an aggregate of 1,000,000.0 ordinary shares, or approximately 2.4% of the Group’s total outstanding shares, from another pre-IPO shareholder. The senior management team funded the purchase through a full recourse four-year term loan (“full recourse loans”) from AutoTrader Group, Inc. Management concluded that the full recourse loans do not constitute share based payment arrangements within the scope of IFRS 2 *Share-based payment*.

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**18. Basic and diluted earnings per share**

Basic earnings per share is computed by dividing loss or profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per ordinary share is computed by dividing the loss or profit for the year attributable to ordinary shareholders for the period by the weighted average number of ordinary and potential ordinary shares outstanding during the period, if the effect of potential ordinary shares is dilutive. Potential ordinary shares include incremental shares of ordinary shares issuable upon the exercise of employee stock options and the conversion of preference securities. The Company’s potentially dilutive shares have not been included in the computation of diluted loss or profit per ordinary share for periods in which the result would be anti-dilutive.

For the year ended 31 December 2010, loss or profit attributable to ordinary shareholders is calculated using the two class method as the Company had issued shares other than ordinary shares that contractually entitled the holder of such securities to participate in dividends and earnings of the Company. Dividends are calculated for the participating security on undistributed earnings and are a reduction in the loss or profit for the year attributable to ordinary shareholders. The Company’s Series A, B, C, D-1 and D-2 preference shares were participating securities with rights to dividends when dividends were declared on ordinary shares (Note 20.1). The assumed dividends on undistributed earnings are allocated as if the entire loss or profit for the year were distributed and are based on the relationship of the weighted average number of ordinary shares outstanding and the weighted average number of ordinary shares outstanding if the preference shares were converted into ordinary shares. Upon completion of the IPO on November 17, 2010, the Series A, B, C, D-1 and D-2 convertible preference shares were automatically converted into ordinary shares (Note 20.1).

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**18. Basic and diluted earnings per share (continued)**

The following reflects the (loss)/profit and share data used in the basic and diluted earnings per share computations:

	2010 RMB	2011 RMB	2012 RMB
<b>Continuing operations</b>			
Basic (loss)/profit attributable to:			
Ordinary shareholders	(587,428,206)	87,173,802	135,161,647
Series A Preference Shareholders	(129,214,184)	—	—
Series B Preference Shareholders	(184,264,225)	—	—
Series C Preference Shareholders	(156,887,122)	—	—
Series D-1 Preference Shareholders	(111,890,670)	—	—
Series D-2 Preference Shareholders	(52,295,681)	—	—
Total	<u>(1,221,980,088)</u>	<u>87,173,802</u>	<u>135,161,647</u>
<b>Discontinued operations</b>			
Basic loss attributable to:			
Ordinary shareholders	(24,665,574)	—	—
Series A Preference Shareholders	(5,425,585)	—	—
Series B Preference Shareholders	(7,737,087)	—	—
Series C Preference Shareholders	(6,587,547)	—	—
Series D-1 Preference Shareholders	(4,698,187)	—	—
Series D-2 Preference Shareholders	(2,195,848)	—	—
Total	<u>(51,309,828)</u>	<u>—</u>	<u>—</u>
<b>Basic earnings</b>			
(Loss)/profit attributable to:			
Ordinary shareholders	(612,093,780)	87,173,802	135,161,647
Series A Preference Shareholders	(134,639,769)	—	—
Series B Preference Shareholders	(192,001,312)	—	—
Series C Preference Shareholders	(163,474,669)	—	—
Series D-1 Preference Shareholders	(116,588,857)	—	—
Series D-2 Preference Shareholders	(54,491,529)	—	—
Total	<u>(1,273,289,916)</u>	<u>87,173,802</u>	<u>135,161,647</u>

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**18. Basic and diluted earnings per share (continued)**

	2010 RMB	2011 RMB	2012 RMB
<b>Diluted earnings</b>			
(Loss)/profit attributable to ordinary shareholders for basic earnings	<u>(612,093,780)</u>	<u>87,173,802</u>	<u>135,161,647</u>
Diluted earnings attributable to ordinary shareholders	<u>(612,093,780)</u>	<u>87,173,802</u>	<u>135,161,647</u>
<b>Diluted earnings from continuing operations</b>			
(Loss)/profit attributable to ordinary shareholders from continuing operations	<u>(587,428,206)</u>	<u>87,173,802</u>	<u>135,161,647</u>
Diluted earnings attributable to ordinary shareholders from continuing operations	<u>(587,428,206)</u>	<u>87,173,802</u>	<u>135,161,647</u>
	2010	2011	2012
<b>Weighted average number of shares</b>			
Ordinary shares outstanding as of January 1,	12,343,050.0	41,253,390.0	40,885,884.0
Weighted average number of convertible preference shares automatically converted to ordinary shares	2,436,206.0	—	—
Weighted average number of ordinary shares repurchased during the year (Note 17)	—	(103,944.0)	(1,128,573.0)
Weighted average number of ordinary shares issued during the year	<u>1,208,219.0</u>	<u>83,664.0</u>	<u>—</u>
Weighted average number of ordinary shares outstanding for the period for basic earnings	15,987,475.0	41,233,110.0	39,757,311.0
Dilutive effect of share based compensation	<u>—</u>	<u>1,175,723.0</u>	<u>814,050.0</u>
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>15,987,475.0</u>	<u>42,408,833.0</u>	<u>40,571,361.0</u>

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**18. Basic and diluted earnings per share (continued)**

	2010
<b>Weighted average number of shares</b>	
Series A preference shares issued at January 1,	4,023,810.0
Weighted average number of Series A preference shares automatically converted to ordinary shares during the year	<u>(496,086.0)</u>
Weighted average number of Series A preference shares	<u>3,527,724.0</u>
Series B preference shares issued at January 1,	5,738,102.5
Weighted average number of Series B preference shares automatically converted to ordinary shares during the year	<u>(707,437.0)</u>
Weighted average number of Series B preference shares	<u>5,030,665.5</u>
Series C preference shares issued at January 1,	4,885,562.5
Weighted average number of Series C preference shares automatically converted to ordinary shares during the year	<u>(602,330.0)</u>
Weighted average number of Series C preference shares	<u>4,283,232.5</u>
Series D-1 preference shares issued at January 1,	3,484,345
Weighted average number of Series D-1 preference shares automatically converted to ordinary shares during the year	<u>(429,577.0)</u>
Weighted average number of Series D-1 preference shares	<u>3,054,768.0</u>
Series D-2 preference shares issued at January 1,	1,628,520.0
Weighted average number of Series D-2 preference shares automatically converted to ordinary shares during the year	<u>(200,776.0)</u>
Weighted average number of Series D-2 preference shares	<u>1,427,744.0</u>

The following weighted average number of shares result from instruments that could potentially dilute basic earnings per ordinary share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive or nil for the periods presented:

	2010	2011	2012
<b>Weighted average number of shares</b>			
Equity settled share based compensation	655,383.0	564,847.0	1,521,451.0
Series A convertible preference shares	3,527,724.0	—	—
Series B convertible preference shares	5,030,665.5	—	—
Series C convertible preference shares	4,283,232.5	—	—
Series D-1 convertible preference shares	3,054,768.0	—	—
Series D-2 convertible preference shares	1,427,744.0	—	—
Total	<u>17,979,517.0</u>	<u>564,847.0</u>	<u>1,521,451.0</u>

There have been no other significant transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of approval of these consolidated financial statements.

To calculate earnings per share amounts for the discontinued operations (Note 8), the weighted average number of ordinary shares for both basic and diluted amounts is as per the table above.

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**19. Share-based payments**

The expenses recognized for employee services received during the years are shown in the following table:

	2010 RMB	2011 RMB	2012 RMB
Expense arising from employee stock incentive plan	<u>7,509,698</u>	<u>18,717,176</u>	<u>13,285,819</u>

On December 31, 2006, the Company implemented an Employee Stock Incentive Plan (“2006 Plan”) under which the Company has reserved 1,028,512.5 ordinary shares for employees. The Board of Directors of the Company may invite employees of the Group to subscribe for options over the Company’s ordinary shares. Employees must remain in service for a period of three years from the date of grant.

These options have an exercise price of US\$0.40 per share. Pursuant to the 2006 Plan, the first 33% of the options would vest 12 months after the grant date, the second 33% of the options would vest 24 months after the grant date, and the remaining 34% of the options would vest 36 months after the grant date, on the condition that employees remain in service without any performance requirements. Options granted typically expire in ten years from the vesting date and there are no cash settlement alternatives. The Company has not developed a past practice of cash settlement. Options related to 750,000.0 shares were granted to designated employees on December 31, 2006, as determined by the Board of Directors.

On February 8, 2010, the Company implemented an Employee Stock Incentive Plan (“2010 Plan”) under which the Company has reserved 3,089,887.5 ordinary shares for employees. The board of the Company may invite employees of the Company to subscribe for options over the Company’s ordinary shares. Employees must remain in service for a period of four years from the date of grant.

These options have an exercise price of US\$3.20 per share. Pursuant to the 2010 Plan, the first 25% of the options would vest 12 months after the grant date, the second 25% of the options would vest 24 months after the grant date, the third 25% of the options would vest 36 months after the grant date and the remaining 25% of the options would vest 48 months after the grant date, on the condition that employees remain in service without any performance requirements. Options granted typically expire in ten years from the vesting date and there are no cash settlement alternatives. The Company has not developed a past practice of cash settlement. Options related to 2,397,500.0 shares were granted to designated employees on February 8, 2010, as determined by the Board of Directors.

On December 28, 2010, the Company granted options to purchase 278,512.5 ordinary shares under the 2006 Plan and options to purchase 589,487.5 ordinary shares under the 2010 Plan, at an exercise price of US\$10.20 per share, to designated employees and consultants on that date. Pursuant to the Plans, the options have graded vesting terms, and vest in equal tranches from the grant date over three or four years, on the condition that employees remain in service without any performance requirements. Options granted typically expire in ten years from the vesting date and there are no cash settlement alternatives.

On August 7, 2012, the Company granted options to purchase 1,100,000.0 ordinary shares under the 2010 Plan, at an exercise price of US\$4.03 per share, to designated employees on that date. Pursuant to the Plans, the options have graded vesting terms, and vest in equal tranches from the grant date over four years, on the condition that employees remain in service without any performance requirements. Options granted typically expire in ten years from the vesting date and there are no cash settlement alternatives.

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**19. Share-based payments (continued)**

On May 5, 2010, options related to 150,000.0 shares that were granted under the 2006 Plan were exercised. On January 17, 2011, options related to 87,500.0 shares that were granted under the 2010 Plan were exercised. As of December 31, 2012, certain employees terminated their services with the Company and accordingly, forfeited options related to 155,000.0 shares and options related to 1,015,625.0 shares granted to them under the 2006 Plan and the 2010 Plan, respectively.

The following shares were outstanding under the Plans during the year:

	2011 Number of shares	2011 Weighted average exercise prices US\$/Share	2012 Number of shares	2012 Weighted average exercise prices US\$/Share
Outstanding at January 1	2,966,750.0	4.72	2,710,500.0	4.98
Granted during the year	—	—	1,100,000.0	4.03
Exercised during the year	(87,500.0)	3.20	—	—
Forfeited during the year	(168,750.0)	1.35	(103,125.0)	4.73
Outstanding at December 31	<u>2,710,500.0</u>	4.98	<u>3,707,375.0</u>	4.71
Exercisable at December 31	<u>1,101,619.0</u>	3.52	<u>1,720,746.0</u>	4.30

The weighted average remaining contractual life for the options outstanding as at December 31, 2012 was 7.68 years (2011: 7.88 years, 2010: 8.78 years).

The fair value of services received in return for options granted is measured by reference to the fair value of options granted. The estimate of the fair values of the options granted on February 8, 2010, December 28, 2010 and August 7, 2012 is measured based on the binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the Plans on the date of grant:

	February 8, 2010	December 28, 2010		August 7, 2012
		Vesting period of 3 years	Vesting period of 4 years	
Fair value per share	US\$ 3.02	US\$ 10.16	US\$ 10.16	US\$4.20
Exercise price	US\$ 3.20	US\$ 10.20	US\$ 10.20	US\$4.03
Risk-free interest rate	3.62%	3.58%	3.58%	1.72%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Weighted-average fair value per option granted	US\$ 3.60	US\$ 5.08	US\$ 5.36	US\$2.34
Expected volatility	60%	69%	69%	53%

Since the Group did not have a trading history for its ordinary shares sufficient to calculate its own historical volatility, the volatility is 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 expiration.

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**20. Other financial assets and financial liabilities**

*20.1 Convertible preference shares*

All of the outstanding preference shares were automatically converted into ordinary shares upon the completion of the Company’s IPO on November 17, 2010 on a 1:1 basis. The reconciliation of the carrying values of the derivative component and liability component of the Series A, B and C convertible preference shares and reconciliation of the carrying value of the Series D-1 and D-2 convertible preference shares as at December 31, 2010 is as follows:

	<b>2010 RMB</b>
<i>Derivative component of Series A, B and C convertible preference shares</i>	
Opening balance	186,601,049
Changes in fair value of derivative component of convertible preference shares recorded in profit or loss	1,004,876,088
Automatically converted to ordinary shares on November 17, 2010	(1,168,692,735)
Foreign exchange reserve	(22,784,402)
Closing balance	—
<i>Liability component of Series A, B and C convertible preference shares</i>	
Opening balance	136,209,726
Interest expense recorded in finance costs	9,354,999
Automatically converted to ordinary shares on November 17, 2010	(141,823,499)
Foreign exchange reserve	(3,741,226)
Closing balance	—
<i>Series D-1 and D-2 convertible preference shares at fair value</i>	
Opening balance	150,809,121
Changes in fair value of Series D-1 and D-2 convertible preference shares	265,825,816
Automatically converted to ordinary shares on November 17, 2010	(407,945,273)
Foreign exchange reserve	(8,689,664)
Closing balance	—
Convertible preference share liability – Total	—
Number of conversion shares at the reporting date (shares)	—

*20.2 Interest-bearing borrowing*

On April 30, 2010, the Group entered into a RMB30,000,000 revolving line of credit agreement available until April 29, 2011 with China Merchant Bank. Amounts drawn down bear interest at the prevailing People’s Bank of China (“PBOC”) benchmark rate for a one-year loan on the date drawn. The Group’s interest rate on this interest-bearing borrowing was 5.31% per annum. Amounts drawn down as at December 31, 2010 was RMB20,000,000, and there are no commitment fees associated with the unused portion of the line of credit. The revolving line of credit is wholly guaranteed by Beijing Zhong Guan Cun High Technology Guarantee Company Limited, which is a professional guarantee institute that provides guarantees to high-tech enterprises, which is mainly funded by the PRC government. The Company paid a fee of RMB264,000 for the guarantee, of which was recorded in interest expense. The interest-bearing borrowing was repaid in full on January 17, 2011.

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**20. Other financial assets and financial liabilities (continued)**

*20.3 Other financial assets*

On May 24, 2012, the Company purchased 4,050,000 Series B Preference Shares (“Series B PS”) issued by Car King Holding Ltd. (“Car King”), for a total consideration of US\$2,999,835. Car King was founded in April 2011 as a limited liability company incorporated under the laws of British Virgin Islands, mainly engaged in the business of used cars sales. In conjunction with the Company’s purchase of Series B PS, Car King also issued a warrant that entitled the Company to purchase a certain number of the Series B PS from Car King. The aggregate amount of purchase price under the Preference Shares Purchase Warrant shall be US\$900,000. Car King’s Series B PS and the Preference Shares Purchase Warrant are recognized as available-for-sale investments and financial assets at fair value through profit or loss, respectively.

The reconciliation of the carrying values of other financial assets as at December 31, 2012 is as follows:

	<b>2012 RMB</b>
<i>Financial assets at fair value through profit or loss</i>	
Opening balance	—
Car King Holding Ltd. Warrant	303,866
Changes in fair value of financial assets	(267,297)
Foreign exchange reserve	1,144
Closing balance	<u>37,713</u>
<i>Available-for-sale investments</i>	
Opening balance	—
Car King Holding Ltd. Series B Preference Shares	18,551,596
Total gain recognized in other comprehensive income	1,093,734
Closing balance	<u>19,645,330</u>

As the fair value of other financial assets recorded in the consolidated statements of financial position cannot be derived from an active market, they are determined using valuation techniques with the major inputs used in the model as follows:

	<b>December 31, 2012</b>
<i>Financial assets at fair value through profit or loss</i>	
Total fair value of equity	US\$29,000,000
Expected volatility	29.63%
Dividend yield	0.00%
Risk-free rate	0.10%
Expected life	0.23 year
<b>December 31, 2012</b>	
<i>Available-for-sale investments</i>	
Total fair value of equity	US\$29,000,000

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**20. Other financial assets and financial liabilities (continued)**

*20.3 Other financial assets (continued)*

Any changes in the major inputs into the model will result in changes in the fair value of the other financial assets. The aggregate changes in the fair value of the Series B PS and Series B PS Warrant during the year ended December 31, 2012 were RMB1,093,734 increase and RMB267,297 decrease, respectively. The aggregate changes in the fair values of the other financial assets were unrealized as of December 31, 2012.

The Group assessed as at December 31, 2012 there was no significant or prolonged decline in the fair value of the available-for-sale investments below their cost.

*20.4 Fair values*

Set out below is a comparison by class of the carrying amounts and fair value of the Company’s financial instruments that are carried in the consolidated financial statements:

	December 31, 2011		December 31, 2012	
	Carrying amount RMB	Fair Value RMB	Carrying amount RMB	Fair Value RMB
<i>Financial assets</i>				
Trade receivables	433,782,917	433,782,917	472,074,696	472,074,696
Bills receivables	74,539,413	74,539,413	68,768,260	68,768,260
Other receivables and due from related parties	35,169,525	35,169,525	58,947,215	58,947,215
Cash and cash equivalents	601,377,150	601,377,150	600,385,558	600,385,558
Financial assets at fair value through profit or loss	—	—	37,713	37,713
Available-for-sale investments	—	—	19,645,330	19,645,330
Total	<u>1,144,869,005</u>	<u>1,144,869,005</u>	<u>1,219,858,772</u>	<u>1,219,858,772</u>
<i>Financial liabilities</i>				
Trade payables	201,125,551	201,125,551	132,821,192	132,821,192
Other payables, advances from customers, due to related parties	74,245,953	74,245,953	120,147,116	120,147,116
Total	<u>275,371,504</u>	<u>275,371,504</u>	<u>252,968,308</u>	<u>252,968,308</u>

The fair values of the financial assets and liabilities are included at the amounts at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of cash and cash equivalents, trade receivables, bills receivables, other receivables, trade payables and other payables approximate their carrying amounts largely due to the short-term maturity of these instruments.

The fair value of financial assets at fair value through profit or loss and available-for-sale investments is estimated using appropriate valuation techniques.

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**20. Other financial assets and financial liabilities (continued)**

*20.4 Fair values (continued)*

*Fair value hierarchy*

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, 2011, the Group held no financial instruments carried at fair value in the statement of financial position. As at December 31, 2012, the Group held the following financial instruments carried at fair value in the statement of financial position:

	December 31, 2012			
	RMB	Level 1 RMB	Level 2 RMB	Level 3 RMB
Available-for-sale investments	19,645,330	—	—	19,645,330
Financial assets at fair value through profit or loss	37,713	—	—	37,713
	<u>19,683,043</u>	<u>—</u>	<u>—</u>	<u>19,683,043</u>

For the year ended December 31, 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The other financial assets are measured at fair value. The fair value of these instruments has been estimated using a discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs as detailed above. The probabilities of the various estimates within the range can be reasonably assessed and are used in management’s estimate of fair value for these instruments. As it relates to the other financial assets, management has determined the potential effect of using reasonably possible alternatives, a change in the net cash flows of 5% in either direction as inputs to the valuation model. A decrease of in the net cash flows of 5% would reduce the fair value of other financial assets by RMB928,368, while an increase in the net cash flows of 5% would increase the fair value of other financial assets by RMB919,569. As it relates to the financial assets at fair value through profit and loss, management has determined that the potential effect of changing the inputs to the valuation model would not change the fair value significantly.

**21. Trade payables**

	2011 RMB	2012 RMB
Trade payables	<u>201,125,551</u>	<u>132,821,192</u>

Trade payables are non-interest-bearing and are normally settled under the terms of 120 to 150 days.

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**22. Other payables and accruals**

	2011 RMB	2012 RMB
Accrued payroll	27,634,206	39,288,385
Accrued expenses	25,344,841	24,856,107
Advances from customers	51,481,618	80,934,228
Other payables	6,844,185	20,787,888
Other tax payables	41,938,838	58,611,084
	<u>153,243,688</u>	<u>224,477,692</u>

The above balances are non-interest-bearing and are normally settled under the terms of 120 to 150 days.

**23. Related party disclosures**

On May 31, 2010, the Group distributed cash and the net assets of the distributed entities to its shareholders. Refer to Note 8 for further discussion.

On November 30, 2011, the Group acquired 100% equity interest in Bitcar, a company incorporated in PRC from key management personnel of the Group. Refer to Note 3 for further discussion.

The following table summarizes the related party transactions for years ended December 31, 2010, 2011 and 2012:

	2010 RMB	2011 RMB	2012 RMB
<b>Services purchased from entities with common shareholders of the Company</b>			
- Beijing Easy Auto Reach Media Company Limited	2,520,000	850,000	—
- Beijing Le Jia Yi Ye Culture Media Company Limited	—	4,458,000	—
- Beijing Auto Radio Advertising Company Limited	—	—	193,299
- Auto Weekly (Beijing) Media Advertising Company Limited	—	—	339,623
	<u>2,520,000</u>	<u>5,308,000</u>	<u>532,922</u>
<b>Services purchased from an associate and a jointly controlled entity</b>			
- Beijing Xinchuang Interactive Advertising Company Limited	—	—	213,676
- Target Net (Beijing) Technology Company Limited	—	—	1,041,667
	<u>—</u>	<u>—</u>	<u>1,255,343</u>
<b>Services provided to entities with common shareholders of the Company</b>			
- Beijing Bitcar Interactive Information Technology Company Limited	2,050,000	5,237,825	—
- Beijing Le Jia Yi Ye Culture Media Company Limited	2,520,203	1,000,393	—
	<u>4,570,203</u>	<u>6,238,218</u>	<u>—</u>
<b>Acquisition of Bitcar from key management personnel</b>			
- Key management personnel	—	60,036,000	1,870,000
	<u>—</u>	<u>60,036,000</u>	<u>1,870,000</u>

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**23. Related party disclosures (continued)**

The following table summarizes the related party balances as at December 31, 2011 and 2012:

	2011 RMB	2012 RMB
Amounts due from entities with common shareholders of the Company	10,426,465	4,778,779
Amounts due from a jointly controlled entity	—	666,666
<b>Total amounts due from related parties</b>	<b><u>10,426,465</u></b>	<b><u>5,445,445</u></b>
	2011 RMB	2012 RMB
Amounts due to entities with common shareholders of the Company	799,996	—
Amounts due to key management personnel for the purchase consideration associated with the acquisition of Bitcar	15,120,154	18,000,000
Amounts due to a jointly controlled entity	—	425,000
<b>Total amounts due to related parties</b>	<b><u>15,920,150</u></b>	<b><u>18,425,000</u></b>

The above balances are unsecured, interest-free and have no fixed terms of repayment.

For the year ended December 31, 2011 and 2012, the Group did not make any provision for doubtful debts relating to amounts owed by related parties. The assessment of doubtful debt provision is undertaken each financial year through examining the financial position of the relevant related parties and the market in which the related parties operate.

*Compensation of key management personnel of the Group*

	2010 RMB	2011 RMB	2012 RMB
Wages and salaries	2,864,900	3,114,018	6,075,000
Employment benefits	276,958	295,476	259,519
Share-based payments	3,327,811	5,841,132	5,211,113
<b>Total compensation paid to key management personnel</b>	<b><u>6,469,669</u></b>	<b><u>9,250,626</u></b>	<b><u>11,545,632</u></b>

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**24. Commitments and contingencies**

*Operating lease commitments – Group as lessee*

The Group has entered into operating leases on certain office premises. These leases have an average life of between 2 and 5 years. There are no restrictions placed upon the Group by entering into these leases.

Payments under operating leases are expensed on a straight-line basis over the periods of the respective leases. The terms of the leases do not contain rent escalation or contingent rents. Future minimum lease payments under non-cancelable operating leases as at December 31 are as follows:

	2011 RMB	2012 RMB
Within one year	19,481,603	25,448,244
After one year but not more than five years	27,600,144	23,056,559
Later than five years	—	—
	<u>47,081,747</u>	<u>48,504,803</u>

*Legal Proceedings*

The Group may from time to time be subject to various legal or administrative proceedings, either as plaintiff or defendant, arising in the ordinary course of the Group’s business. The Group is not currently a party to, nor is aware of, any legal proceeding, investigation or claim that, in the view of the management, is likely to materially and adversely affect the Group’s business, financial condition or results of operations.

**25. Financial risk management objectives and policies**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of interest rate risk and foreign currency risk. The Group is also exposed to liquidity risk and credit risk. Management reviews and agrees policies for managing each of these risks and they are summarized below.

(i) Interest rate risk

The Group’s earnings are affected by changes in interest rates due to the impact of such changes on interest income and interest expense from interest-bearing financial assets and liabilities. The Group’s interest-bearing financial assets comprised primarily of cash deposits at floating rates based on daily bank deposit rates. The interest expense incurred for the year ended December 31, 2012 was nil (2011: RMB44,250; 2010: RMB992,650).

For the year ended December 31, 2012, the interest income from cash deposits was approximately RMB5,534,742 (2011: RMB3,963,484; 2010: RMB618,258). The following demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of interest-bearing financial assets affected. With all other variables held constant, a 0.5% increase or decrease in annual interest rates would increase or decrease interest income by RMB3,001,928, respectively, based on the cash and cash equivalents balance at December 31, 2012 (2011: RMB3,006,886).

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**25. Financial risk management objectives and policies (continued)**

(ii) Foreign currency risk

Bitauto HK’s deposits are held in RMB, whereas its functional currency is US\$. The Group’s consolidated statement of comprehensive income can be affected to a certain extent by movements in the RMB/US\$ exchange rate.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB/US\$ exchange rate, with all other variables held constant, of the Company’s profit.

	Increase/decrease in US\$ rate	Effect on profit US\$	Effect on profit RMB
2012	+5.00%	(2,819,220)	(18,422,390)
	-5.00%	3,115,980	18,422,390
2011	+5.00%	(3,301,870)	(21,821,418)
	-5.00%	3,649,436	21,821,418

(iii) Liquidity risk

The Group’s exposure to liquidity risk is the amounts recognized as financial liabilities (Note 20.4), which generally has a maturity profile of later than three months but not later than one year as of fiscal year-end. There is no material net liquidity risk due to cash and cash equivalents balances amounting to RMB601,377,150 and RMB600,385,558 as of December 31, 2011 and 2012, respectively.

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**25. Financial risk management objectives and policies (continued)**

(iv) Credit risk

A majority of the customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis via the Group’s management reporting procedures. The Group provides longer payment terms, ranging between 120 to 180 days to particular automaker customers after applying strict credit requirements based on the Group’s credit policy. These automaker customers, which comprise approximately 46.4% of total receivables as of December 31, 2012 (2011: approximately 60.7%), are major, long-standing customers and are mostly joint venture entities between PRC state-owned enterprises and international automakers. The related PRC state-owned enterprises have access to funds from the PRC government and thus do not represent substantial credit risks. However, with their influence in the automotive industry in China, these customers are able to demand longer payment terms from their suppliers, such as the Group.

Credit risk from balances with banks and financial institutions is managed by the Group’s treasury in accordance with the Group’s policy. As of December 31, 2011 and 2012, substantially all of the Group’s cash and cash equivalents and short-term floating rate time deposits were held by various reputable Chinese major financial institutions located in the PRC and Hong Kong. Historically, deposits in Chinese banks are secured due to the state policy on protecting depositors’ interests. However, China promulgated a new Bankruptcy Law in August 2006 that has come into effect on June 1, 2007, which contains a separate article expressly stating that the State Council promulgates implementation measures for the bankruptcy of Chinese banks based on the Bankruptcy Law when necessary. Under the new Bankruptcy Law, a Chinese bank can go into bankruptcy. In addition, since China’s accession to the World Trade Organization, foreign banks have been gradually permitted to operate in China and have been significant competitors against Chinese banks in many aspects, especially since the opening of the Renminbi business to foreign banks in late 2006. Therefore, the risk of bankruptcy of those Chinese banks in which the Group has deposits has increased. In the event of bankruptcy of one of the banks which holds the Group’s deposits, it is unlikely to claim its deposits back in full since it is unlikely to be classified as a secured creditor based on PRC laws. Since the global financial crisis began during the third quarter of 2008, the risk of bankruptcy of those banks in which the Group has deposits or investments has increased significantly. In the event of bankruptcy of one of these financial institutions, it may be unlikely to claim its deposits or investments back in full. The Group maintains its deposits across a diversified portfolio of financial institutions and continues to monitor the financial strength of these financial institutions. The Group’s maximum exposure to credit risk for the components of the statement of financial position at December 31, 2011 and 2012 is the carrying amounts as illustrated in Note 20. The Group’s maximum exposure for financial instruments is noted in Note 20.

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**25. Financial risk management objectives and policies (continued)**

(v) Fair values

Financial assets of the Group mainly include cash and cash equivalents, trade receivables, bills receivables, other receivables and other financial assets. Financial liabilities of the Group mainly include trade payables, other payables and interest-bearing borrowing.

The carrying amounts of other financial assets approximate their fair values at December 31, 2012. Fair value estimates are made at a specific point in time and based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Refer to Note 20.4 for further information on fair value.

(vi) Capital management

The primary objective of the Group’s capital management is to maintain a balance between continuity of funding and flexibility through the use of borrowings, when necessary in order to support the current and future growth of the Group’s business and to maximize shareholder value.

Capital includes equity attributable to the ordinary shareholders amounting to RMB885,861,500 and RMB987,804,383, as of December 31, 2011 and 2012, respectively. In prior periods, the Company was not able to secure traditional forms of financing, such as long-term bank borrowings on favorable terms, given that the Company has had a relatively short operating history. In order to fund its growth and working capital requirements, the Company issued convertible preference shares. Upon completion of the IPO on November 17, 2010, the Company raised RMB641,038,509 in net proceeds, and the convertible preference shares were automatically converted into ordinary shares. To maintain or adjust its capital structure, the Group may change its current dividend policy, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the year ended December 31, 2012.

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**26. Operating segment information**

For management purposes, the Group is organized into business units based on their services and has three reportable operating segments as follows:

- The bitauto.com business segment comprises of advertising activities, and dealer subscription services targeted to the new car automobile market.
- The taoche.com business segment comprises of advertising activities, and dealer listing services targeted to the used automobile market.
- The digital marketing solutions segment comprises of advertising activities, and advertising agent services.

Although the taoche.com business segment does not meet any of the qualitative thresholds to be considered a reportable segment and meets the criteria to be aggregated with the bitauto.com business operating segment, management believes that information about this segment would be useful to users of the consolidated financial statements as the potential revenue from this segment is expected to exceed 10% of the Group’s total revenue in future periods. Accordingly, management disclosed the taoche.com business segment as a separate reportable segment.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

As the Group’s long-lived assets are substantially all located in the PRC and substantially all the Group’s revenues are derived from within the PRC, no geographical segments are presented.

There are no intercompany transactions between the operating segments that have an effect on profit or loss before eliminations. The Group does not allocate operating, non-operating income and expenses to each reportable segment. Accordingly, the measure of profit and loss for each reportable segment as reported to the chief operating decision maker is gross profit. A reconciliation of gross profit to loss before tax from continuing operations is presented in the statements of comprehensive income.

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**26. Operating segment information (continued)**

Year ended, December 31, 2010	bitauto.com business	taoche.com business	Digital marketing solutions	Total
<b>Continuing operations</b>				
Revenue	291,127,962	19,013,034	147,964,046	458,105,042
Cost of revenue	<u>(79,790,465)</u>	<u>(27,475,242)</u>	<u>(41,435,009)</u>	<u>(148,700,716)</u>
Gross profit/(loss)	<u>211,337,497</u>	<u>(8,462,208)</u>	<u>106,529,037</u>	<u>309,404,326</u>
Year ended, December 31, 2011	bitauto.com business	taoche.com business	Digital marketing solutions	Total
<b>Continuing operations</b>				
Revenue	463,298,173	28,143,028	178,513,115	669,954,316
Cost of revenue	<u>(104,337,365)</u>	<u>(37,599,947)</u>	<u>(71,833,455)</u>	<u>(213,770,767)</u>
Gross profit/(loss)	<u>358,960,808</u>	<u>(9,456,919)</u>	<u>106,679,660</u>	<u>456,183,549</u>
Year ended, December 31, 2012	bitauto.com business	taoche.com business	Digital marketing solutions	Total
<b>Continuing operations</b>				
Revenue	840,574,186	21,623,017	194,708,777	1,056,905,980
Cost of revenue	<u>(161,589,938)</u>	<u>(38,540,373)</u>	<u>(92,019,844)</u>	<u>(292,150,155)</u>
Gross profit/(loss)	<u>678,984,248</u>	<u>(16,917,356)</u>	<u>102,688,933</u>	<u>764,755,825</u>

For the years ended December 31, 2010, 2011 and 2012, revenue from one customer amounted to RMB74,614,327, RMB68,143,093 and RMB53,732,003, respectively, arising from sales by both the bitauto.com business segment and digital marketing solutions segment.

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**27. Event after the reporting period**

On March 6, 2013, the Company exercised the Preference Shares Purchase Warrant issued by Car King. The Company purchased 934,676 Series B PS at a purchase price per share of US\$0.9629 for an aggregate purchase price of US\$899,999.52.

On March 20, 2013, the Group paid out the RMB18,000,000 contingent consideration due to the key management personnel associated with the Group’s acquisition of Bitcar (Note 3).

In April 2013, Beijing Municipal Commission of Economy and Information Technology issued a notice requiring all enterprises that were established after January 1, 2011, which qualified as software enterprises, to re-apply for such qualification in accordance with the *Administrative Measures for the Recognition of Software Enterprises* jointly issued by the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Finance and the State Administration of Taxation. The Group’s SPE, Beijing Bit EP Information Technology Company Limited (“Bit EP”) qualified as a software enterprise as of December 31, 2011 and 2012. Management considers that this is a non-adjusting event after the reporting period because Bit EP’s income tax provisions were computed based on the tax rates and tax laws enacted as of December 31, 2011 and 2012. Management is also in process of completing the re-application of Bit EP’s software enterprise qualification.

**28. Approval of the consolidated financial statements**

The consolidated financial statements were approved and authorized for issue by the Board of Directors on April 26, 2013.

**29. Parent company only condensed financial information**

The Company’s ability to pay dividends is primarily dependent on the Company receiving distributions of funds from its PRC subsidiary. Relevant PRC statutory laws and regulations permit payments of dividends by its PRC subsidiary only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations.

In accordance with the PRC Regulations on Enterprises with Foreign Investment and the articles of association of the Company’s PRC subsidiary, a foreign-invested enterprise established in the PRC is required to provide certain statutory reserves, which are appropriated from net profit as reported in the enterprise’s PRC statutory accounts. A foreign-invested enterprise is required to allocate at least 10% of its annual after-tax profit to the statutory reserve until such reserve has reached 50% of its respective registered capital based on the enterprise’s PRC statutory accounts. Foreign-invested enterprises are also required to set aside funds for the employee bonus and welfare fund from their after-tax profits each year at percentages determined at their sole discretion. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. The Company’s PRC subsidiary, BBII was established as a foreign-invested enterprise and, therefore, is subject to the above mandated restrictions on distributable profits.

As a result of these PRC laws and regulations, subject to the limit discussed above that require annual appropriations of 10% of after-tax income to be reserved prior to payment of dividends as a statutory reserve, the Company’s PRC subsidiary is restricted in their ability to transfer a portion of their net assets to the Company. Historically, the Company’s PRC subsidiary has generated losses in each of the periods from inception through December 31, 2010 as determined pursuant to PRC accounting standards and therefore, no statutory reserves were recorded. As of December 31, 2012, the PRC subsidiary had accumulated profits amounting to RMB88,809,485 (2011: RMB56,907,916) pursuant to PRC accounting standards, and therefore, statutory reserves amounting to RMB8,880,949 was recorded as of December 31, 2012 (2011: RMB5,690,792).

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**29. Parent company only condensed financial information (continued)**

*Condensed statements of comprehensive income*

	For the year ended December 31,		
	2010 RMB	2011 RMB	2012 RMB
Other operating expense	(7,108)	(6,574)	(4,882)
Selling and administrative expenses	<u>(5,540,763)</u>	<u>(20,224,966)</u>	<u>(19,252,151)</u>
<b>Operating loss</b>	<b>(5,547,871)</b>	<b>(20,231,540)</b>	<b>(19,257,033)</b>
Changes in fair value of derivative component of convertible preference shares	(1,270,701,904)	—	—
Changes in fair value of financial assets	—	—	(267,297)
Interest income	124	909	1,045
Finance costs on convertible preference shares	(9,354,999)	—	—
Loss on disposal of investment in distributed entities as part of the distribution to shareholders on May 31, 2010 (Note 8)	<u>(152,313,749)</u>	<u>—</u>	<u>—</u>
<b>Loss before taxes</b>	<b>(1,437,918,399)</b>	<b>(20,230,631)</b>	<b>(19,523,285)</b>
Income tax expense	—	—	—
<b>Loss for the year</b>	<b><u>(1,437,918,399)</u></b>	<b><u>(20,230,631)</u></b>	<b><u>(19,523,285)</u></b>
<b>Other comprehensive income/(loss)</b>			
Foreign currency exchange differences, net of tax of nil	28,352,215	(36,250,909)	(2,060,305)
Net gain on available-for-sale financial instrument, net of tax of nil	—	—	1,093,734
Other comprehensive income/(loss) for the year, net of tax	<u>28,352,215</u>	<u>(36,250,909)</u>	<u>(966,571)</u>
<b>Total comprehensive loss for the year</b>	<b><u>(1,409,566,184)</u></b>	<b><u>(56,481,540)</u></b>	<b><u>(20,489,856)</u></b>

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**29. Parent company only condensed financial information (continued)**

*Condensed statements of financial position*

	As at December 31,	
	2011 RMB	2012 RMB
<b>ASSETS</b>		
<b>Non-current asset</b>		
Investment in subsidiary	1	1
Prepaid insurance	420,060	—
Available-for-sale investments	—	19,645,330
<b>Total non-current asset</b>	<u>420,061</u>	<u>19,645,331</u>
<b>Current assets</b>		
Prepayments and other receivables	504,072	1,718,239
Due from subsidiaries	668,746,001	597,596,174
Due from related parties	24,588	24,528
Financial assets at fair value through profit or loss	—	37,713
Cash and cash equivalents	11,754,492	10,289,695
<b>Total current assets</b>	<u>681,029,153</u>	<u>609,666,349</u>
<b>TOTAL ASSETS</b>	<u>681,449,214</u>	<u>629,311,680</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Issued capital	11,696	11,696
Share premium	2,409,156,049	2,409,156,049
Treasury shares	(16,809,532)	(62,727,907)
Employee equity benefit reserve	27,706,721	40,992,540
Other reserve		
- Foreign currency translation reserve	8,474,484	6,414,179
- Available-for-sale financial instrument reserve	—	1,093,734
Accumulated losses	(1,747,473,795)	(1,766,997,080)
<b>Total equity</b>	<u>681,065,623</u>	<u>627,943,211</u>
<b>Current liabilities</b>		
Other payables and accruals	383,591	1,368,469
<b>Total current liabilities</b>	<u>383,591</u>	<u>1,368,469</u>
<b>Total liabilities</b>	<u>383,591</u>	<u>1,368,469</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>681,449,214</u>	<u>629,311,680</u>

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**29. Parent company only condensed financial information (continued)**

*Condensed statements of cash flows*

	For the year ended December 31,		
	2010 RMB	2011 RMB	2012 RMB
Net cash generated from operating activities	12,077,146	60,799,807	65,662,606
Net cash used in investing activities	—	—	(18,973,656)
Net cash used in financing activities	(10,993,376)	(16,521,452)	(46,210,492)
Net increase in cash and cash equivalents	1,083,770	44,278,355	478,458
Exchange rate effect on cash	(4,837,531)	(36,250,909)	(1,943,255)
Cash and cash equivalents at beginning of the year	7,480,807	3,727,046	11,754,492
Cash and cash equivalents at end of the year	<u>3,727,046</u>	<u>11,754,492</u>	<u>10,289,695</u>

*(a) Basis of presentation*

The separate condensed financial statements above have been presented on a “parent company only” basis. Under a “parent company only” presentation, the Company’s investment in its subsidiary is presented at cost. Such investment is presented on the separate condensed statements of financial position of the Company as “Investment in subsidiary”.

The subsidiary did not pay any dividends to the Company for the periods presented.

There were no indicators of impairment associated with the investment in subsidiary as of December 31, 2011 and 2012.

Certain information and note disclosures normally included in financial statements prepared in accordance with IFRS have been condensed or omitted in this parent company only condensed financial information by reference to the Group’s consolidated financial statements.

*(b) Commitments*

The Company does not have any significant commitments or long-term obligations as of December 31, 2011 and 2012.

**Bitauto Holdings Limited**  
**2012 SHARE INCENTIVE PLAN**

**ARTICLE 1**

**PURPOSE**

The purpose of the Bitauto Holdings Limited 2012 Share Incentive Plan (the "Plan") is to promote the success and enhance the value of Bitauto Holdings Limited, a company formed under the laws of the Cayman Islands (the "Company") by linking the personal interests of the members of the Board, Employees, and Consultants to those of the Company's shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the Company's shareholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board, Employees, and Consultants upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

**ARTICLE 2**

**DEFINITIONS AND CONSTRUCTION**

Wherever the following terms are used in the Plan, they shall have the meanings specified below unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates, and vice versa.

2.1 "Applicable Laws" means the legal requirements relating to the Plan and the Awards under applicable provisions of the corporate, securities, tax and other laws, rules, regulations and government orders, and the rules of any applicable stock exchange or national market system, of any jurisdiction applicable to Awards.

2.2 "Award" means an Option, Restricted Share or Restricted Share Units award granted to a Participant pursuant to the Plan.

2.3 "Award Agreement" means any written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium.

2.4 "Board" means the board of directors of the Company.

2.5 "Change of Control" means a change in ownership or control of the Company after the Registration Date effected through either of the following transactions:

(a) the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by the Company or by a Company-sponsored employee benefit plan or by a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's shareholders which a majority of the Incumbent Board (as defined below) who are not affiliates or associates of the offeror under Rule 12b-2 promulgated under the Exchange Act do not recommend such shareholders accept; or

(b) the individuals who, as of the Effective Date, are members of the Board (the “Incumbent Board”), cease for any reason to constitute at least fifty percent (50%) of the Board; provided that if the election, or nomination for election by the Company’s shareholders, of any new member of the Board is approved by a vote of at least fifty percent (50%) of the Incumbent Board, such new member of the Board shall be considered as a member of the Incumbent Board.

2.6 “Code” means the Internal Revenue Code of 1986 of the United States, as amended.

2.7 “Committee” means the committee of the Board described in Article 9.

2.8 “Consultant” means any consultant or adviser if: (a) the consultant or adviser renders bona fide services to a Service Recipient; (b) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company’s securities; and (c) the consultant or adviser is a natural person who has contracted directly with the Service Recipient to render such services.

2.9 “Corporate Transaction” means any of the following transactions, provided, however, that the Committee shall determine under (d) and (e) whether multiple transactions are related, and its determination shall be final, binding and conclusive:

(a) an amalgamation, arrangement or consolidation or scheme of arrangement (i) in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the jurisdiction in which the Company is incorporated or (ii) following which the holders of the voting securities of the Company do not continue to hold more than 50% of the combined voting power of the voting securities of the surviving entity;

(b) the sale, transfer or other disposition of all or substantially all of the assets of the Company;

(c) the complete liquidation or dissolution of the Company;

(d) any reverse takeover or series of related transactions culminating in a reverse takeover (including, but not limited to, a tender offer followed by a reverse takeover) in which the Company is the surviving entity but (A) the equity securities of the Company outstanding immediately prior to such takeover are converted or exchanged by virtue of the takeover into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company’s outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such takeover or the initial transaction culminating in such takeover, but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction; or

(e) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction.

2.10 "Disability" means that the Participant qualifies to receive long-term disability payments under the Service Recipient's long-term disability insurance program, as it may be amended from time to time, to which the Participant provides services regardless of whether the Participant is covered by such policy. If the Service Recipient to which the Participant provides service does not have a long-term disability plan in place, "Disability" means that a Participant is unable to carry out the responsibilities and functions of the position held by the Participant by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Participant will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Committee in its discretion.

2.11 "Effective Date" shall have the meaning set forth in Section 10.1.

2.12 "Employee" means any person, including an officer or a member of the Board of the Company or any Subsidiary of the Company, who is in the employment of a Service Recipient, subject to the control and direction of the Service Recipient as to both the work to be performed and the manner and method of performance. The payment of a director's fee by a Service Recipient shall not be sufficient to constitute "employment" by the Service Recipient.

2.13 "Exchange Act" means the Securities Exchange Act of 1934 of the United States, as amended.

2.14 "Fair Market Value" means, as of any date, the value of Shares determined as follows:

(a) If the Shares are listed on one or more established stock exchanges or national market systems, including without limitation, The New York Stock Exchange and The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such shares (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the Shares are listed (as determined by the Committee) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable;

(b) If the Shares are regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, its Fair Market Value shall be the closing sales price for such shares as quoted on such system or by such securities dealer on the date of determination, but if selling prices are not reported, the Fair Market Value of a Share shall be the mean between the high bid and low asked prices for the Shares on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable; or

(c) In the absence of an established market for the Shares of the type described in (a) and (b), above, the Fair Market Value thereof shall be determined by the Committee in good faith and in its discretion by reference to (i) the placing price of the latest private placement of the Shares and the development of the Company's business operations and the general economic and market conditions since such latest private placement, (ii) other third party transactions involving the Shares and the development of the Company's business operation and the general economic and market conditions since such sale, (iii) an independent valuation of the Shares, or (iv) such other methodologies or information as the Committee determines to be indicative of Fair Market Value and relevant.

2.15 "Incentive Share Option" means an Option that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

2.16 "Independent Director" means (i) before the Shares or other securities representing the Shares are listed on a stock exchange, a member of the Board who is not an Employee of the Company; and (ii) after the Shares or other securities representing the Shares are listed on a stock exchange, a member of the Board who meets the independence standards under the applicable corporate governance rules of such stock exchange.

2.17 "Non-Qualified Share Option" means an Option that is not intended to be an Incentive Share Option.

2.18 "Option" means a right granted to a Participant pursuant to Article 5 of the Plan to purchase a specified number of Shares at a specified price during specified time periods. An Option may be either an Incentive Share Option or a Non-Qualified Share Option.

2.19 "Participant" means a person who, as a member of the Board, Consultant or Employee, has been granted an Award pursuant to the Plan.

2.20 "Parent" means a parent corporation under Section 424(e) of the Code.

2.21 "Related Entity" means any business, corporation, partnership, limited liability company or other entity in which the Company or a Subsidiary of the Company holds a substantial ownership interest, directly or indirectly, but which is not a Subsidiary and which the Board designates as a Related Entity for purposes of the Plan.

2.22 "Restricted Share" means a Share awarded to a Participant pursuant to Article 6 that is subject to certain restrictions and may be subject to risk of forfeiture.

2.23 "Restricted Share Unit" means the right granted to a Participant pursuant to Article 6 to receive a Share at a future date.

2.24 "Securities Act" means the Securities Act of 1933 of the United States, as amended.

2.25 “Service Recipient” means the Company, any Subsidiary of the Company and any Related Entity to which a Participant provides services as an Employee, a Consultant or a Director.

2.26 “Share” means the Ordinary Shares of the Company, par value 0.01 per share, and such other securities of the Company that may be substituted for Shares pursuant to Article 8.

2.27 “Subsidiary” means any corporation or other entity of which a majority of the outstanding voting shares or voting power is beneficially owned directly or indirectly by the Company. For purposes of this Plan, Subsidiary shall also include any consolidated variable interest entities of the Company.

2.28 “Trading Date” means the closing of the first sale to the general public of the Shares pursuant to an effective registration statement under applicable laws, which results in the Shares being publicly traded on one or more established stock exchanges or national market systems.

### ARTICLE 3

#### SHARES SUBJECT TO THE PLAN

##### 3.1 Number of Shares.

(a) Subject to the provisions of Article 8 and Section 3.1(b), the maximum aggregate number of Shares which may be issued pursuant to all Awards (including Incentive Share Options) is 1,908,180 Shares (such number, the “Maximum Number”) as of the Effective Date.

(b) To the extent that an Award terminates, expires, or lapses for any reason, any Shares subject to the Award shall again be available for the grant of an Award pursuant to the Plan. To the extent permitted by Applicable Laws, Shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form or combination by the Company or any Subsidiary of the Company shall not be counted against Shares available for grant pursuant to the Plan. Shares delivered by the Participant or withheld by the Company upon the exercise of any Award under the Plan, in payment of the exercise price thereof or tax withholding thereon, may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). If any Restricted Shares are forfeited by the Participant or repurchased by the Company, such Shares may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). Notwithstanding the provisions of this Section 3.1(b), no Shares may again be optioned, granted or awarded if such action would cause an Incentive Share Option to fail to qualify as an incentive share option under Section 422 of the Code.

3.2 Shares Distributed. Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares, treasury shares (subject to Applicable Laws) or Shares purchased on the open market. Additionally, in the discretion of the Committee, American Depository Shares in an amount equal to the number of Shares which otherwise would be distributed pursuant to an Award may be distributed in lieu of Shares in settlement of any Award. If the number of Shares represented by an American Depository Share is other than on a one-to-one basis, the limitations of Section 3.1 shall be adjusted to reflect the distribution of American Depository Shares in lieu of Shares.

## ARTICLE 4

### ELIGIBILITY AND PARTICIPATION

4.1 Eligibility. Persons eligible to participate in this Plan include Employees, Consultants, and all members of the Board, as determined by the Committee.

4.2 Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from among all eligible individuals, those to whom Awards shall be granted and shall determine the nature and amount of each Award. No individual shall have any automatic right to be granted an Award pursuant to this Plan.

4.3 Jurisdictions. In order to assure the viability of Awards granted to Participants employed in various jurisdictions, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy, or custom applicable in the jurisdiction in which the Participant resides or is employed. Moreover, the Committee may approve such supplements to, or amendments, restatements, or alternative versions of, the Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose; *provided, however*, that no such supplements, amendments, restatements, or alternative versions shall increase the share limitations contained in Section 3.1 of the Plan. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate any Applicable Laws.

## ARTICLE 5

### OPTIONS

5.1 General. Subject to Article 9, the Committee is authorized to grant Options to Participants on the following terms and conditions:

(a) 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, 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.

(b) Time and Conditions of Exercise. 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 Plan shall not exceed ten years, except as provided in Section 11.1. The Committee shall also determine the conditions, if any, that must be satisfied before all or part of an Option may be exercised.

(c) Payment. The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation (i) cash or check denominated in U.S. Dollars, (ii) to the extent permissible under the Applicable Laws, cash or check in Chinese Renminbi, (iii) cash or check denominated in any other local currency as approved by the Committee, (iv) Shares held for such period of time as may be required by the Committee in order to avoid adverse financial accounting consequences and having a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof, (v) after the Trading Date the delivery of a notice that the Participant has placed a market sell order with a broker with respect to Shares then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; *provided* that payment of such proceeds is then made to the Company upon settlement of such sale, (vi) other property acceptable to the Committee with a Fair Market Value equal to the exercise price, or (vii) any combination of the foregoing. Notwithstanding any other provision of the Plan to the contrary, no Participant who is a member of the Board or an “executive officer” of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to pay the exercise price of an Option in any method which would violate Section 13(k) of the Exchange Act.

(d) Evidence of Grant. All Options shall be evidenced by an Award Agreement between the Company and the Participant. The Award Agreement shall include such additional provisions as may be specified by the Committee.

5.2 Incentive Share Options. Incentive Share Options may be granted to Employees of the Company or of a Subsidiary of the Company. Incentive Share Options may not be granted to Employees of a Related Entity or to Independent Directors or Consultants. The terms of any Incentive Share Options granted pursuant to the Plan, in addition to the requirements of Section 5.1, must comply with the following additional provisions of this Section 5.2:

(a) Expiration of Option. An Incentive Share Option may not be exercised to any extent by anyone after the first to occur of the following events:

- (i) Ten years from the date it is granted, unless an earlier time is set in the Award Agreement;
- (ii) Three months after the Participant’s termination of employment as an Employee; and
- (iii) Upon the Participant’s Disability or death, subject to Sections 7.2 and 7.3.

(b) Individual Dollar Limitation. The aggregate Fair Market Value (determined as of the time the Option is granted) of all Shares with respect to which Incentive Share Options are first exercisable by a Participant in any calendar year may not exceed \$100,000 or such other limitation as imposed by Section 422(d) of the Code, or any successor provision. To the extent that Incentive Share Options are first exercisable by a Participant in excess of such limitation, the excess shall be considered Non-Qualified Share Options.

(c) Ten Percent Owners. An Incentive Share Option shall be granted to any individual who, at the date of grant, owns Shares possessing more than ten percent of the total combined voting power of all classes of shares of the Company only if such Option is granted at a price that is not less than 110% of Fair Market Value on the date of grant and the Option is exercisable for no more than five years from the date of grant.

(d) Transfer Restriction. The Participant shall give the Company prompt notice of any disposition of Shares acquired by exercise of an Incentive Share Option within (i) two years from the date of grant of such Incentive Share Option or (ii) one year after the transfer of such Shares to the Participant.

(e) Expiration of Incentive Share Options. No Award of an Incentive Share Option may be made pursuant to this Plan after the tenth anniversary of the Effective Date.

(f) Right to Exercise. During a Participant's lifetime, an Incentive Share Option may be exercised only by the Participant.

## ARTICLE 6

### RESTRICTED SHARES

6.1 Grant of Restricted Shares. Subject to Article 9, the Committee is authorized to make Awards of Restricted Shares to any Participant selected by the Committee in such amounts and subject to such terms and conditions as determined by the Committee. All Awards of Restricted Shares shall be evidenced by an Award Agreement.

6.2 Issuance and Restrictions. Restricted Shares shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Shares or the right to receive dividends on the Restricted Share). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Committee determines at the time of the grant of the Award or thereafter.

6.3 Forfeiture/Repurchase. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, Restricted Shares that are at that time subject to restrictions shall be forfeited or repurchased in accordance with the Award Agreement; *provided, however*, the Committee may (a) provide in any Restricted Share Award Agreement that restrictions or forfeiture and repurchase conditions relating to Restricted Shares will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to Restricted Shares.

6.4 Certificates for Restricted Shares. Restricted Shares granted pursuant to the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Shares are registered in the name of the Participant, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Shares, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse.

6.5 Restricted Share Units. The Committee is authorized to make Awards of Restricted Share Units to any Participant selected by the Committee in such amounts and subject to such terms and conditions as determined by the Committee. At the time of grant, the Committee shall specify the date or dates on which the Restricted Share Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate. At the time of grant, the Committee shall specify the maturity date applicable to each grant of Restricted Share Units which shall be no earlier than the vesting date or dates of the Award and may be determined at the election of the grantee. On the maturity date, the Company shall, subject to Sections 7.4 and 7.5, transfer to the Participant one unrestricted, fully transferable Share for each Restricted Share Unit scheduled to be paid out on such date and not previously forfeited.

## ARTICLE 7

### PROVISIONS APPLICABLE TO AWARDS

7.1 Award Agreement. Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award which may include the term of an Award, the provisions applicable in the event the Participant's employment or service terminates, and the Company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award.

7.2 Limits on Transfer. No right or interest of a Participant in any Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or a Subsidiary, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or a Subsidiary. Except as otherwise provided by the Committee, no Award shall be assigned, transferred, or otherwise disposed of by a Participant other than by will or the laws of descent and distribution. The Committee by express provision in the Award or an amendment thereto may permit an Award (other than an Incentive Share Option) to be transferred to, exercised by and paid to certain persons or entities related to the Participant, including but not limited to members of the Participant's family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the Participant's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Committee, pursuant to such conditions and procedures as the Committee may establish. Any permitted transfer shall be subject to the following conditions: that (a) the Committee receive evidence satisfactory to it that the transfer is being made for asset protection, estate and/or tax planning purposes (or to a "blind trust" in connection with the Participant's termination of employment or service with the Company or a Subsidiary to assume a position with a governmental, charitable, educational or similar non-profit institution) and on a basis consistent with the Company's lawful issue of securities, and (b) after the transfer, the Participant and the transferee comply with all of the original agreements and covenants granted by the Participant in favor of the Company.

7.3 Beneficiaries. If the Committee so determines, then notwithstanding Sections 5.2(a) and 7.2, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If the Participant is married and resides in a community property state, a designation of a person other than the Participant's spouse as his or her beneficiary with respect to more than 50% of the Participant's interest in the Award shall not be effective without the prior written consent of the Participant's spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

7.4 Share Certificates. Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing the Share pursuant to the exercise of any Award, unless and until the Committee has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all Applicable Laws, including, if applicable, the requirements of any exchange on which the Shares or securities representing the Shares are listed, quoted or traded. All Share certificates delivered pursuant to the Plan are subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with all Applicable Laws, including, if applicable, the rules of any national securities exchange or automated quotation system on which the Shares or securities representing the Shares are listed, quoted, or traded. The Committee may place legends on any Share certificate to reference restrictions applicable to the Shares. In addition to the terms and conditions provided herein, the Committee may require that a Participant make such reasonable covenants, agreements, and representations as the Committee, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements. The Committee shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Committee.

7.5 Paperless Administration. Subject to Applicable Laws, the Committee may make Awards, provide applicable disclosure and procedures for exercise of Awards by an internet website or interactive voice response system for the paperless administration of Awards.

7.6 Foreign Currency. A Participant may be required to provide evidence that any currency used to pay the exercise price of any Award were acquired and taken out of the jurisdiction in which the Participant resides in accordance with Applicable Laws, including foreign exchange control laws and regulations. In the event the exercise price for an Award is paid in Chinese Renminbi or other foreign currency, as permitted by the Committee, the amount payable will be determined by conversion from U.S. dollars at the official rate promulgated by the People's Bank of China for Chinese Renminbi, or for jurisdictions other than the Peoples Republic of China, the exchange rate as selected by the Committee on the date of exercise.

## **ARTICLE 8**

### **CHANGES IN CAPITAL STRUCTURE**

8.1 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 (a) the aggregate number and type of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1); (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the grant or exercise price per share for any outstanding Awards under the Plan.

8.2 Acceleration upon a Change of Control. Except as may otherwise be provided in any Award Agreement or any other written agreement entered into by and between the Company and a Participant, if a Change of Control occurs and a Participant's Awards are not converted, assumed, or replaced by a successor, such Awards shall become fully vested and exercisable and all forfeiture restrictions on such Awards shall lapse. Upon, or in anticipation of, a Change of Control, the Committee may in its sole discretion provide for (i) any and all Awards outstanding hereunder to automatically become fully vested and exercisable and terminate at a specific time in the future and give each Participant the right to exercise such Awards during a period of time as the Committee shall determine, (ii) either the purchase of any Award for an amount of cash equal to the amount that could have been attained upon the exercise of such Award or realization of the Participant's rights had such Award been currently exercisable or payable or fully vested (and, for the avoidance of doubt, if as of such date the Committee determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment), (iii) the replacement of such Award with other rights or property selected by the Committee in its sole discretion or the assumption of or substitution of such Award by the successor or surviving corporation, or a subsidiary thereof, with appropriate adjustments as to the number and kind of Shares and prices, or (iv) payment of Awards in cash based on the value of Shares on the date of the Change of Control plus reasonable interest on the Award through the date such Award would otherwise be vested or have been paid in accordance with its original terms, if necessary to comply with Section 409A of the Code.

8.3 Outstanding Awards – Corporate Transactions. Except as provided otherwise in an individual Award Agreement, upon, or in anticipation of a Corporate Transaction, the committee may, in its absolute discretion determine that:

(a) if the Award either is (x) assumed by the successor entity or Parent thereof or replaced with a comparable Award (as determined by the Committee) with respect to shares of the capital stock of the successor entity or Parent thereof or (y) replaced with a cash incentive program of the successor entity which preserves the compensation element of such Award existing at the time of the Corporate Transaction and provides for subsequent payout in accordance with the same vesting schedule applicable to such Award, then such Award (if assumed), the replacement Award (if replaced), or the cash incentive program automatically shall become fully vested, exercisable and payable and be released from any restrictions on transfer (other than transfer restrictions applicable to Options) and repurchase or forfeiture rights, immediately upon termination of the Participant's employment or service with all Service Recipient within twelve (12) months of the Corporate Transaction without cause; and

(b) for each Award that is neither assumed nor replaced, such Award shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at Fair Market Value) for all of the Shares at the time represented by the Award, immediately prior to the specified effective date of such Corporate Transaction, *provided* that the Participant remains an Employee, Consultant or Director on the effective date of the Corporate Transaction.

8.4 Outstanding Awards – Other Changes. In the event of any other change in the capitalization of the Company or corporate change other than those specifically referred to in this Article 8, the Committee may, in its absolute discretion, make such adjustments in the number and class of shares subject to Awards outstanding on the date on which such change occurs and in the per share grant or exercise price of each Award as the Committee may consider appropriate to prevent dilution or enlargement of rights.

8.5 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of Shares of any class, the payment of any dividend, any increase or decrease in the number of shares of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Committee under the Plan, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares subject to an Award or the grant or exercise price of any Award.

## ARTICLE 9

### ADMINISTRATION

9.1 Committee. The Plan shall be administered by the Board or the Compensation Committee of the Board; *provided, however* that the Board or the Compensation Committee may delegate to a committee of one or more members of the Board the authority to grant or amend Awards to Participants other than senior executives of the Company. The Committee shall consist of at least two individuals, each of whom qualifies as an Independent Director. Reference to the Committee shall refer to the Board if the Compensation Committee has not been established or ceases to exist and the Board does not appoint a successor Committee. Notwithstanding the foregoing, the full Board, acting by majority of its members in office, shall conduct the general administration of the Plan if required by Applicable Laws, and with respect to Awards granted to Independent Directors and for purposes of such Awards the term “Committee” as used in the Plan shall be deemed to refer to the Board.

9.2 Action by the Committee. A majority of the Committee shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by a majority of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Subsidiary, the Company’s independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

9.3 Authority of the Committee. Subject to any specific designation in the Plan, the Committee has the exclusive power, authority and discretion to:

- (a) Designate Participants to receive Awards;
- (b) Determine the type or types of Awards to be granted to each Participant;
- (c) Determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines;

(e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(f) Prescribe the form of each Award Agreement, which need not be identical for each Participant;

(g) Decide all other matters that must be determined in connection with an Award;

(h) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;

(i) Interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement; and

(j) Make all other decisions and determinations that may be required pursuant to the Plan or as the Committee deems necessary or advisable to administer the Plan.

9.4 Decisions Binding. The Committee's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties.

## ARTICLE 10

### EFFECTIVE AND EXPIRATION DATE

10.1 Effective Date. The Plan is effective as of the date the Plan is adopted and approved by the Board (the "Effective Date").

10.2 Expiration Date. The Plan will expire on, and no Award may be granted pursuant to the Plan after, the tenth anniversary of the Effective Date. Any Awards that are outstanding on the tenth anniversary of the Effective Date shall remain in force according to the terms of the Plan and the applicable Award Agreement.

## ARTICLE 11

### AMENDMENT, MODIFICATION, AND TERMINATION

11.1 Amendment, Modification, And Termination. By adopting and approving this Plan, the Company's Shareholders authorize the Board and/or the committee 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 Plan.

11.2 Awards Previously Granted. Except with respect to amendments made pursuant to Section 11.1, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted pursuant to the Plan without the prior written consent of the Participant.

## ARTICLE 12

### GENERAL PROVISIONS

12.1 No Rights to Awards. No Participant, employee, or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Committee is obligated to treat Participants, employees, and other persons uniformly.

12.2 No Shareholders Rights. No Award gives the Participant any of the rights of a Shareholder of the Company unless and until Shares are in fact issued to such person in connection with such Award.

12.3 Taxes. No Shares shall be delivered under the Plan to any Participant until such Participant has made arrangements acceptable to the Committee for the satisfaction of any income and employment tax withholding obligations under Applicable Laws. The Company or any Subsidiary shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy all applicable taxes (including the Participant's payroll tax obligations) required or permitted by law to be withheld with respect to any taxable event concerning a Participant arising as a result of this Plan. The Committee may in its discretion and in satisfaction of the foregoing requirement allow a Participant to elect to have the Company withhold Shares otherwise issuable under an Award (or allow the return of Shares) having a Fair Market Value equal to the sums required to be withheld. Notwithstanding any other provision of the Plan, the number of Shares which may be withheld with respect to the issuance, vesting, exercise or payment of any Award (or which may be repurchased from the Participant of such Award after such Shares were acquired by the Participant from the Company) in order to satisfy the Participant's income and payroll tax liabilities with respect to the issuance, vesting, exercise or payment of the Award shall, unless specifically approved by the Committee, be limited to the number of Shares which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for income tax and payroll tax purposes that are applicable to such supplemental taxable income.

12.4 No Right to Employment or Services. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Service Recipient to terminate any Participant's employment or services at any time, nor confer upon any Participant any right to continue in the employment or service of any Service Recipient.

12.5 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Subsidiary.

12.6 Indemnification. To the extent allowable pursuant to Applicable Laws, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* that he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Memorandum of Association and Articles of Association, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

12.7 Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits pursuant to any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

12.8 Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

12.9 Titles and Headings. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

12.10 Fractional Shares. No fractional shares of a Share shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding up or down as appropriate.

12.11 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any Participant who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Laws, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

12.12 Government and Other Regulations. The obligation of the Company to make payment of awards in Shares or otherwise shall be subject to all Applicable Laws and to such approvals by government agencies as may be required. The Company shall be under no obligation to register any of the Shares paid pursuant to the Plan under the Securities Act or any other similar law in any applicable jurisdiction. If the Shares paid pursuant to the Plan may in certain circumstances be exempt from registration pursuant to the Securities Act or other Applicable Laws, the Company may restrict the transfer of such shares in such manner as it deems advisable to ensure the availability of any such exemption.

12.13 Governing Law; Dispute Resolution. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the Cayman Islands. Any dispute, controversy or claim arising out of or relating to the Plan and all Award Agreements, or the breach, termination or invalidity thereof, shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force and as may be amended by the rest of this Section 12.13. The appointing authority shall be Hong Kong International Arbitration Centre. The place of arbitration shall be in Hong Kong at Hong Kong International Arbitration Centre. There shall be only one arbitrator. The language to be used in the arbitral proceedings shall be English.

12.14 Section 409A of the Code. To the extent that the Committee determines that any Award granted under the Plan is or may become subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and the Award Agreements shall be interpreted in accordance with Section 409A of the Code and the U.S. Department of Treasury regulations and other interpretative guidance issued thereunder, including without limitation any such regulation or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Committee determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Committee may adopt such amendments to the Plan and the applicable Award agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and /or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related U.S. Department of Treasury guidance.

12.15 Appendices. The Committee may approve such supplements, amendments or appendices to the Plan as it may consider necessary or appropriate for purposes of compliance with Applicable Laws or otherwise and such supplements, amendments or appendices shall be considered a part of the Plan; *provided, however*, that no such supplements shall increase the share limitations contained in Section 3.1 of the Plan.

**Exclusive Business Cooperation Agreement\***

This Exclusive Business Cooperation Agreement (this “Agreement”) is made and entered into by and between the following Parties on the 9th day of March, 2006, in Beijing, China.

**Party A: Beijing Bitauto Internet Information Company**

Address: Beijing New Century Hotel Office Building 6 Flr, No.6 Beijing Capital Stadium Road South, Haidian District, Beijing, P.R. China 100044

**Party B: Beijing Bitauto Information Technology Company Limited**

Address: Room 657, Beijing New Century Hotel Office Building 6th Floor, No. 6 Beijing Capital Stadium Road South, Haidian District, Beijing, P.R. China 100044

Each of Party A and Party B shall be hereinafter referred to as a “Party” respectively, and as the “Parties” collectively.

**Whereas,**

1. Party A is a Wholly Foreign Owned Enterprise established in the People’s Republic of China (“China”), and has the necessary resources to provide technical services and business consulting services;
2. Party B is a company with exclusively domestic capital registered in China and may engage in e-commerce and internet content provision business as approved by the relevant governmental authorities in China;
3. Party A is willing to provide Party B, on an exclusive basis, with technical, consulting and other services in relation to the e-commerce and internet content provision business of Party B during the term of this Agreement, utilizing its own advantages in human resources, technology and information, and Party B is willing to accept such exclusive services provided by Party A or Party A’s designee(s), each on the terms set forth herein.

Now, therefore, through mutual discussion, Party A and Party B have reached the following agreements:

**1. Services Provided by Party A**

- 1.1 Party B hereby appoints Party A as Party B’s exclusive services provider to provide Party B with complete business support and technical and consulting services during the term of this Agreement, in accordance with the terms and conditions of this Agreement, which may include all services within the business scope of Party B as may be determined from time to time by Party A, such as but not limited to technical services, network support, business consultations, intellectual property licenses, equipment or property leasing, marketing consultancy, system integration, product research and development, and system maintenance.

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\* Form agreement was filed on October 29, 2010 as Exhibit 10.5 to the registration statement on Form F-1, as amended (File No. 333- 170238). This exhibit is filed to submit the executed version of this agreement and a schedule showing the material differences between this exhibit and other similar agreements.

1.2 Party B agrees to accept all the consultations and services provided by Party A. Party B further agrees that unless with Party A's prior written consent, during the term of this Agreement, Party B shall not accept any consultations and/or services provided by any third party and shall not cooperate with any third party regarding the matters contemplated by this Agreement. Party A may appoint other parties, who may enter into certain agreements described in Section 1.3 with Party B, to provide Party B with the consultations and/or services under this Agreement.

1.3 Service Providing Methodology

1.3.1 Party A and Party B agree that during the term of this Agreement, both Parties, directly or through their respective affiliates, may enter into further technical service agreements or consulting service agreements, which shall provide the specific contents, manner, personnel, and fees for the specific technical services and consulting services.

1.3.2 To fulfill this Agreement, Party A and Party B agree that during the term of this Agreement, both Parties, directly or through their respective affiliates, may enter into intellectual property (including but not limited to software, trademark, patent and know-how) license agreements, which shall permit Party B to use Party A's relevant intellectual property rights, at any time and from time to time based on the needs of the business of Party B.

1.3.3 To fulfill this Agreement, Party A and Party B agree that during the term of this Agreement, both Parties, directly or through their respective affiliates, may enter into equipment or property leases which shall permit Party B to use Party A's relevant equipment or property based on the needs of the business of Party B.

2. **The Calculation and Payment of the Service Fees**

The Parties agree that the service fees under this Agreement shall be determined and paid based on the methods set forth in the separate agreements to be entered between Party A and Party B described in Section 1.3.

3. **Intellectual Property Rights and Confidentiality Clauses**

3.1 Party A shall have exclusive and proprietary rights and interests in all rights, ownership, interests and intellectual properties arising out of or created during the performance of this Agreement, including but not limited to copyrights, patents, patent applications, trademarks, software, technical secrets, trade secrets and others, regardless of whether they have been developed by Party A or Party B.

- 3.2 The Parties acknowledge that any oral or written information exchanged among them with respect to this Agreement is confidential information. Each Party shall maintain the confidentiality of all such information, and without obtaining the written consent of the other Party, it shall not disclose any relevant information to any third parties, except in the following circumstances: (a) such information is or will be in the public domain (provided that this is not the result of a public disclosure by the receiving Party); (b) information disclosed as required by applicable laws or rules or regulations of any stock exchange; or (c) information required to be disclosed by any Party to its legal counsel or financial advisor regarding the transaction contemplated hereunder, and such legal counsel or financial advisor are also bound by confidentiality duties similar to the duties in this Section. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.
- 3.3 The Parties agree that this Section shall survive changes to, and rescission or termination of, this Agreement.

#### 4. **Representations and Warranties**

- 4.1 Party A hereby represents and warrants as follows:
- 4.1.1 Party A is a company legally registered and validly existing in accordance with the laws of China.
  - 4.1.2 Party A's execution and performance of this Agreement is within its corporate capacity and the scope of its business operations; Party A has taken necessary corporate actions and been given appropriate authorization and has obtained the consent and approval from third parties and government agencies, and will not violate any restrictions in law or otherwise binding or having an impact on Party A.
  - 4.1.3 This Agreement constitutes Party A's legal, valid and binding obligations, enforceable in accordance with its terms.
- 4.2 Party B hereby represents and warrants as follows:
- 4.2.1 Party B is a company legally registered and validly existing in accordance with the laws of China and may engage in the e-commerce and Internet content provision business as approved by the relevant governmental authorities of China;

4.2.2 Party B's execution and performance of this Agreement is within its corporate capacity and the scope of its business operations; Party B has taken necessary corporate actions and given appropriate authorization and has obtained the consent and approval from third parties and government agencies, and will not violate any restrictions in law or otherwise binding or having an impact on Party B.

4.2.3 This Agreement constitutes Party B's legal, valid and binding obligations, and shall be enforceable against it.

**5. Effectiveness and Term**

5.1 This Agreement is executed on the date first above written and shall take effect as of such date. Unless earlier terminated in accordance with the provisions of this Agreement or relevant agreements separately executed between the Parties, the term of this Agreement shall be 10 years. After the execution of this Agreement, both Parties shall review this Agreement every three months to determine whether to amend or supplement the provisions in this Agreement based on the actual circumstances at that time.

5.2 The term of this Agreement may be extended if confirmed in writing by Party A prior to the expiration thereof. The extended term shall be determined by Party A, and Party B shall accept such extended term unconditionally.

**6. Termination**

6.1 Unless renewed in accordance with the relevant terms of this Agreement, this Agreement shall be terminated upon the date of expiration hereof.

6.2 During the term of this Agreement, unless Party A commits gross negligence, or a fraudulent act, against Party B, Party B shall not terminate this Agreement prior to its expiration date. Nevertheless, Party A shall have the right to terminate this Agreement upon giving 30 days' prior written notice to Party B at any time.

6.3 The rights and obligations of the Parties under Articles 3, 7 and 8 shall survive the termination of this Agreement.

**7. Governing Law and Resolution of Disputes**

7.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of China.

- 7.2 In the event of any dispute with respect to the construction and performance of the provisions of this Agreement, the Parties shall negotiate in good faith to resolve the dispute. In the event the Parties fail to reach an agreement on the resolution of such a dispute within 30 days after any Party's request for resolution of the dispute through negotiations, any Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its then-effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used during arbitration shall be Chinese. The arbitration ruling shall be final and binding on both Parties.
- 7.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

## 8. **Indemnification**

Party B shall indemnify and hold harmless Party A from any losses, injuries, obligations or expenses caused by any lawsuit, claims or other demands against Party A arising from or caused by the consultations and services provided by Party A at the request of Party B, except where such losses, injuries, obligations or expenses arise from the gross negligence or willful misconduct of Party A.

## 9. **Notices**

- 9.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
- 9.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices.
- 9.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

9.2 For the purpose of notices, the addresses of the Parties are as follows:

**Party A: Beijing Bitauto Internet Information Company**

Address: Beijing New Century Hotel Office Building 6 Flr, No.6  
Beijing Capital Stadium Road South, Haidian District,  
Beijing, P.R. China 100044

Attn: Ye Jing/Li Bin

Phone: 6849 2345

Facsimile: 6849 2726

**Party B: Beijing Bitauto Information Technology Company Limited**

Address: Room 657, Beijing New Century Hotel Office Building 6th Floor, No. 6 Beijing Capital Stadium  
Road South, Haidian District, Beijing, P.R. China 100044

Attn: Ye Jing/Li Bin

Phone: 6849 2345

Facsimile: 6849 2726

9.3 Any Party may at any time change its address for notices by a notice delivered to the other Party in accordance with the terms hereof.

**10. Assignment**

10.1 Without Party A's prior written consent, Party B shall not assign its rights and obligations under this Agreement to any third party.

10.2 Party B agrees that Party A may assign its obligations and rights under this Agreement to any third party upon a prior written notice to Party B but without the consent of Party B.

**11. Severability**

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

**12. Amendments and Supplements**

Any amendments and supplements to this Agreement shall be in writing. The amendment agreements and supplementary agreements that have been signed by the Parties and that relate to this Agreement shall be an integral part of this Agreement and shall have the same legal validity as this Agreement.

**13. Language and Counterparts**

This Agreement is written in both Chinese and English language in two copies, each Party having one copy with equal legal validity; in case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first above written.

**Party A: Beijing Bitauto Internet Information Company [Company Stamp]**

By: /s/ Li Bin  
Name: Li Bin  
Title: Legal Representative

[Signature Page to Exclusive Business Cooperation Agreement — Bitauto IT]

**Party B: Beijing Bitauto Information Technology Company Limited**

By: /s/ Li Bin  
Name: Li Bin  
Title: Legal Representative

[Signature Page to Exclusive Business Cooperation Agreement — Bitauto IT]

**Schedule A**

The following schedule sets forth the other similar agreement between Beijing Bitauto Internet Information Company and Beijing C&I Advertising Company Limited and the material differences between such agreement and this exhibit.

<u>SPE</u>	<u>Executing Parties</u>	<u>Service Provided</u>
Beijing C&I Advertising Company Limited	Party A: Beijing Bitauto Internet Information Company  Party B: Beijing C&I Advertising Company Limited	Technical consulting and other services in relation to the advertising business of Party B.  Party B hereby appoints Party A as Party B's exclusive services provider to provide Party B with complete business support and technical and consulting services within the business scope of Party B as may be determined from time to time by Party A, such as but not limited to technical services, network support, business consultations, intellectual consultancy, product research and development, and system maintenance.

### Exclusive Option Agreement\*

This Exclusive Option Agreement (this “Agreement”) is executed by and among the following Parties as of the 31st day of March, 2009, in Beijing, China:

**Party A: Beijing Bitauto Internet Information Company**, a Wholly Foreign Owned Enterprise, organized and existing under the laws of the People’s Republic of China (“China”), with its address at Beijing New Century Hotel Office Building 6 Flr, No.6 Beijing Capital Stadium Road South, Haidian District, Beijing, P.R. China 100044;

**Party B: Li Bin** a citizen of China with Identification Card No.:                   ;and

**Party C: Beijing Bitauto Information Technology Company Limited**, a limited liability company organized and existing under the laws of China, with its address at Room 657, Beijing New Century Hotel Office Building 6th Floor, No. 6 Beijing Capital Stadium Road South, Haidian District, Beijing, P.R. China 100044.

In this Agreement, each of Party A, Party B and Party C shall be referred to as a “Party” respectively, and they shall be collectively referred to as the “Parties”.

Whereas:

1. Party B holds 80% of the equity interest in Party C;
2. Party A and Party B executed a Loan Agreement on March 9, 2006, (the “First Loan Agreement”) and a Loan Agreement on March 31, 2009 (the “Second Loan Agreement,” collectively with the First Loan Agreement, the “Loan Agreement”) respectively.

Now therefore, upon mutual discussion and negotiation, the Parties have reached the following agreement:

#### **1. Sale and Purchase of Equity Interest**

##### **1.1 Option Granted**

In consideration of the payment of RMB 10 by Party A, the receipt and adequacy of which is hereby acknowledged by Party B, Party B hereby irrevocably grants Party A an irrevocable and exclusive right to purchase, or designate one or more persons (each, a “Designee”) to purchase the equity interests in Party C then held by Party B once or at multiple times at any time in part or in whole at Party A’s sole and absolute discretion to the extent permitted by Chinese laws and at the price described in Section 1.3 herein (such right being the “Equity Interest Purchase Option”). Except for Party A and the Designee(s), no other person shall be entitled to the Equity Interest Purchase Option or other rights with respect to the equity interests of Party B. Party C hereby agrees to the grant by Party B of the Equity Interest Purchase Option to Party A. The term “person” as used herein shall refer to individuals, corporations, partnerships, partners, enterprises, trusts or non-corporate organizations.

\* Form agreement was filed on October 29, 2010 as Exhibit 10.6 to the registration statement on Form F-1, as amended (File No. 333- 170238). This exhibit is filed to submit the executed version of this agreement and a schedule showing the material differences between this exhibit and other similar agreements.

## 1.2 Steps for Exercise of Equity Interest Purchase Option

Subject to the provisions of the laws and regulations of China, Party A may exercise the Equity Interest Purchase Option by issuing a written notice to Party B (the "Equity Interest Purchase Option Notice"), specifying: (a) Party A's decision to exercise the Equity Interest Purchase Option; (b) the portion of equity interests to be purchased from Party B (the "Optioned Interests"); and (c) the date for purchasing the Optioned Interests and/or the date for transfer of the Optioned Interests.

## 1.3 Equity Interest Purchase Price

Unless an appraisal is required by the laws of China applicable to the Equity Interest Purchase Option when exercised by Party A, the purchase price of the Optioned Interests (the "Equity Interest Purchase Price") shall equal the actual capital contributions paid in the registered capital of Party C by Party B for the Optioned Interests.

## 1.4 Transfer of Optioned Interests

For each exercise of the Equity Interest Purchase Option:

- 1.4.1 Party B shall cause Party C to promptly convene a shareholders' meeting, at which a resolution shall be adopted approving Party B's transfer of the Optioned Interests to Party A and/or the Designee(s);
- 1.4.2 Party B shall execute a share transfer contract with respect to each transfer with Party A and/or each Designee (whichever is applicable), in accordance with the provisions of this Agreement and the Equity Interest Purchase Option Notice regarding the Optioned Interests;
- 1.4.3 The relevant Parties shall execute all other necessary contracts, agreements or documents, obtain all necessary government licenses and permits and take all necessary actions to transfer valid ownership of the Optioned Interests to Party A and/or the Designee(s), unencumbered by any security interests, and cause Party A and/or the Designee(s) to become the registered owner(s) of the Optioned Interests. For the purpose of this Section and this Agreement, "security interests" shall include securities, mortgages, third party's rights or interests, any stock options, acquisition right, right of first refusal, right to offset, ownership retention or other security arrangements, but shall be deemed to exclude any security interest created by this Agreement and Party B's Share Pledge Agreement. "Party B's Share Pledge Agreement" as used in this Section and this Agreement shall refer to the Share Pledge Agreement ("Share Pledge Agreement") executed by and among Party A, Party B and Party C as of the date hereof, whereby Party B pledges all of its equity interests in Party C to Party A, in order to guarantee Party C's performance of its obligations under the Exclusive Business Corporation Agreement executed by and between Party C and Party A.

### 1.5 Payment of the Equity Interest Purchase Price

The Parties have agreed in the Loan Agreement that any proceeds obtained by Party B through the transfer of its equity interests in Party C shall be used for repayment of the loan provided by Party A in accordance with the Loan Agreement. Accordingly, upon exercise of the Equity Interest Purchase Option, Party A may elect to make payment of the Equity Interest Purchase Price through cancellation of the outstanding amount of the loan owed by Party B to Party A, in which case Party A shall not be required to pay any additional Equity Interest Purchase Price to Party B.

## 2. Covenants

### 2.1 Covenants regarding Party C

Party B (as the shareholders of Party C) and Party C hereby covenant as follows:

- 2.1.1 Without the prior written consent of Party A, they shall not in any manner supplement, change or amend the articles of association and bylaws of Party C, increase or decrease its registered capital, or change its structure of registered capital in other manners;
- 2.1.2 They shall maintain Party C's corporate existence in accordance with good financial and business standards and practices by prudently and effectively operating its business and handling its affairs;
- 2.1.3 Without the prior written consent of Party A, they shall not at any time following the date hereof, sell, transfer, mortgage or dispose of in any manner any assets of Party C or legal or beneficial interest in the business or revenues of Party C, or allow the encumbrance thereon of any security interest;
- 2.1.4 Without the prior written consent of Party A, they shall not incur, inherit, guarantee or suffer the existence of any debt, except for (i) debts incurred in the ordinary course of business other than through loans; and (ii) debts disclosed to Party A for which Party A's written consent has been obtained;
- 2.1.5 They shall always operate all of Party C's businesses during the ordinary course of business to maintain the asset value of Party C and refrain from any action/omission that may affect Party C's operating status and asset value;

- 2.1.6 Without the prior written consent of Party A, they shall not cause Party C to execute any major contract, except the contracts in the ordinary course of business (for purpose of this subsection, a contract with a value exceeding RMB 500,000 shall be deemed a major contract);
- 2.1.7 Without the prior written consent of Party A, they shall not cause Party C to provide any person with any loan or credit;
- 2.1.8 They shall provide Party A with information on Party C's business operations and financial condition at Party A's request;
- 2.1.9 If requested by Party A, they shall procure and maintain insurance in respect of Party C's assets and business from an insurance carrier acceptable to Party A, at an amount and type of coverage typical for companies that operate similar businesses;
- 2.1.10 Without the prior written consent of Party A, they shall not cause or permit Party C to merge, consolidate with, acquire or invest in any person;
- 2.1.11 They shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Party C's assets, business or revenue;
- 2.1.12 To maintain the ownership by Party C of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- 2.1.13 Without the prior written consent of Party A, they shall ensure that Party C shall not in any manner distribute dividends to its shareholders, provided that upon Party A's written request, Party C shall immediately distribute all distributable profits to its shareholders; and
- 2.1.14 At the request of Party A, they shall appoint any persons designated by Party A as directors of Party C.

2.2 Covenants of Party B and Party C

Party B hereby covenants as follows:

- 2.2.1 Without the prior written consent of Party A, Party B shall not sell, transfer, mortgage or dispose of in any other manner any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon of any security interest, except for the pledge placed on these equity interests in accordance with Party B's Share Pledge Agreement;

- 2.2.2 Party B shall cause the shareholders' meeting and/or the board of directors of Party C not to approve the sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon of any security interest, without the prior written consent of Party A, except for the pledge placed on these equity interests in accordance with Party B's Share Pledge Agreement;
- 2.2.3 Party B shall cause the shareholders' meeting or the board of directors of Party C not to approve the merger or consolidation with any person, or the acquisition of or investment in any person, without the prior written consent of Party A;
- 2.2.4 Party B shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the equity interests in Party C held by Party B;
- 2.2.5 Party B shall cause the shareholders' meeting or the board of directors of Party C to vote their approval of the transfer of the Optioned Interests as set forth in this Agreement and to take any and all other actions that may be requested by Party A;
- 2.2.6 To the extent necessary to maintain Party B's ownership in Party C, Party B shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- 2.2.7 Party B shall appoint any designee of Party A as director of Party C, at the request of Party A;
- 2.2.8 At the request of Party A at any time, Party B shall promptly and unconditionally transfer its equity interests in Party C to Party A's Designee(s) in accordance with the Equity Interest Purchase Option under this Agreement, and Party B hereby waives its right of first refusal to the share transfer by the other existing shareholder of Party C (if any); and
- 2.2.9 Party B shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among Party B, Party C and Party A, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. To the extent that Party B has any remaining rights with respect to the equity interests subject to this Agreement hereunder or under the Share Pledge Agreement among the same parties hereto or under the Power of Attorney granted in favor of Party A, Party B shall not exercise such rights except in accordance with the written instructions of Party A.

### **3. Representations and Warranties**

Party B and Party C hereby represent and warrant to Party A, jointly and severally, as of the date of this Agreement and each date of transfer of the Optioned Interests, that:

- 3.1 They have the authority to execute and deliver this Agreement and any share transfer contracts to which they are a party concerning the Optioned Interests to be transferred thereunder (each, a "Transfer Contracts"), and to perform their obligations under this Agreement and any Transfer Contracts. Party B and Party C agree to enter into Transfer Contracts consistent with the terms of this Agreement upon Party A's exercise of the Equity Interest Purchase Option. This Agreement and the Transfer Contracts to which they are a party constitute or will constitute their legal, valid and binding obligations and shall be enforceable against them in accordance with the provisions thereof;
- 3.2 The execution and delivery of this Agreement or any Transfer Contracts and the obligations under this Agreement or any Transfer Contracts shall not: (i) cause any violation of any applicable laws of China; (ii) be inconsistent with the articles of association, bylaws or other organizational documents of Party C; (iii) cause the violation of any contracts or instruments to which they are a party or which are binding on them, or constitute any breach under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them;
- 3.3 Party B has a good and merchantable title to the equity interests in Party C he holds. Except for Party B's Share Pledge Agreement, Party B has not placed any security interest on such equity interests;
- 3.4 Party C has a good and merchantable title to all of its assets, and has not placed any security interest on the aforementioned assets;
- 3.5 Party C does not have any outstanding debts, except for (i) debt incurred in the ordinary course of business; and (ii) debts disclosed to Party A for which Party A's written consent has been obtained.
- 3.6 Party C has complied with all laws and regulations of China applicable to asset acquisitions; and
- 3.7 There are no pending or threatened litigation, arbitration or administrative proceedings relating to the equity interests in Party C, assets of Party C or Party C.

**4. Effective Date**

This Agreement shall become effective upon the date hereof, and remain effective for a term of 10 years, and may be renewed at Party A's election.

**5. Governing Law and Resolution of Disputes**

**5.1 Governing law**

The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the formally published and publicly available laws of China. Matters not covered by formally published and publicly available laws of China shall be governed by international legal principles and practices.

**5.2 Methods of Resolution of Disputes**

In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Parties for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.

**6. Taxes and Fees**

Each Party shall pay any and all transfer and registration tax, expenses and fees incurred thereby or levied thereon in accordance with the laws of China in connection with the preparation and execution of this Agreement and the Transfer Contracts, as well as the consummation of the transactions contemplated under this Agreement and the Transfer Contracts.

## 7. Notices

- 7.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
- 7.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices.
- 7.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).
- 7.2 For the purpose of notices, the addresses of the Parties are as follows:

**Party A: Beijing Bitauto Internet Information Company**

Address: Beijing New Century Hotel Office Building 6 Flr, No.6 Beijing Capital Stadium Road South,  
Haidian District, Beijing, P.R. China 100044

Attn: Ye Jing/Li Bin

Phone: 6849 2345

Facsimile: 6849 2726

**Party B: Li Bin**

Address: Beijing New Century Hotel Office Building 6th Floor, No. 6 Beijing Capital Stadium Road South,  
Haidian District, Beijing, P.R. China 100044

Phone:

**Party C: Beijing Bitauto Information Technology Company Limited**

Address: Room 657, Beijing New Century Hotel Office Building 6th Floor, No. 6 Beijing Capital Stadium  
Road South, Haidian District, Beijing, P.R. China 100044

Attn: Ye Jing/Li Bin

Phone: 6849 2345

Facsimile: 6849 2726

- 7.3 Any Party may at any time change its address for notices by a notice delivered to the other Parties in accordance with the terms hereof.

## 8. Confidentiality

The Parties acknowledge that any oral or written information exchanged among them with respect to this Agreement is confidential information. Each Party shall maintain the confidentiality of all such information, and without obtaining the written consent of other Parties, it shall not disclose any relevant information to any third parties, except in the following circumstances: (a) such information is or will be in the public domain (provided that this is not the result of a public disclosure by the receiving Party); (b) information disclosed as required by applicable laws or rules or regulations of any stock exchange; or (c) information required to be disclosed by any Party to its legal counsel or financial advisor regarding the transaction contemplated hereunder, and such legal counsel or financial advisor are also bound by confidentiality duties similar to the duties in this Section. Disclosure of any confidential information by the staff members or agency hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

**9. Further Warranties**

The Parties agree to promptly execute documents that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement.

**10. Miscellaneous**

10.1 Amendment, change and supplement

Any amendment, change and supplement to this Agreement shall require the execution of a written agreement by all of the Parties.

10.2 Entire agreement

Except for the amendments, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supercede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement.

10.3 Headings

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

10.4 Language

This Agreement is written in both Chinese and English language in three copies, each Party having one copy with equal legal validity; in case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

10.5 Severability

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

10.6 Successors

This Agreement shall be binding on and shall inure to the interest of the respective successors of the Parties and the permitted assigns of such Parties.

10.8 Survival

10.8.1 Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early termination thereof.

10.8.2 The provisions of Sections 5, 7, 8 and this Section 10.8 shall survive the termination of this Agreement.

10.9 Waivers

Any Party may waive the terms and conditions of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall operate as a waiver by such a Party with respect to any similar breach in other circumstances.

10.10 Replacement

This Agreement constitutes the entire agreement between the Parties hereto, and supersedes all prior discussions, negotiations and agreements among them, with respect to the subject matter of this Agreement.

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

**Party A: Beijing Bitauto Internet Information Company**

By: /s/ Li Bin  
Name: Li Bin  
Title: Legal Representative

**Party B: Li Bin**

By: /s/ Li Bin

**Party C: Beijing Bitauto Information Technology Company Limited**

By: /s/ Li Bin  
Name: Li Bin  
Title: Legal Representative

### Schedule A

The following schedule sets forth all other similar agreements among Beijing Bitauto Internet Information Company and certain special purpose entities and their respective shareholders and the material differences between such other agreements and this exhibit.

<u>SPE</u>	<u>Executing Parties</u>	<u>Equity Interest Ownership</u>
Beijing Bitauto Information Technology Company Limited	Party A: Beijing Bitauto Internet Information Company  Party B: Qu Weihai  Party C: Beijing Bitauto Information Technology Company Limited	Party B holds 20% of the equity interest in Party C.
Beijing C&I Advertising Company Limited	Party A: Beijing Bitauto Internet Information Company  Party B: Li Bin  Party C: Beijing C&I Advertising Company Limited	Party B holds 80% of the equity interest in Party C.
Beijing C&I Advertising Company Limited	Party A: Beijing Bitauto Internet Information Company  Party B: Qu Weihai  Party C: Beijing C&I Advertising Company Limited	Party B holds 20% of the equity interest in Party C.

### Share Pledge Agreement\*

This Share Pledge Agreement (this “Agreement”) has been executed by and among the following Parties on this 31st day of March, 2009, in Beijing:

**Party A: Beijing Bitauto Internet Information Company** (hereinafter “Pledgee”)

Address: Beijing New Century Hotel Office Building 6 Flr, No.6 Beijing Capital Stadium Road South, Haidian District, Beijing, P.R. China 100044

**Party B: Li Bin** (hereinafter “Pledgor”)

ID Number:

**Party C: Beijing Bitauto Information Technology Company Limited**

Address: Room 657, Beijing New Century Hotel Office Building 6th Floor, No. 6 Beijing Capital Stadium Road South, Haidian District, Beijing, P.R. China 100044

In this Agreement, each of Pledgee, Pledgor and Party C shall be referred to as a “Party” respectively, and they shall be collectively referred to as the “Parties”.

#### Whereas,

1. Pledgor is the citizens of the People’s Republic of China (“China”), and holds 80% of the equity interest in Party C. Party C is a limited liability company registered in Beijing, China engaging in e-commerce and internet content provision business. Party C intends to acknowledge the respective rights and obligations of Pledgor and Pledgee under this Agreement, and to provide any necessary assistance in registering the Pledge;
2. Pledgee is a Wholly Foreign Owned Enterprise registered in Beijing, China. Pledgee and Party C have executed an Exclusive Business Cooperation Agreement on March 9, 2006;
3. To ensure that Pledgee collects all payments due by Party C, including without limitation the consulting and service fees regularly from Party C, Pledgor hereby pledges all of the equity interest he holds in Party C as security for Party C’s payment of the consulting and service fees under the Exclusive Business Cooperation Agreement.
4. Parties entered into a Share Pledge Agreement on March 9, 2006, and now agree to enter into the Agreement to revise and replace that Share Pledge Agreement.

To perform the provisions of the Business Cooperation Agreement, the Parties have mutually agreed to execute this Agreement upon the following terms.

#### 1. Definitions

Unless otherwise provided herein, the terms below shall have the following meanings:

- 1.1 Pledge: shall refer to the security interest granted by Pledgor to Pledgee pursuant to Article 2 of this Agreement, i.e., the right of Pledgee to be compensated on a preferential basis with the conversion, auction or sales price of the Equity Interest.

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\* Form agreement was filed on October 29, 2010 as Exhibit 10.7 to the registration statement on Form F-1, as amended (File No. 333- 170238). This exhibit is filed to submit the executed version of this agreement and a schedule showing the material differences between this exhibit and other similar agreements.

- 1.2 Equity Interest: shall refer to all of the equity interest lawfully now held and hereafter acquired by Pledgor in Party C.
- 1.3 Term of Pledge: shall refer to the term set forth in Section 3 of this Agreement.
- 1.4 Business Cooperation Agreement: shall refer to the Exclusive Business Cooperation Agreement executed by and between Pledgee and Party C, partially owned by Pledgor on March 9, 2006.
- 1.5 Event of Default: shall refer to any of the circumstances set forth in Article 7 of this Agreement.
- 1.6 Notice of Default: shall refer to the notice issued by Pledgee in accordance with this Agreement declaring an Event of Default.

## **2. The Pledge**

As collateral security for the prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of any or all the payments due by Party C, including without limitation the consulting and services fees payable to the Pledgee under the Business Cooperation Agreement, Pledgor hereby pledges to Pledgee a first security interest in all of Pledgor's right, title and interest, whether now owned or hereafter acquired by Pledgor, in the Equity Interest of Party C.

## **3. Term of Pledge**

- 3.1 The Pledge shall become effective on such date when the pledge of the Equity Interest contemplated herein has been registered with relevant administration for industry and commerce (the "AIC"). The Pledge shall be continuously valid until all payments due under the Business Cooperation Agreement have been fulfilled by Party C or its subsidiaries. Pledgor and Party C shall (1) register the Pledge in the shareholders' register of Party C within 3 business days following the execution of this Agreement, and (2) submit this Agreement to the AIC for application of the registration of the Pledge of the Equity Interest contemplated herein within 10 business days following the execution of this Agreement. Pledgor and Party C shall submit all necessary documents and complete all necessary procedures, as required by the PRC laws and regulations and the relevant AIC, to ensure that the Pledge of the Equity Interest shall be registered with the AIC as soon as possible after filing.
- 3.2 During the Term of Pledge, in the event Party C fails to pay the exclusive consulting or service fees in accordance with the Business Cooperation Agreement, Pledgee shall have the right, but not the obligation, to dispose of the Pledge in accordance with the provisions of this Agreement.

## **4. Custody of Records for Equity Interest subject to Pledge**

- 4.1 During the Term of Pledge set forth in this Agreement, Pledgor shall deliver to Pledgee's custody the capital contribution certificate for the Equity Interest and the shareholders' register containing the Pledge within one week from the execution of this Agreement. Pledgee shall have custody of such items during the entire Term of Pledge set forth in this Agreement.
- 4.2 Pledgee shall have the right to collect dividends generated by the Equity Interest during the Term of Pledge.

## **5. Representations and Warranties of Pledgor**

- 5.1 Pledgor is the sole legal and beneficial owner of the Equity Interest.
- 5.2 Pledgee shall have the right to dispose of and transfer the Equity Interest in accordance with the provisions set forth in this Agreement.
- 5.3 Except for the Pledge, Pledgor has not placed any security interest or other encumbrance on the Equity Interest.

## **6. Covenants and Further Agreements of Pledgor**

- 6.1 Pledgor hereby covenants to the Pledgee, that during the term of this Agreement, Pledgor shall:
  - 6.1.1 not transfer the Equity Interest, place or permit the existence of any security interest or other encumbrance that may affect the Pledgee's rights and interests in the Equity Interest, without the prior written consent of Pledgee, except for the performance of the Exclusive Option Agreement executed by Pledgor, Pledgee and Party C;
  - 6.1.2 comply with the provisions of all laws and regulations applicable to the pledge of rights, and within 5 days of receipt of any notice, order or recommendation issued or prepared by relevant competent authorities regarding the Pledge, shall present the aforementioned notice, order or recommendation to Pledgee, and shall comply with the aforementioned notice, order or recommendation or submit objections and representations with respect to the aforementioned matters upon Pledgee's reasonable request or upon consent of Pledgee;
  - 6.1.3 promptly notify Pledgee of any event or notice received by Pledgor that may have an impact on Pledgee's rights to the Equity Interest or any portion thereof, as well as any event or notice received by Pledgor that may have an impact on any guarantees and other obligations of Pledgor arising out of this Agreement.
- 6.2 Pledgor agrees that the rights acquired by Pledgee in accordance with this Agreement with respect to the Pledge shall not be interrupted or harmed by Pledgor or any heirs or representatives of Pledgor or any other persons through any legal proceedings.

- 6.3 To protect or perfect the security interest granted by this Agreement for payment of the consulting and service fees under the Business Cooperation Agreement, Pledgor hereby undertakes to execute in good faith and to cause other parties who have an interest in the Pledge to execute all certificates, agreements, deeds and/or covenants required by Pledgee. Pledgor also undertakes to perform and to cause other parties who have an interest in the Pledge to perform actions required by Pledgee, to facilitate the exercise by Pledgee of its rights and authority granted thereto by this Agreement, and to enter into all relevant documents regarding ownership of Equity Interest with Pledgee or designee(s) of Pledgee (natural/legal persons). Pledgor undertakes to provide Pledgee within a reasonable time with all notices, orders and decisions regarding the Pledge that are required by Pledgee.
- 6.4 Pledgor hereby undertakes to comply with and perform all guarantees, promises, agreements, representations and conditions under this Agreement. In the event of failure or partial performance of its guarantees, promises, agreements, representations and conditions, Pledgor shall indemnify Pledgee for all losses resulting therefrom.

## **7. Event of Breach**

- 7.1 The following circumstances shall be deemed Event of Default:
- 7.1.1 Party C fails to pay in full any of the consulting and service fees payable under the Business Cooperation Agreement or breaches any other obligations of Party C thereunder;
  - 7.1.2 Any representation or warranty by Pledgor in Article 5 of this Agreement contains material misrepresentations or errors, and/or Pledgor violates any of the warranties in Article 5 of this Agreement;
  - 7.1.3 Pledgor and Party C fail to register the Pledge in the shareholders' register of Party C stipulated in Section 3.1;
  - 7.1.4 Pledgor and Party C breach any provisions of this Agreement;
  - 7.1.5 Except as expressly stipulated in Section 6.1.1, Pledgor transfers or purports to transfer or abandons the Equity Interest pledged or assigns the Equity Interest pledged without the written consent of Pledgee;
  - 7.1.6 Any of Pledgor's own loans, guarantees, indemnifications, promises or other debt liabilities to any third party or parties (1) become subject to a demand of early repayment or performance due to default on the part of Pledgor; or (2) become due but are not capable of being repaid or performed in a timely manner;
  - 7.1.7 Any approval, license, permit or authorization of government agencies that makes this Agreement enforceable, legal and effective is withdrawn, terminated, invalidated or substantively changed;

- 7.1.8 The promulgation of applicable laws renders this Agreement illegal or renders it impossible for Pledgor to continue to perform its obligations under this Agreement;
  - 7.1.9 Adverse changes in properties owned by Pledgor, which lead Pledgee to believe that Pledgor's ability to perform its obligations under this Agreement has been affected;
  - 7.1.10 The successor or custodian of Party C is capable of only partially perform or refuses to perform the payment obligations under the Business Cooperation Agreement; and
  - 7.1.11 Any other circumstances occur where Pledgee is or may become unable to exercise its right with respect to the Pledge.
- 7.2 Upon notice or discovery of the occurrence of any circumstances or event that may lead to the aforementioned circumstances described in Section 7.1, Pledgor shall immediately notify Pledgee in writing accordingly.
- 7.3 Unless an Event of Default set forth in this Section 7.1 has been successfully resolved to Pledgee's satisfaction, Pledgee may issue a Notice of Default to Pledgor in writing upon the occurrence of the Event of Default or at any time thereafter and demand that Pledgor immediately pay all outstanding payments due under the Business Cooperation Agreement and all other payments due to Pledgee, and/or dispose of the Pledge in accordance with the provisions of Article 8 of this Agreement.

## **8. Exercise of Pledge**

- 8.1 Prior to the full payment of the consulting and service fees described in the Business Cooperation Agreement, without the Pledgee's written consent, Pledgor shall not assign the Pledge or the Equity Interest in Party C.
- 8.2 Pledgee may issue a Notice of Default to Pledgor when exercising the Pledge.
- 8.3 Subject to the provisions of Section 7.3, Pledgee may exercise the right to enforce the Pledge concurrently with the issuance of the Notice of Default in accordance with Section 7.2 or at any time after the issuance of the Notice of Default. Once Pledgee elects to enforce the Pledge, Pledgor shall cease to be entitled to any rights or interests associated with the Equity Interest.
- 8.4 In the event of default, Pledgee is entitled to take possession of the Equity Interest pledged hereunder and to dispose of the Equity Interest pledged, to the extent permitted and in accordance with applicable laws, without obligation to account to Pledgor for proceeds of disposition and Pledgor hereby waives any rights it may have to demand any such accounting from Pledgee. Likewise, in such circumstance Pledgor shall have no obligation to Pledgee for any deficiency remaining after such disposition of the Equity Interest pledged.
- 8.5 When Pledgee disposes of the Pledge in accordance with this Agreement, Pledgor and Party C shall provide necessary assistance to enable Pledgee to enforce the Pledge in accordance with this Agreement.

## **9. Assignment**

- 9.1 Without Pledgee's prior written consent, Pledgor shall not have the right to assign or delegate its rights and obligations under this Agreement.
- 9.2 This Agreement shall be binding on Pledgor and its successors and permitted assigns, and shall be valid with respect to Pledgee and each of its successors and assigns.
- 9.3 At any time, Pledgee may assign any and all of its rights and obligations under the Business Cooperation Agreement to its designee(s) (natural/legal persons), in which case the assigns shall have the rights and obligations of Pledgee under this Agreement, as if it were the original party to this Agreement. When the Pledgee assigns the rights and obligations under the Business Cooperation Agreement, upon Pledgee's request, Pledgor shall execute relevant agreements or other documents relating to such assignment.
- 9.4 In the event of a change in Pledgee due to an assignment, Pledgor shall, at the request of Pledgee, execute a new pledge agreement with the new pledgee on the same terms and conditions as this Agreement.
- 9.5 Pledgor shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by the Parties hereto or any of them, including the Exclusive Option Agreement and the Power of Attorney granted to Pledgee, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. Any remaining rights of Pledgor with respect to the Equity Interest pledged hereunder shall not be exercised by Pledgor except in accordance with the written instructions of Pledgee.

## **10. Termination**

Upon the full payment of the consulting and service fees under the Business Cooperation Agreement and upon termination of Party C's obligations under the Business Cooperation Agreement, this Agreement shall be terminated, and Pledgee shall then cancel or terminate this Agreement as soon as reasonably practicable.

## **11. Handling Fees and Other Expenses**

All fees and out of pocket expenses relating to this Agreement, including but not limited to legal costs, costs of production, stamp tax and any other taxes and fees, shall be borne by Party C. If Law (not defined) requires that Pledgee should bear some related taxes and fees, Pledgor shall cause Party C to fully repay Pledgee the paid taxes and fees.

## **12. Confidentiality**

The Parties acknowledge that any oral or written information exchanged among them with respect to this Agreement is confidential information. Each Party shall maintain the confidentiality of all such information, and without obtaining the written consent of other Parties, it shall not disclose any relevant information to any third parties, except in the following circumstances: (a) such information is or will be in the public domain (provided that this is not the result of a public disclosure by the receiving party); (b) information disclosed as required by applicable laws or rules or regulations of any stock exchange; or (c) information required to be disclosed by any Party to its legal counsel or financial advisor regarding the transaction contemplated hereunder, and such legal counsel or financial advisor are also bound by confidentiality duties similar to the duties in this section. Disclosure of any confidential information by the staff members or agency hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This section shall survive the termination of this Agreement for any reason.

## **13. Governing Law and Resolution of Disputes**

- 13.1 The execution, effectiveness, construction, performance, and the resolution of disputes hereunder shall be governed by the formally published and publicly available laws of China. Matters not covered by formally published and publicly available laws of China shall be governed by international legal principles and practices.
- 13.2 In the event of any dispute with respect to the construction and performance of the provisions of this Agreement, the Parties shall negotiate in good faith to resolve the dispute. In the event the Parties fail to reach an agreement on the resolution of such a dispute within 30 days after any Party's request for resolution of the dispute through negotiations, any Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used during arbitration shall be Chinese. The arbitration ruling shall be final and binding on all Parties.
- 13.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

## 14. Notices

- 14.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such party set forth below. A confirmation copy of each notice shall also be sent by E-mail. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
- 14.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices.
- 14.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).
- 14.2 For the purpose of notices, the addresses of the Parties are as follows:

**Party A: Beijing Bitauto Internet Information Company**

Address: Beijing New Century Hotel Office Building 6 Flr, No.6 Beijing Capital Stadium Road South,  
Haidian District, Beijing, P.R. China 100044  
Attn: Ye Jing/Li Bin  
Phone: 6849 2345  
Facsimile: 6849 2726

**Party B: Li Bin**

Address: Beijing New Century Hotel Office Building 6th Floor, No. 6 Beijing Capital Stadium Road  
South, Haidian District, Beijing, P.R. China 100044  
Tel:

**Party C: Beijing Bitauto Information Technology Company Limited**

Address: Room 657, Beijing New Century Hotel Office Building 6th Floor, No. 6 Beijing Capital  
Stadium Road South, Haidian District, Beijing, P.R. China 100044  
Attn: Ye Jing/Li Bin  
Phone: 6849 2345  
Facsimile: 6849 2726

- 14.3 Any Party may at any time change its address for notices by a notice delivered to the other Parties in accordance with the terms hereof.

## 15. Severability

In the event that one or several of the provisions of this Contract are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Contract shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

## **16. Attachments**

The attachments set forth herein shall be an integral part of this Agreement.

## **17. Effectiveness**

- 17.1 Any amendments, changes and supplements to this Agreement shall be in writing and shall become effective upon completion of the governmental filing procedures (if applicable) after the affixation of the signatures or seals of the Parties.
- 17.2 This Agreement is written in Chinese and English in three copies. Pledgor, Pledgee and Party C shall hold one copy respectively. Each copy of this Agreement shall have equal validity. In case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.
- 17.3 This Agreement constitutes the entire agreement between the Parties hereto, and supersedes all prior discussions, negotiations and agreements among them, with respect to the subject matter of this Agreement.

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Share Pledge Agreement as of the date first above written.

**Party A: Beijing Bitauto Internet Information Company**

By: /s/ Li Bin  
Name: Li Bin  
Title: Legal Representative

**Party B: Li Bin**

By: /s/ Li Bin

**Party C: Beijing Bitauto Information Technology Company Limited [Company Stamp]**

By: /s/ Li Bin  
Name: Li Bin  
Title: Legal Representative

[Signature Page to Share Pledge Agreement — Bitauto IT]

**Attachments:**

1. Shareholders' register of Beijing Bitauto Information Technology Company Limited;
2. The Capital Contribution Certificate for Beijing Bitauto Information Technology Company Limited;
3. Exclusive Business Cooperation Agreement

### Schedule A

The following schedule sets forth all other similar agreements among Beijing Bitauto Information Technology Company Limited, certain special purpose entities and their respective shareholders and the material differences between such other agreements and this exhibit.

<u>SPE</u>	<u>Executing Parties</u>	<u>Equity Interest Ownership</u>
Beijing Bitauto Information Technology Company Limited	Party A: Beijing Bitauto Internet Information Company Party B: Qu Weihai Party C: Beijing Bitauto Information Technology Company Limited	Party B holds 20% of the equity interest in Party C.
Beijing C&I Advertising Company Limited	Party A: Beijing Bitauto Internet Information Company Party B: Li Bin Party C: Beijing C&I Advertising Company Limited	Party B holds 80% of the equity interest in Party C.
Beijing C&I Advertising Company Limited	Party A: Beijing Bitauto Internet Information Company Party B: Qu Weihai Party C: Beijing C&I Advertising Company Limited	Party B holds 20% of the equity interest in Party C.

### Loan Agreement\*

This Loan Agreement (this “Agreement”) is made and entered into by and between the Parties below as of the 31st day of March 2009, in Beijing, China:

- (1) **Beijing Bitauto Internet Information Company** (“Lender”), a Wholly Foreign Owned Enterprise, organized and existing under the laws of the People’s Republic of China (“PRC” or “China”), with its address at Beijing New Century Hotel Office Building 6 Flr, No. 6 Beijing Capital Stadium Road South, Haidian District, Beijing, P.R. China 100044;
- (2) **Li Bin** (“Borrower”), a citizen of the People’s Republic of China (“China”) with Chinese Identification Card No.:

Each of the Lender and the Borrower shall be hereinafter referred to as a “Party” respectively, and as the “Parties” collectively.

#### Whereas:

1. Borrower holds 80% of equity interests (“Borrower Equity Interest”) in Beijing Bitauto Information Technology Company Limited (“Borrower Company”), which is a limited company duly registered in Beijing, China with its registered capital of RMB 10,000,000;
2. Lender intends to provide Borrower with a loan to be used for the purposes set forth under this Agreement.

After friendly consultation, the Parties agree as follows:

#### 1. Loan

- 1.1 In accordance with the terms and conditions of this Agreement, Lender agrees to provide an interest-free loan in the amount of RMB 7,200,000 (the “Loan”) to Borrower. The term of the Loan shall be 10 years from the date of this Agreement, which may be extended upon mutual written consent of the Parties. During the term of the Loan or the extended term of the Loan, Borrower shall immediately repay the full amount of the Loan in the event any one or more of the following circumstances occur:
  - 1.1.1 30 days elapse after Borrower receives a written notice from Lender requesting repayment of the Loan;
  - 1.1.2 Borrower’s death, lack or limitation of civil capacity;
  - 1.1.3 Borrower ceases (for any reason) to be an employee of Lender, Borrower Company or their affiliates;

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\* Form agreement was filed on October 29, 2010 as Exhibit 10.8 to the registration statement on Form F-1, as amended (File No. 333- 170238). This exhibit is filed to submit the executed version of this agreement and a schedule showing the material differences between this exhibit and other similar agreements.

- 1.1.4 Borrower engages in criminal act or is involved in criminal activities;
  - 1.1.5 Any third party filed a claim against Borrower that exceeds RMB 100,000; or
  - 1.1.6 According to the applicable laws of China, foreign investors are permitted to invest in the e-commerce and Internet content provision business and/or other business approved by Lender in China with a controlling stake or in the form of wholly-foreign-owned enterprises, the relevant competent authorities of China begin to approve such investments, and Lender exercises the exclusive option under the Exclusive Option Agreement (the “Exclusive Option Agreement”) described in this Agreement.
- 1.2 Lender agrees to remit the total amount of the Loan to the account designated by Borrower within 20 days after receiving a written notification from the Borrower regarding the same, provided that all the conditions precedent in Section 2 are fulfilled. Borrower shall provide Lender with a written receipt for the Loan upon receiving the Loan. The Loan provided by Lender under this Agreement shall inure to Borrower’s benefit only and not to Borrower’s successors or assigns.
  - 1.3 Borrower agrees to accept the aforementioned Loan provided by Lender, and hereby agrees and warrants using the Loan to provide capital for Borrower Company to develop the business of Borrower Company. Without Lender’s prior written consent, Borrower shall not use the Loan for any purpose other than as set forth herein.
  - 1.4 Lender and Borrower hereby agree and acknowledge that Borrower’s method of repayment shall be at the sole discretion of Lender, and may at Lender’s option take the form of Borrower’s transferring the Borrower Equity Interest in whole to Lender or Lender’s designated persons (legal or natural persons) pursuant to the Lender’s exercise of its right to acquire the Borrower Equity Interest under the Exclusive Option Agreement.
  - 1.5 Lender and Borrower hereby agree and acknowledge that any proceeds from the transfer of the Borrower Equity Interest (to the extent permissible) shall be used to repay the Loan to Lender, in accordance with this Agreement and in the manner designated by Lender.
  - 1.6 Lender and Borrower hereby agree and acknowledge that to the extent permitted by applicable laws, Lender shall have the right but not the obligation to purchase or designate other persons (legal or natural persons) to purchase Borrower Equity Interest in part or in whole at any time, at the price stipulated in the Exclusive Option Agreement.
  - 1.7 Borrower also undertakes to execute an irrevocable Power of Attorney (the “Power of Attorney”), which authorizes Lender or a legal or natural person designated by Lender to exercise all of Borrower’s rights as a shareholder of Borrower Company.

## **2. Conditions Precedent**

The obligation of Lender to provide the Loan to Borrower contemplated in Section 1.1 shall be subject to the satisfaction of the following conditions, unless waived in writing by Lender.

- 2.1 Lender receives the written notification for drawdown under the Loan sent by Borrower according to Section 1.2.
- 2.2 Borrower Company and Lender or other person (legal or natural person) designated by Lender have officially executed an Exclusive Business Cooperation Agreement (“Exclusive Business Cooperation Agreement”), under which Lender or other person designated by Lender, as an exclusive service provider, will provide Borrower Company with technical service and business consulting service.
- 2.3 Borrower, Borrower Company and Lender or other person (legal or natural person) designated by Lender have executed a Share Pledge Agreement (“Share Pledge Agreement”), the contents of which have been confirmed, and according to the Share Pledge Agreement, Borrower agrees to pledge Borrower Equity Interest to Lender or other person designated by Lender.
- 2.4 Borrower, Lender and Borrower Company have officially executed an Exclusive Option Agreement, the contents of which have been confirmed, and under which Borrower shall irrevocably grant Lender an exclusive option to purchase all of the Borrower Equity Interest.
- 2.5 Borrower has executed an irrevocable Power of Attorney (“Power of Attorney”), which authorizes Lender or other person (legal or natural person) designated by Lender to exercise all of Borrower’s rights as a shareholder in Borrower Company.
- 2.6 The aforementioned Share Pledge Agreement, Power of Attorney, Exclusive Option Agreement and Exclusive Business Cooperation Agreement have been entered into before or on the date of execution of this Agreement and shall have full legal validity without any default or encumbrance related to these agreements or contracts, and all the related filing procedures, approvals, authorization, registrations and government procedures have been completed (as applicable).
- 2.7 All the representations and warranties by Borrower in Section 3.2 are true, complete, correct and not misleading.
- 2.8 Borrower has not violated the covenants in Section 4 of this Agreement, and no event which may affect Borrower’s performance of its obligations under this Agreement has occurred or is expected to occur.

### **3. Representations and Warranties**

- 3.1 Between the date of this Agreement and the date of termination of this Agreement, Lender hereby makes the following representations and warranties to Borrower:
  - 3.1.1 Lender is a corporation duly organized and legally existing in accordance with the laws of China;
  - 3.1.2 Lender has the legal capacity to execute and perform this Agreement. The execution and performance by Lender of this Agreement is consistent with Lender's scope of business and the provisions of Lender's corporate bylaws and other organizational documents, and Lender has obtained all necessary and proper approvals and authorizations for the execution and performance of this Agreement; and
  - 3.1.3 This Agreement constitutes Lender's legal, valid and binding obligations enforceable in accordance with its terms.
- 3.2 Between the date of this Agreement and the date of termination of this Agreement, Borrower hereby makes the following representations and warranties:
  - 3.2.1 Borrower has the legal capacity to execute and perform this Agreement. Borrower has obtained all necessary and proper approvals and authorizations for the execution and performance of this Agreement;
  - 3.2.2 This Agreement constitutes Borrower's legal, valid and binding obligations enforceable in accordance with its terms; and
  - 3.2.3 There are no disputes, litigations, arbitrations, administrative proceedings or any other legal proceedings relating to Borrower, nor are there any potential disputes, litigations, arbitrations, administrative proceedings or any other legal proceedings relating to Borrower.

### **4. Borrower's Covenants**

- 4.1 As and when he becomes, and for so long as he remains a shareholder of Borrower Company, Borrower covenants irrevocably that during the term of this Agreement, Borrower shall cause Borrower Company:
  - 4.1.1 to strictly abide by the provisions of the Exclusive Option Agreement and the Exclusive Business Cooperation Agreement, and to refrain from any action/omission that may affect the effectiveness and enforceability of the Exclusive Option Agreement and the Exclusive Business Cooperation Agreement;

- 4.1.2 at the request of Lender (or a party designated by Lender), to execute contracts/agreements on business cooperation with Lender (or a party designated by Lender), and to strictly abide by such contracts/agreements;
- 4.1.3 to provide Lender with all of the information on Borrower Company's business operations and financial condition at Lender's request;
- 4.1.4 to immediately notify Lender of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Borrower Company's assets, business or income;
- 4.1.5 at the request of Lender, to appoint any persons designated by Lender as directors of Borrower Company;
- 4.2 Borrower covenants that during the term of this Agreement, he shall:
  - 4.2.1 endeavor to keep Borrower Company to engage in its current e-commerce and internet content provision businesses;
  - 4.2.2 abide by the provisions of this Agreement, the Power of Attorney, the Share Pledge Agreement and the Exclusive Option Agreement, perform his obligations under this Agreement, the Power of Attorney, the Share Pledge Agreement and the Exclusive Option Agreement, and refrain from any action/omission that may affect the effectiveness and enforceability of this Agreement, the Power of Attorney, the Share Pledge Agreement and the Exclusive Option Agreement;
  - 4.2.3 not sell, transfer, mortgage or dispose of in any other manner the legal or beneficial interest in Borrower Equity Interest, or allow the encumbrance thereon of any security interest or the encumbrance, except in accordance with the Share Pledge Agreement;
  - 4.2.4 cause any shareholders' meeting and/or the board of directors of Borrower Company not to approve the sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in Borrower Equity Interest, or allow the encumbrance thereon of any security interest, except to Lender or Lender's designated person;
  - 4.2.5 cause any shareholders' meeting and/or the board of directors of the Borrower Company not to approve the merger or consolidation of Borrower Company with any person, or its acquisition of or investment in any person, without the prior written consent of Lender;

- 4.2.6 immediately notify Lender of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Borrower Equity Interest;
- 4.2.7 to the extent necessary to maintain his ownership of the Borrower Equity Interest, execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defense against all claims;
- 4.2.8 without the prior written consent of Lender, refrain from any action / omission that may have a material impact on the assets, business and liabilities of Borrower Company;
- 4.2.9 appoint any designee of Lender as director of Borrower Company, at the request of Lender;
- 4.2.10 to the extent permitted by the laws of China, at the request of Lender at any time, promptly and unconditionally transfer all of Borrower Equity Interest to Lender or Lender's designated representative(s) at any time, and cause the other shareholders of Borrower Company to waive their right of first refusal with respect to the share transfer described in this Section;
- 4.2.11 to the extent permitted by the laws of China, at the request of Lender at any time, cause the other shareholders of Borrower Company to promptly and unconditionally transfer all of their equity interests to Lender or Lender's designated representative(s) at any time, and Borrower hereby waives his right of first refusal (if any) with respect to the share transfer described in this Section;
- 4.2.12 in the event that Lender purchases Borrower Equity Interest from Borrower in accordance with the provisions of the Exclusive Option Agreement, use such purchase price obtained thereby to repay the Loan to Lender; and
- 4.2.13 without the prior written consent of Lender, not to cause Borrower Company to supplement, change, or amend its articles of association in any manner, increase or decreases its registered capital or change its share capital structure in any manner.

**5. Liability for Default**

- 5.1 In the event either Party breaches this Agreement or otherwise causes the non-performance of this Agreement in part or in whole, the Party shall be liable for such breach and shall compensate all damages (including litigation and attorneys fees) resulting therefrom. In the event that both Parties breach this Agreement, each Party shall be liable for its respective breach.
- 5.2 In the event that Borrower fails to perform the repayment obligations set forth in this Agreement, Borrower shall pay overdue interest of 0.01% per day for the outstanding payment, until the day Borrower repays the full principal of the Loan, overdue interests and other payable amounts.

## 6. Notices

- 6.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
- 6.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery.
- 6.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).
- 6.2 For the purpose of notices, the addresses of the Parties are as follows:
- Lender: Beijing Bitauto Internet Information Company**  
Address: Beijing New Century Hotel Office Building 6 Flr, No. 6 Beijing Capital Stadium Road  
South, Haidian District, Beijing, P.R. China 100044  
Attn: Ye Jing/Li Bin  
Phone: 6849 2345  
Facsimile: 6849 2726
- Party B: Li Bin**  
Address: Beijing New Century Hotel Office Building 6th Floor, No. 6 Beijing Capital Stadium  
Road South, Haidian District, Beijing, P.R. China 100044  
Phone:
- 6.3 Any Party may at any time change its address for notices by a notice delivered to the other Party in accordance with the terms hereof.

## 7. Confidentiality

The Parties acknowledge that any oral or written information exchanged among them with respect to this Agreement is confidential information. The Parties shall maintain the confidentiality of all such information, and without the written consent of other Party, either Party shall not disclose any relevant information to any third party, except in the following circumstances: (a) such information is or will be in the public domain (provided that this is not the result of a public disclosure by the receiving party); (b) information disclosed as required by applicable laws or rules or regulations of any stock exchange; or (c) information required to be disclosed by any Party to its legal counsel or financial advisor regarding the transaction contemplated hereunder, and such legal counsel or financial advisor are also bound by confidentiality duties similar to the duties in this section. Disclosure of any confidential information by the staff members or agency hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This section shall survive the termination of this Agreement for any reason.

**8. Governing Law and Resolution of Disputes**

- 8.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes shall be governed by the laws of China.
- 8.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Party for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.
- 8.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

**9. Miscellaneous**

- 9.1 This Agreement shall become effective on the date thereof, and shall expire upon the date of full performance by the Parties of their respective obligations under this Agreement.
- 9.2 This Agreement shall be written in both Chinese and English language in two copies, each Party having one copy with equal legal validity. In case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.
- 9.3 This Agreement may be amended or supplemented through written agreement by and between Lender and Borrower. Such written amendment agreement and/or supplementary agreement executed by and between Lender and Borrower are an integral part of this Agreement, and shall have the same legal validity as this Agreement.

- 9.4 In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.
- 9.5 The attachments (if any) to this Agreement shall be an integral part of this Agreement and shall have the same legal validity as this Agreement.

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Loan Agreement as of the date first above written.

**Lender: Beijing Bitauto Internet Information  
Company [company stamp]**

By: /s/ Li Bin  
Name: Li Bin  
Title: Legal Representative

[Signature Page to Loan Agreement — Bitauto IT]

**Borrower: Li Bin**

By: /s/ Li Bin

[Signature Page to Loan Agreement — Bitauto IT]

### Schedule A

The following schedule sets forth all other similar agreements between Beijing Bitauto Internet Information Company and the shareholders of certain special purpose entities and the material differences between such other agreements and this exhibit.

<u>SPE</u>	<u>Executing Parties</u>	<u>Equity Interest Ownership in the SPEs</u>	<u>Amount</u>
Beijing Bitauto Information Technology Company Limited	Party A: Beijing Bitauto Internet Information Company Party B: Qu Weihai	Party B holds 20% of the equity interest in Beijing Bitauto Information Technology Company Limited.	RMB1,800,000
Beijing C&I Advertising Company Limited	Party A: Beijing Bitauto Internet Information Company Party B: Li Bin	Party B holds 80% of the equity interest in Beijing C&I Advertising Company Limited.	RMB7,600,000
Beijing C&I Advertising Company Limited	Party A: Beijing Bitauto Internet Information Company Party B: Qu Weihai	Party B holds 20% of the equity interest in Beijing C&I Advertising Company Limited.	RMB1,900,000

**Exclusive Business Cooperation Agreement**

This Exclusive Business Cooperation Agreement (“**this Agreement**”) is made and entered into by and between the following Parties on April 30, 2010 in Beijing, the People’s Republic of China (“**China**” or “**PRC**”):

**Party A: Beijing Bitauto Internet Information Company Ltd.**

Address: 10/F New Century Hotel Office Tower No. 6 Beijing Capital Stadium Road South, Haidian District, Beijing, P.R. China

**Party B: Beijing Easy Auto Media Co., Ltd.**

Address: 6/F New Century Hotel Office Tower No. 6 Beijing Capital Stadium Road South, Haidian District, Beijing, P.R. China

Each of Party A and Party B shall be hereinafter referred to as a “Party” respectively, and as the “Parties” collectively.

Whereas,

1. Party A is a wholly-foreign-owned enterprise established in China, and has the necessary resources to provide technical and consulting services set forth hereunder;
2. Party B is a domestic limited liability company established in China, and is entitled to engage in or propose engaging in advertisement business according to PRC laws (“Principal Business”);
3. Party A is willing to provide Party B with exclusive technical, consulting and other services in relation to the Principal Business during the term of this Agreement utilizing its own advantages in human resources, technology and information, and Party B is willing to accept such services provided by Party A or Party A’s designee(s), each on the terms set forth herein.

Now, therefore, through mutual discussion, the Parties have reached the following agreements:

**1 Services Provided by Party A**

- 1.1 Party B hereby appoints Party A as Party B’s exclusive services provider to provide Party B with complete business support and technical and consulting services during the term of this Agreement, in accordance with the terms and conditions of this Agreement and to the extent permitted by the currently effective laws of China, which may include all services within the business scope of Party B as may be determined from time to time by Party A, such as but not limited to technical services, business consultations, equipment or property leasing and marketing consultancy.
- 1.2 Party B agrees to accept all the consultations and services provided by Party A. Party B further agrees that unless with Party A’s prior written consent, during the term of this Agreement, Party B shall not accept any similar consultations and/or services provided by any third party and shall not establish similar corporation relationship with any third party regarding the matters contemplated by this Agreement. Party A may appoint other parties, who may enter into certain agreements described in Section 1.3 with Party B, to provide Party B with the consultations and/or services under this Agreement.

### 1.3 Service Providing Methodology

- 1.3.1 Party A and Party B agree that during the term of this Agreement, Party B may enter into further technical service agreements or consulting service agreements with Party A or any other party designated by Party A, which shall provide the specific contents, manner, personnel, and fees for the specific technical services and consulting services.
- 1.3.2 To fulfill this Agreement, Party A and Party B agree that during the term of this Agreement, Party B may enter into equipment or property leases with Party A or any other party designated by Party A which shall permit Party B to use Party A's relevant equipment or property based on the needs of the business of Party B.

## 2 The Calculation and Payment of the Service Fees

Both Parties agree that, with respect to the services provided by Party A to Party B under this Agreement, Party B shall pay an annual service fee to Party A in the equivalent amount of certain percentage (the "**Rate of Service**") of Party B's audited total amount of operational income of such year. Both Parties will confirm in writing the specific Rate of Service based on further consultations following the execution of this Agreement. Upon the prior written consent by Party A, the Rate of Service may be adjusted pursuant to the operational needs of Party B and such adjustment shall be confirmed in writing by both Parties.

## 3 Intellectual Property Rights and Confidentiality Clauses

- 3.1 Party A shall have exclusive and proprietary rights and interests in all rights, ownership, interests and intellectual properties arising out of or created during the performance of this Agreement, including but not limited to copyrights, patents, patent applications, software, technical secrets, trade secrets and others.
- 3.2 The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, investors, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, investors, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

3.3 The Parties agree that this Section shall survive changes to, and rescission or termination of, this Agreement.

#### **4 Representations and Warranties**

4.1 Party A hereby represents and warrants as follows:

4.1.1 Party A is a wholly foreign owned enterprise legally registered and validly existing in accordance with the laws of China.

4.1.2 Party A's execution and performance of this Agreement is within its corporate capacity and the scope of its business operations; Party A has taken necessary corporate actions and given appropriate authorization and has obtained the consent and approval from third parties and government agencies, and will not violate any restrictions in law or otherwise binding or having an impact on Party A.

4.1.3 This Agreement constitutes Party A's legal, valid and binding obligations, enforceable in accordance with its terms.

4.2 Party B hereby represents and warrants as follows:

4.2.1 Party B is a domestic limited liability company legally registered and validly existing in accordance with the laws of China.

4.2.2 Party B's execution and performance of this Agreement is within its corporate capacity and the scope of its business operations; Party B has taken necessary corporate actions and given appropriate authorization and has obtained the consent and approval from third parties and government agencies, and will not violate any restrictions in law or otherwise binding or having an impact on Party B.

4.2.3 This Agreement constitutes Party B's legal, valid and binding obligations, and shall be enforceable against it.

## **5 Effectiveness and Term**

- 5.1 This Agreement is executed on the date first above written and shall take effect as of such date. Unless earlier terminated in accordance with the provisions of this Agreement or relevant agreements separately executed between the Parties, the term of this Agreement shall be 10 years. After the execution of this Agreement, both Parties are entitled to review this Agreement every 3 months to determine whether to amend or supplement the provisions in this Agreement based on the actual circumstances at that time.
- 5.2 The term of this Agreement may be extended if confirmed in writing by Party A prior to the expiration thereof. The extended term shall be determined by Party A, and Party B shall accept such extended term unconditionally.

## **6 Termination**

- 6.1 Unless renewed in accordance with the relevant terms of this Agreement, this Agreement shall be terminated upon the date of expiration hereof.
- 6.2 During the term of this Agreement, unless Party A commits gross negligence, or a fraudulent act, against Party B, Party B shall not terminate this Agreement prior to its expiration date. Nevertheless, Party A shall have the right to terminate this Agreement upon giving 30 days' prior written notice to Party B at any time.
- 6.3 The rights and obligations of the Parties under Articles 3, 7 and 8 shall survive the termination of this Agreement.

## **7 Governing Law and Resolution of Disputes**

- 7.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of China.
- 7.2 In the event of any dispute with respect to the construction and performance of the provisions of this Agreement, the Parties shall negotiate in good faith to resolve the dispute. In the event the Parties fail to reach an agreement on the resolution of such a dispute within 30 days after any Party's request for resolution of the dispute through negotiations, any Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its then-effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used during arbitration shall be Chinese. The arbitration ruling shall be final and binding on both Parties.

7.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

## 8 Indemnification

Party B shall indemnify and hold harmless Party A from any losses, injuries, obligations or expenses caused by any lawsuit, claims or other demands against Party A arising from or caused by the consultations and services provided by Party A to Party B pursuant this Agreement, except where such losses, injuries, obligations or expenses arise from the gross negligence or willful misconduct of Party A.

## 9 Notices

9.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

9.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices.

9.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

9.2 For the purpose of notices, the addresses of the Parties are as follows:

**Party A: Beijing Bitauto Internet Information Company Ltd.**

Address: 10/F New Century Hotel Office Tower No. 6 Beijing Capital Stadium Road South, Haidian District, Beijing, P.R. China

Attn:

Phone: 010-68492345

Facsimile: 010-68492726

**Party B: Beijing Easy Auto Media Co., Ltd.**

Address: 6/F New Century Hotel Office Tower No. 6 Beijing Capital Stadium Road South, Haidian District, Beijing, P.R. China

Attn:

Phone: 010-68492345

Facsimile: 010-68492726

9.3 Any Party may at any time change its address for notices by a notice delivered to the other Party in accordance with the terms hereof.

## **10 Assignment**

10.1 Without Party A's prior written consent, Party B shall not assign its rights and obligations under this Agreement to any third party.

10.2 Party B agrees that Party A may assign its obligations and rights under this Agreement to any third party upon a prior written notice to Party B but without the consent of Party B.

## **11 Severability**

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

## **12 Amendments and Supplements**

Any amendments and supplements to this Agreement shall be in writing. The amendment agreements and supplementary agreements that have been signed by the Parties and that relate to this Agreement shall be an integral part of this Agreement and shall have the same legal validity as this Agreement.

## **13 Language and Counterparts**

This Agreement is written in both Chinese and English language in two copies, each Party having one copy with equal legal validity; in case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

*[The Remainder of this page is intentionally left blank]*

**14** IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first above written.

**Party A: Beijing Bitauto Internet Information Company Ltd. [Company Stamp]**

By: /s/ Li Bin  
Name: Li Bin  
Title:

**Party B: Beijing Easy Auto Media Co., Ltd. [Company Stamp]**

By: /s/ Zhu Jinsong  
Name: Zhu Jinsong  
Title:

**Exclusive Option Agreement**

This Exclusive Option Agreement (“**this Agreement**”) is executed by and among the Parties below as of April 30, 2010, in Beijing, the People’s Republic of China (“**China**”):

**Party A:Beijing Bitauto Internet Information Company Ltd.**, a wholly foreign owned enterprise duly registered in China, with its address at \_\_\_\_\_ ;

**Party B:Xiaodong Hu**, a citizen of the China with Chinese identification No.: \_\_\_\_\_ ; and

**Party C:Beijing Easy Auto Media Co., Ltd.**, a limited liability company organized and existing under the laws of China, with its address at \_\_\_\_\_ .

In this Agreement, each of Party A, Party B and Party C shall be referred to as a “Party” respectively, and they shall be collectively referred to as the “Parties”.

Whereas:

1. Party B is a shareholder of Party C and holds 8% of the equity interest in Party C;
2. Party B agrees to grant Party A an exclusive right through this Contract, and Party A agrees to accept such exclusive right to purchase all or part equity interest held by Party B in Party C.

Now therefore, upon mutual discussion and negotiation, the Parties have reached the following agreement:

**1. Sale and Purchase of Equity Interest**

**1.1 Option Granted**

In consideration of the payment of RMB10.00 by Party A, the receipt and adequacy of which is hereby acknowledged by Party B, Party B hereby irrevocably grants Party A an irrevocable and exclusive right to purchase, or designate one or more persons (each, a “**Designee**”) to purchase the equity interests in Party C now or then held by Party B (regardless whether Party B’s capital contribution and/or percentage of shareholding is changed or not in the future) once or at multiple times at any time in part or in whole at Party A’s sole and absolute discretion to the extent permitted by Chinese laws and at the price described in Section 1.3 herein (such right being the “**Equity Interest Purchase Option**”). Except for Party A and the Designee(s), no other person shall be entitled to the Equity Interest Purchase Option or other rights with respect to the equity interests of Party B. Party C hereby agrees to the grant by Party B of the Equity Interest Purchase Option to Party A. The term “person” as used herein shall refer to individuals, corporations, partnerships, partners, enterprises, trusts or any other type of economic entity.

## 1.2 Steps for Exercise of Equity Interest Purchase Option

Subject to the provisions of the laws and regulations of China, Party A may exercise the Equity Interest Purchase Option by issuing a written notice to Party B (the “**Equity Interest Purchase Option Notice**”), specifying: (a) Party A’s decision to exercise the Equity Interest Purchase Option; (b) the portion of equity interests to be purchased from Party B (the “**Optioned Interests**”); and (c) the date for purchasing the Optioned Interests.

## 1.3 Equity Interest Purchase Price

The purchase price of the Optioned Interests (the “Base Price”) shall be RMB10. If appraisal is required by the laws of China at the time when Party A exercises the Equity Interest Purchase Option, the Parties shall negotiate in good faith and based on the appraisal result make necessary adjustment to the Equity Interest Purchase Price so that it complies with any and all then applicable laws of China (collectively, the “Equity Interest Purchase Price”).

## 1.4 Transfer of Optioned Interests

For each exercise of the Equity Interest Purchase Option:

- 1.4.1 Party B shall cause Party C to promptly convene a shareholders meeting, at which a resolution shall be adopted approving Party B’s transfer of the Optioned Interests to Party A and/or the Designee(s);
- 1.4.2 Party B shall obtain written statements from the other shareholders of Party C giving consent to the transfer of the equity interest to Party A and/or the Designee(s) and waiving any right of first refusal related thereto.
- 1.4.3 Party B shall execute a share transfer contract with respect to each transfer with Party A and/or each Designee (whichever is applicable), in accordance with the provisions of this Agreement and the Equity Interest Purchase Option Notice regarding the Optioned Interests;
- 1.4.4 The relevant Parties shall execute all other necessary contracts, agreements or documents, obtain all necessary government licenses and permits and take all necessary actions to transfer valid ownership of the Optioned Interests to Party A and/or the Designee(s), unencumbered by any security interests, and cause Party A and/or the Designee(s) to become the registered owner(s) of the Optioned Interests. For the purpose of this Section and this Agreement, “security interests” shall include securities, mortgages, third party’s rights or interests, any stock options, acquisition right, right of first refusal, right to offset, ownership retention or other security arrangements, but shall be deemed to exclude any security interest created by this Agreement and Party B’s Equity Interest Pledge Agreement. “Party B’s Equity Interest Pledge Agreement” as used in this Section and this Agreement shall refer to the Equity Interest Pledge Agreement executed by and among Party A, Party B and Party C on the date of this Agreement, whereby Party B pledges all of its equity interests in Party C to Party A, in order to guarantee Party C’s performance of its obligations under the Exclusive Business Corporation Agreement executed by and between Party C and Party A.

## 2. Covenants

### 2.1 Covenants regarding Party C

Party B (as a shareholder of Party C) and Party C hereby covenant as follows:

- 2.1.1 Without the prior written consent of Party A, they shall not in any manner supplement, change or amend the articles of association and bylaws of Party C, increase or decrease its registered capital, or change its structure of registered capital in other manners;
- 2.1.2 They shall maintain Party C's corporate existence in accordance with good financial and business standards and practices by prudently and effectively operating its business and handling its affairs;
- 2.1.3 Without the prior written consent of Party A, they shall not at any time following the date hereof, sell, transfer, mortgage or dispose of in any manner any assets of Party C or legal or beneficial interest in the business or revenues of Party C, or allow the encumbrance thereon of any security interest;
- 2.1.4 Without the prior written consent of Party A, they shall not incur, inherit, guarantee or suffer the existence of any debt, except for (i) debts incurred in the ordinary course of business other than through loans; and (ii) debts disclosed to Party A for which Party A's written consent has been obtained;
- 2.1.5 They shall always operate all of Party C's businesses during the ordinary course of business to maintain the asset value of Party C and refrain from any action/omission that may affect Party C's operating status and asset value;
- 2.1.6 Without the prior written consent of Party A, they shall not cause Party C to execute any major contract, except the contracts in the ordinary course of business (for purpose of this subsection, a contract with a value exceeding RMB 100,000 shall be deemed a major contract);

- 2.1.7 Without the prior written consent of Party A, they shall not cause Party C to provide any person with any loan or credit;
- 2.1.8 They shall provide Party A with information on Party C's business operations and financial condition at Party A's request;
- 2.1.9 If requested by Party A, they shall procure and maintain insurance in respect of Party C's assets and business from an insurance carrier acceptable to Party A, at an amount and type of coverage typical for companies that operate similar businesses;
- 2.1.10 Without the prior written consent of Party A, they shall not cause or permit Party C to merge, consolidate with, acquire or invest in any person;
- 2.1.11 They shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Party C's assets, business or revenue;
- 2.1.12 To maintain the ownership by Party C of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- 2.1.13 Without the prior written consent of Party A, they shall ensure that Party C shall not in any manner distribute dividends to its shareholders, provided that upon Party A's written request, Party C shall immediately distribute all distributable profits to its shareholders; and
- 2.1.14 At the request of Party A, they shall appoint any persons designated by Party A as the director and/or executive director of Party C.

## 2.2 Covenants of Party B and Party C

Party B hereby covenants as follows:

- 2.2.1 Without the prior written consent of Party A, Party B shall not sell, transfer, mortgage or dispose of in any other manner any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon of any security interest, except for the pledge placed on these equity interests in accordance with Party B's Equity Interest Pledge Agreement;
- 2.2.2 Party B shall cause the shareholders' meeting and/or the board of directors and/or executive director of Party C not to approve the sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon of any security interest, without the prior written consent of Party A, except for the pledge placed on these equity interests in accordance with Party B's Equity Interest Pledge Agreement;

- 2.2.3 Party B shall cause the shareholders' meeting or the board of directors and/or executive director of Party C not to approve the merger or consolidation with any person, or the acquisition of or investment in any person, without the prior written consent of Party A;
- 2.2.4 Party B shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the equity interests in Party C held by Party B;
- 2.2.5 Party B shall cause the shareholders' meeting or the board of directors and/or executive director of Party C to vote their approval of the transfer of the Optioned Interests as set forth in this Agreement and to take any and all other actions that may be requested by Party A;
- 2.2.6 To the extent necessary to maintain Party B's ownership in Party C, Party B shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- 2.2.7 Party B shall appoint any designee of Party A as the director and/or executive director of Party C, at the request of Party A;
- 2.2.8 At the request of Party A at any time, Party B shall promptly and unconditionally transfer its equity interests in Party C to Party A's Designee(s) in accordance with the Equity Interest Purchase Option under this Agreement, and Party B hereby waives its right of first refusal (if any) to the share transfer by the other existing shareholder of Party C (if any); and
- 2.2.9 Party B shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among Party B, Party C and Party A, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. To the extent that Party B has any remaining rights with respect to the equity interests subject to this Agreement hereunder or under Party B's Equity Interest Pledge Agreement or under the Power of Attorney granted in favor of Party A, Party B shall not exercise such rights except in accordance with the written instructions of Party A.

### 3. Representations and Warranties

Party B and Party C hereby represent and warrant to Party A, jointly and severally, as of the date of this Agreement and each date of transfer of the Optioned Interests, that:

- 3.1 They have the authority to execute and deliver this Agreement and any share transfer contracts to which they are a party concerning the Optioned Interests to be transferred thereunder (each, a “**Transfer Contracts**”), and to perform their obligations under this Agreement and any Transfer Contracts. Party B and Party C agree to enter into Transfer Contracts consistent with the terms of this Agreement upon Party A’s exercise of the Equity Interest Purchase Option. This Agreement and the Transfer Contracts to which Party B and Party C are a party constitute or will constitute their legal, valid and binding obligations and shall be enforceable against them in accordance with the provisions thereof;
- 3.2 The execution and delivery of this Agreement or any Transfer Contracts and the obligations under this Agreement or any Transfer Contracts shall not: (i) cause any violation of any applicable laws of China; (ii) be inconsistent with the articles of association, bylaws or other organizational documents of Party C; (iii) cause the violation of any contracts or instruments to which they are a party or which are binding on them, or constitute any breach under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them;
- 3.3 Party B has a good and merchantable title to the equity interests in Party C he holds. Except for Party B’s Equity Interest Pledge Agreement, Party B has not placed any security interest on such equity interests;
- 3.4 Party C has a good and merchantable title to all of its assets, and has not placed any security interest on the aforementioned assets;
- 3.5 Party C does not have any outstanding debts, except for (i) debt incurred in the ordinary course of business; and (ii) debts disclosed to Party A for which Party A’s written consent has been obtained;
- 3.6 Party C has complied with all laws and regulations of China applicable to asset acquisitions; and
- 3.7 There are no pending or threatened litigation, arbitration or administrative proceedings relating to the equity interests in Party C, assets of Party C or Party C.

#### **4. Effective Date**

This Agreement shall become effective upon the date hereof, and remain effective for a term of 10 years, and may be renewed for an additional 10 years at Party A's election.

#### **5. Governing Law and Resolution of Disputes**

##### **5.1 Governing law**

The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the formally published and publicly available laws of China. Matters not covered by formally published and publicly available laws of China shall be governed by international legal principles and practices.

##### **5.2 Methods of Resolution of Disputes**

In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Parties for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.

#### **6. Taxes and Fees**

Each Party shall pay any and all transfer and registration tax, expenses and fees incurred thereby or levied thereon in accordance with the laws of China in connection with the preparation and execution of this Agreement and the Transfer Contracts, as well as the consummation of the transactions contemplated under this Agreement and the Transfer Contracts.

#### **7. Notices**

7.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

7.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices.

7.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

7.2 For the purpose of notices, the addresses of the Parties are as follows:

**Party A: Beijing Bitauto Internet Information Company Ltd.**

Address:  
Attn:  
Phone:  
Facsimile:

**Party B: Xiaodong Hu**

Address:  
Phone:  
Facsimile:

**Party C: Beijing Easy Auto Media Co., Ltd.**

Address:  
Attn:  
Phone:  
Facsimile:

7.3 Any Party may at any time change its address for notices by a notice delivered to the other Parties in accordance with the terms hereof.

**8. Confidentiality**

The Parties acknowledge that any oral or written information exchanged among them with respect to this Agreement is confidential information. Each Party shall maintain the confidentiality of all such information, and without obtaining the written consent of other Parties, it shall not disclose any relevant information to any third parties, except in the following circumstances: (a) such information is or will be in the public domain (provided that this is not the result of a public disclosure by the receiving party); (b) information disclosed as required by applicable laws or rules or regulations of any stock exchange; or (c) information required to be disclosed by any Party to its legal counsel or financial advisor regarding the transaction contemplated hereunder, and such legal counsel or financial advisor are also bound by confidentiality duties similar to the duties in this section. Disclosure of any confidential information by the staff members or agency hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

**9. Further Warranties**

The Parties agree to promptly execute documents that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement.

## 10. Miscellaneous

### 10.1 Amendment, change and supplement

Any amendment, change and supplement to this Agreement shall require the execution of a written agreement by all of the Parties.

### 10.2 Entire agreement

Except for the amendments, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supercede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement.

### 10.3 Headings

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

### 10.4 Language

This Agreement is written in both Chinese and English language in three copies, each Party having one copy with equal legal validity; in case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

### 10.5 Severability

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

### 10.6 Successors

This Agreement shall be binding on and shall inure to the interest of the respective successors of the Parties and the permitted assigns of such Parties.

10.7 Survival

10.7.1 Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early termination thereof.

10.7.2 The provisions of Sections 5, 7, 8 and this Section 10.7 shall survive the termination of this Agreement.

10.8 Waivers

Any Party may waive the terms and conditions of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall operate as a waiver by such a Party with respect to any similar breach in other circumstances.

*[The Remainder of this page is intentionally left blank]*

IN WITNESS WHEREOF, the Parties have executed, or caused their respective duly authorized representatives to execute, this Exclusive Option Agreement as of the date first above written.

**Party A: Beijing Bitauto Internet Information Company Ltd.**

By: /s/ Beijing Bitauto Internet Information Company Ltd.  
Name:  
Title:

**Party B: Xiaodong Hu**

By: /s/ Xiaodong Hu

**Party C: Beijing Easy Auto Media Co., Ltd.**

By: /s/ Beijing Easy Auto Media Co., Ltd.  
Name:  
Title:

### Schedule A

The following schedule sets forth all other similar agreements among Beijing Bitauto Internet Information Company Limited, Beijing Easy Auto Media Company Limited and the shareholders of Beijing Easy Auto Media Company Limited and the material differences between such agreements and this exhibit.

<u>Executing Party</u>	<u>Equity Interest Ownership</u>
Guang Chen	Guang Chen holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.
Jinsong Zhu	Jinsong Zhu holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.
Shengde Wang	Shengde Wang holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.
Rong Xiao	Rong Xiao holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.
Aiping Xu	Aiping Xu holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.
Xiangyu Chen	Xiangyu Chen holds 6% of the equity interest in Beijing Easy Auto Media Company Limited.
Jun Xia	Jun Xia holds 6% of the equity interest in Beijing Easy Auto Media Company Limited.

### Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (“**this Agreement**”) has been executed by and among the following parties on April 30, 2010 in Beijing, the People’s Republic of China (the “**China**”):

**Party A: Beijing Bitauto Internet Information Company Ltd. (“Pledgee”)**

Address:

**Party B: Xiaodong Hu (“Pledgor”), ID No.:**

**Party C: Beijing Easy Auto Media Co., Ltd.**

Address:

In this Agreement, each of Pledgee, Pledgor and Party C shall be referred to as a “Party” respectively, and they shall be collectively referred to as the “Parties”.

Whereas:

1. Pledgor is a citizen of China, and holds 8% of the equity interest in Party C. Party C is a limited liability company registered in Beijing, China, engaging in advertisement business. Party C acknowledges the respective rights and obligations of Pledgor and Pledgee under this Agreement, and intends to provide any necessary assistance in registering the Pledge with the competent governmental authorities;
2. Pledgee is a wholly foreign-owned enterprise registered in China. Pledgee and Party C partially owned by Pledgor have executed an Exclusive Business Cooperation Agreement on April 30, 2010 in Beijing;
3. To ensure that Party C fully performs its obligations under the Exclusive Business Cooperation Agreement and pay the consulting and service fees thereunder to the Pledgee when the same becomes due, Pledgor hereby pledges to the Pledgee all of the equity interest he now and in the future holds in Party C (whether the percentage of the equity interest is changed or not in the future) as security for payment of the consulting and service fees by Party C under the Business Cooperation Agreement.

To perform the provisions of the Business Cooperation Agreement, the Parties have mutually agreed to execute this Agreement upon the following terms.

#### 1. Definitions

Unless otherwise provided herein, the terms below shall have the following meanings:

- 1.1 Pledge: shall refer to the security interest granted by Pledgor to Pledgee pursuant to Article 2 of this Agreement, i.e., the right of Pledgee to be compensated on a preferential basis with the conversion, auction or sales price of the Equity Interest.
- 1.2 Equity Interest: shall refer to all of the equity interest lawfully now held and hereafter acquired by Pledgor in Party C (whether the percentage of the equity interest is changed or not in the future).
- 1.3 Term of Pledge: shall refer to the term set forth in Section 3.2 of this Agreement.
- 1.4 Business Cooperation Agreement: shall refer to the Exclusive Business Cooperation Agreement executed by and between Party C and Pledgee April 30, 2010 (the Attachment 3).
- 1.5 Event of Default: shall refer to any of the circumstances set forth in Article 7 of this Agreement.

1.6 Notice of Default: shall refer to the notice issued by Pledgee in accordance with this Agreement declaring an Event of Default.

## **2. The Pledge**

As collateral security for the timely and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of any or all of the payments due by Party C, including without limitation the consulting and services fees payable to the Pledgee under the Business Cooperation Agreement, Pledgor hereby pledges to Pledgee a first security interest in all of Pledgor's right, title and interest, whether now owned or hereafter acquired by Pledgor, in the Equity Interest of Party C.

## **3. Term of Pledge**

3.1 The Pledge shall become effective on such date when the pledge of the Equity Interest contemplated herein has been registered with relevant administration for industry and commerce (the "AIC"). The Pledge shall be continuously valid until all payments due under the Business Cooperation Agreement have been fulfilled by Party C. Pledgor and Party C shall (1) register the Pledge in the shareholders' register of Party C within 3 business days following the execution of this Agreement, and (2) submit an application to the AIC for the registration of the Pledge of the Equity Interest contemplated herein within 10 business days following the execution of this Agreement. The parties covenant that for the purpose of registration of the Pledge (including re-registration of the Pledge when the percentage of equity interest the Pledgor holds in Party C), the parties hereto and all other shareholders of Party C shall submit to the AIC the Equity Interest Pledge Contract as set forth in the Attachment 4 of this Agreement in the form required by the AIC at the location of Party C which shall truly reflect the information of the Pledge hereunder (the "AIC Pledge Contract"). For matters not specified in the AIC Pledge Contract, the parties shall be bound by the provisions of this Agreement. Pledgor and Party C shall submit all necessary documents and complete all necessary procedures, as required by the PRC laws and regulations and the relevant AIC, to ensure that the Pledge of the Equity Interest shall be registered with the AIC as soon as possible after filing.

3.2 During the Term of Pledge, in the event Party C fails to pay the exclusive consulting or service fees in accordance with the Business Cooperation Agreement, Pledgee shall have the right, but not the obligation, to dispose of the Pledge in accordance with the provisions of this Agreement.

## **4. Custody of Records for Equity Interest subject to Pledge**

4.1 During the Term of Pledge set forth in this Agreement, Pledgor shall deliver to Pledgee's custody the original capital contribution certificate for the Equity Interest (the Attachment 2) and the original shareholders' register containing the Pledge (the Attachment 1) within five (5) working days from the execution of this Agreement or from completion of the re-registration of shareholding when percentage of equity interest changed (in that case, Pledgor shall deliver to Pledgee's custody the updated original capital contribution certificate for the Equity Interest and the updated original shareholders' register containing the Pledge as attachment to this Agreement). Pledgee shall have custody of such original documents during the entire Term of Pledge set forth in this Agreement.

4.2 Pledgee shall have the right to collect dividends generated by the Equity Interest during the Term of Pledge.

## **5. Representations and Warranties of Pledgor**

5.1 Pledgor is the sole legal and beneficial owner of the Equity Interest.

5.2 Pledgee shall have the right to dispose of and transfer the Equity Interest in accordance with the provisions set forth in this Agreement.

- 5.3 Upon execution, this Agreement shall constitute the Pledgor's legal, valid and binding obligations in accordance with the provisions herein.
- 5.4 Except for the Pledge, Pledgor has not placed any security interest or other encumbrance on the Equity Interest.
- 5.5 There is no pending disputation or litigation proceeding related to the Equity Interest.

## **6. Covenants and Further Agreements of Pledgor**

- 6.1 Pledgor hereby covenants to the Pledgee, that during the term of this Agreement, Pledgor shall:
  - 6.1.1 not transfer the Equity Interest, place or permit the existence of any security interest or other encumbrance on the Equity Interest, or disposal of the Equity Interest in any other means, without the prior written consent of Pledgee, except for the performance of the Exclusive Option Agreement executed by Pledgor, the Pledgee and Party C on the execution date of this Agreement;
  - 6.1.2 comply with the provisions of all laws and regulations applicable to the pledge of rights, and within five (5) working days of receipt of any notice, order or recommendation issued or prepared by relevant competent authorities regarding the Pledge, shall present the aforementioned notice, order or recommendation to Pledgee, and shall comply with the aforementioned notice, order or recommendation or submit objections and representations with respect to the aforementioned matters upon Pledgee's reasonable request or upon consent of Pledgee;
  - 6.1.3 promptly notify Pledgee of any event or notice received by Pledgor that may have an impact on Pledgee's rights to the Equity Interest or any portion thereof, as well as any event or notice received by Pledgor that may have an impact on any guarantees and other obligations of Pledgor arising out of this Agreement.
- 6.2 Pledgor agrees that the rights acquired by Pledgee in accordance with this Agreement with respect to the Pledge shall not be interrupted or harmed by Pledgor or any heirs or representatives of Pledgor or any other persons through any legal proceedings.
- 6.3 To protect or perfect the security interest granted by this Agreement for payment of the consulting and service fees under the Business Cooperation Agreement, Pledgor hereby undertakes to execute in good faith and to cause other parties who have an interest in the Pledge to execute all certificates, agreements, deeds and/or covenants required by Pledgee. Pledgor also undertakes to perform and to cause other parties who have an interest in the Pledge to perform actions required by Pledgee, to facilitate the exercise by Pledgee of its rights and authority granted thereto by this Agreement, and to enter into all relevant documents regarding ownership of Equity Interest with Pledgee or designee(s) of Pledgee (natural persons/legal persons). Pledgor undertakes to provide Pledgee within a reasonable time with all notices, orders and decisions regarding the Pledge that are required by Pledgee.
- 6.4 Pledgor hereby undertakes to comply with and perform all guarantees, promises, agreements, representations and conditions under this Agreement. In the event of failure or partial performance of its guarantees, promises, agreements, representations and conditions, Pledgor shall indemnify Pledgee for all losses resulting therefrom.

## **7. Event of Breach**

- 7.1 The following circumstances shall be deemed Event of Default:
  - 7.1.1 Party C fails to fully and timely fulfill any liabilities under the Business Cooperation Agreement, including without limitation failure to pay in full any of the consulting and service fees payable under the Business Cooperation Agreement or breaches any other obligations of Party C thereunder;

- 7.1.2 Pledgor or Party C has committed a material breach of any provisions of this Agreement;
  - 7.1.3 The Pledgor and Party C fail to register the Pledge in the shareholders' register of Party C or fail to complete the Registration of Pledge stipulated in Section 3.1;
  - 7.1.4 Except as expressly stipulated in Section 6.1.1, Pledgor transfers or purports to transfer or abandons the Equity Interest pledged or assigns the Equity Interest pledged without the written consent of Pledgee; and
  - 7.1.5 The successor or custodian of Party C is capable of only partially perform or refuses to perform the payment obligations under the Business Cooperation Agreement.
- 7.2 Upon notice or discovery of the occurrence of any circumstances or event that may lead to the aforementioned circumstances described in Section 7.1, Pledgor shall immediately notify Pledgee in writing accordingly.
- 7.3 Unless an Event of Default set forth in this Section 7.1 has been successfully resolved to Pledgee's satisfaction within twenty (20) working days after the Pledgee delivers a notice to the Pledgor requesting ratification of such Event of Default, Pledgee may issue a Notice of Default to Pledgor in writing at any time thereafter, demanding the Pledgor to immediately dispose of the Pledge in accordance with the provisions of Article 8 of this Agreement.

## **8. Exercise of Pledge**

- 8.1 Prior to the full payment of the consulting and service fees described in the Business Cooperation Agreement, without the Pledgee's written consent, Pledgor shall not assign the Pledge or the Equity Interest in Party C.
- 8.2 Pledgee may issue a Notice of Default to Pledgor when exercising the Pledge.
- 8.3 Subject to the provisions of Section 7.3, Pledgee may exercise the right to enforce the Pledge at the time when, or at any time after, the issuance of the Notice of Default in accordance with Section 8.2. Once Pledgee elects to enforce the Pledge, Pledgor shall cease to be entitled to any rights or interests associated with the Equity Interest.
- 8.4 In the event of default, Pledgee is entitled to dispose of the Equity Interest pledged in accordance with applicable PRC laws. Only to the extent permitted under applicable PRC laws, Pledgee has no obligation to account to Pledgor for proceeds of disposition of the Equity Interest, and Pledgor hereby waives any rights it may have to demand any such accounting from Pledgee; Likewise, in such circumstance Pledgor shall have no obligation to Pledgee for any deficiency remaining after such disposition of the Equity Interest pledged.
- 8.5 When Pledgee disposes of the Pledge in accordance with this Agreement, Pledgor and Party C shall provide necessary assistance to enable Pledgee to enforce the Pledge in accordance with this Agreement.

## **9. Assignment**

- 9.1 Without Pledgee's prior written consent, Pledgor shall not have the right to assign or delegate its rights and obligations under this Agreement.
- 9.2 This Agreement shall be binding on Pledgor and its successors and permitted assigns, and shall be valid with respect to Pledgee and each of its successors and assigns.
- 9.3 At any time, Pledgee may assign any and all of its rights and obligations under the Business Cooperation Agreement to its designee(s) (natural/legal persons), in which case the assigns shall have the rights and obligations of Pledgee under this Agreement, as if it were the original party to this Agreement. When the Pledgee assigns the rights and obligations under the Business Cooperation Agreement, upon Pledgee's request, Pledgor shall execute relevant agreements or other documents relating to such assignment.

- 9.4 In the event of a change in Pledgee due to an assignment, Pledgor shall, at the request of Pledgee, execute a new pledge agreement with the new pledgee on the same terms and conditions as this Agreement, and register for change of the same with the competent AIC.
- 9.5 Pledgor shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by the Parties hereto or any of them, including the Exclusive Option Agreement and the Power of Attorney granted to Pledgee, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. Any remaining rights of Pledgor with respect to the Equity Interest pledged hereunder shall not be exercised by Pledgor except in accordance with the written instructions of Pledgee.

## **10. Termination**

Upon the full payment of the consulting and service fees under the Business Cooperation Agreement and upon termination of Party C's obligations under the Business Cooperation Agreement, this Agreement shall be terminated, and Pledgee shall then cancel or terminate this Agreement as soon as reasonably practicable.

## **11. Handling Fees and Other Expenses**

All fees and out of pocket expenses relating to this Agreement, including but not limited to legal costs, costs of production, stamp tax and any other taxes and fees, shall be borne by Party C.

## **12. Confidentiality**

The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, investors, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, investors, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

## **13. Governing Law and Resolution of Disputes**

- 13.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of China.
- 13.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Parties for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its Arbitration Rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.

13.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

#### **14. Notices**

17.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such party set forth below. A confirmation copy of each notice shall also be sent by E-mail. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

17.2 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices.

17.3 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

17.4 For the purpose of notices, the addresses of the Parties are as follows:

**Party A: Beijing Bitauto Internet Information Company Ltd.**

Address:

Attn:

Phone:

Facsimile:

**Party B: Xiaodong Hu**

Address:

Phone:

E-mail:

**Party C: Beijing Easy Auto Media Co., Ltd.**

Address:

Attn:

Phone:

Facsimile:

17.5 Any Party may at any time change its address for notices by a notice delivered to the other Parties in accordance with the terms hereof.

#### **15. Severability**

In the event that one or several of the provisions of this Contract are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Contract shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

#### **16. Attachments**

The attachments set forth herein shall be an integral part of this Agreement.

**17. Effectiveness**

- 17.1 Any amendments, changes and supplements to this Agreement shall be in writing and shall become effective upon completion of the governmental filing procedures (if applicable) after the affixation of the signatures or seals of the Parties.
- 17.2 This Agreement is written in Chinese and English in three copies. Pledgor, Pledgee and Party C shall hold one copy respectively. Each copy of this Agreement shall have equal validity. In case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

*[The Remainder of this page is intentionally left blank]*

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written.

**Party A: Beijing Bitauto Internet Information Company Ltd.**

By: /s/ Beijing Bitauto Internet Information Company Ltd.

Name:

Title:

**Party B: Xiaodong Hu**

By: /s/ Xiaodong Hu

**Party C: Beijing Easy Auto Media Co., Ltd.**

By: /s/ Beijing Easy Auto Media Co., Ltd.

Name:

Title:

**Attachments:**

1. Shareholders' Register of Beijing Easy Auto Media Co., Ltd.;
2. The Capital Contribution Certificate for Beijing Easy Auto Media Co., Ltd.;
3. Exclusive Business Cooperation Agreement;
4. Equity Interest Pledge Contract used for registration with the AIC

### Schedule A

The following schedule sets forth all other similar agreements among Beijing Bitauto Internet Information Company Limited, Beijing Easy Auto Media Company Limited and the shareholders of Beijing Easy Auto Media Company Limited and the material differences between such agreements and this exhibit.

<u>Party B</u>	<u>Equity Interest Ownership</u>
Guang Chen	Guang Chen holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.
Jinsong Zhu	Jinsong Zhu holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.
Shengde Wang	Shengde Wang holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.
Rong Xiao	Rong Xiao holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.
Aiping Xu	Aiping Xu holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.
Xiangyu Chen	Xiangyu Chen holds 6% of the equity interest in Beijing Easy Auto Media Company Limited.
Jun Xia	Jun Xia holds 6% of the equity interest in Beijing Easy Auto Media Company Limited.

## Loan Agreement

This Loan Agreement (“**this Agreement**”) is made and entered into by and between the parties below as of April 30, 2010 in Beijing, the People’s Republic of China (“**China**”):

- (1) **Beijing Bitauto Internet Information Company Ltd.** (“**Lender**”), a wholly foreign-owned enterprise duly registered under the laws of China with its address at .
- (2) **Xiaodong Hu** (“**Borrower**”), a citizen of China, with his Chinese identification No.: .

Each of Lender and Borrower shall be hereinafter referred to as a “Party” respectively, and as the “Parties” collectively.

**Whereas**, Lender intends to provide Borrower with a loan to be used for the purpose set forth under this Agreement. After friendly consultation, the Parties agree as follows:

### 1. Loan

- 1.1 In accordance with the terms and conditions of this Agreement, Lender agrees to provide a loan in the amount of RMB 40,000 (the “**Loan**”) to Borrower. The term of the Loan shall be ten (10) years from the date of this Agreement, which may be extended upon mutual written consent of the Parties. During the term of the Loan or the extended term of the Loan, Borrower shall immediately repay the full amount of the Loan in the event any one or more of the following circumstances occur:
  - 1.1.1 30 days elapse after Borrower receives written notice from Lender requesting repayment of the Loan;
  - 1.1.2 Borrower’s death, lack or limitation of civil capacity;
  - 1.1.3 Borrower ceases to be a shareholder of Borrower Company;
  - 1.1.4 Borrower engages in criminal act or is involved in criminal activities;
  - 1.1.5 Any third party filed a claim against Borrower that exceeds RMB500,000; or
  - 1.1.6 The Lender decides to exercise the exclusive option under the Exclusive Option Agreement (the “**Exclusive Option Agreement**”) described in Sections 4.1.1 and 4.2.4 of this Agreement.
- 1.2 Borrower agrees to accept the aforementioned Loan provided by Lender, and hereby agrees and warrants using the Loan to provide capital to and/or increase registered capital to Beijing Easy Auto Media Co., Ltd. (“**Borrower Company**”) and hold 8% equity interest of or certain percentage of the equity interests in Borrower Company (Such 8% or certain percentage equity interests, hereinafter referred to as the “**Borrower Equity Interest**”). Without Lender’s prior written consent, Borrower shall not use the Loan for any purpose other than as set forth herein.
- 1.3 Lender and Borrower hereby agree and acknowledge that Borrower’s method of repayment shall be at the sole discretion of Lender, (1) at Lender’s option take the form of Borrower’s transfer the Borrower Equity Interest in whole to Lender or Lender’s designated persons (legal or natural persons) pursuant to the Lender’s exercise of its right to acquire the Borrower Equity Interest under the Exclusive Option Agreement; and (2) in case of liquidation, the Borrower shall repay all the residuary estate of the Borrower Company distributed after liquidation to Lender or the designees of the Lender.
- 1.4 Lender and Borrower hereby agree and acknowledge that any proceeds from the transfer of the Borrower Equity Interest (to the extent permissible) shall be used to repay the Loan to Lender, in accordance with this Agreement and in the manner designated by Lender.

- 1.5 Lender and Borrower hereby agree and acknowledge that to the extent permitted by applicable laws, Lender shall have the right but not the obligation to purchase or designate other persons (legal or natural persons) to purchase Borrower Equity Interest in part or in whole at any time, at the price stipulated in the Exclusive Option Agreement.
- 1.6 Borrower also undertakes to execute an irrevocable Power of Attorney (the “**Power of Attorney**”, referred to in Section 4.2.3), which authorizes the Lender or a legal or natural person designated by Lender to exercise all of Borrower’s rights as a shareholder of Borrower Company.
- 1.7 When Borrower transfers Borrower Equity Interest to Lender or Lender’s designated person(s), in the event that the transfer price of such equity interest equals or is lower than the principal of the Loan under this Agreement, the Loan under this Agreement shall be deemed an interest-free loan. In the event that the transfer price of such equity interest exceeds the principal of the Loan under this Agreement, the excess over the principal shall be deemed the interest of the Loan under this Agreement payable by Borrower to Lender.

## **2. Conditions Precedent**

The obligation of Lender to provide the Loan to Borrower contemplated in Section 1.1 shall be subject to the satisfaction of the following conditions, unless waived in writing by Lender.

- 2.1 All the representations and warranties by Borrower in Section 3.2 are true, complete, correct and not misleading.
- 2.2 Borrower has not violated the covenants in Section 4 of this Agreement, and no event which may affect Borrower’s performance of its obligations under this Agreement has occurred or is expected to occur.

## **3. Representations and Warranties**

- 3.1 Between the date of this Agreement and the date of termination of this Agreement, Lender hereby makes the following representations and warranties to Borrower:
  - 3.1.1 Lender is a company duly organized and legally existing in accordance with the laws of China;
  - 3.1.2 Lender has the legal capacity to execute and perform this Agreement. The execution and performance by Lender of this Agreement is consistent with Lender’s scope of business and the provisions of Lender’s corporate bylaws and other organizational documents, and Lender has obtained all necessary and proper approvals and authorizations for the execution and performance of this Agreement; and
  - 3.1.3 This Agreement constitutes Lender’s legal, valid and binding obligations, enforceable in accordance with its terms.
- 3.2 Between the date of this Agreement and the date of termination of this Agreement, Borrower hereby makes the following representations and warranties:
  - 3.2.1 Borrower has the legal capacity to execute and perform this Agreement. Borrower has obtained all necessary and proper approvals and authorizations for the execution and performance of this Agreement;
  - 3.2.2 This Agreement constitutes Borrower’s legal, valid and binding obligations enforceable in accordance with its terms; and
  - 3.2.3 There are no disputes, litigations, arbitrations, administrative proceedings or any other legal proceedings relating to Borrower, nor are there any potential disputes, litigations, arbitrations, administrative proceedings or any other legal proceedings relating to Borrower.

#### **4. Borrower's Covenants**

- 4.1 As a shareholder of Borrower Company, and for so long as Borrower remains a shareholder of Borrower Company, Borrower covenants irrevocably that during the term of this Agreement, Borrower shall cause Borrower Company:
- 4.1.1 to execute the Exclusive Option Agreement with Borrower and Lender, under which Borrower shall irrevocably grant Lender an exclusive option to purchase all of the Borrower Equity Interest; to execute the Exclusive Business Cooperation Agreement executed with the Lender (the "Exclusive Business Cooperation Agreement"), under which the Lender, as an exclusive service provider, will provide Borrower Company with technical service and business consulting service; to execute the Equity Interest Pledge Agreement (including its supplementary agreement, if any, the "Equity Interest Pledge Agreement") with the Lender and Borrower, under which will set for the pledge of the Borrower Equity Interest; to enter into the Exclusive Option Agreement, Exclusive Business Cooperation Agreement and Equity Interest Pledge Agreement on the date of this Agreement, and to complete all the related governmental approvals, registrations or filings (including without limitation, the registration of the pledge of Borrower Equity Interest);
  - 4.1.2 to strictly abide by the provisions of the Exclusive Option Agreement, Equity Interest Pledge Agreement and the Exclusive Business Cooperation Agreement, and to refrain from any action/omission that may affect the effectiveness and enforceability of the Exclusive Option Agreement, Equity Interest Pledge Agreement and the Exclusive Business Cooperation Agreement;
  - 4.1.3 at the request of Lender (or a party designated by Lender), to execute contracts/agreements on business cooperation with Lender (or a party designated by Lender), and to strictly abide by such contracts/agreements;
  - 4.1.4 to provide Lender with all of the information on its business operations and financial condition at Lender's request;
  - 4.1.5 to immediately notify Lender of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to its assets, business or income;
  - 4.1.6 at the request of Lender, to appoint any persons designated by Lender as directors and/or executive director of Borrower Company;
  - 4.1.7 without Lender's prior written consent, not to supplement, change or amend its articles of association in any manner, increase or decrease its registered capital or change its share capital structure in any manner;
  - 4.1.8 to maintain its corporate existence in accordance with good financial and business standards and practices by prudently and effectively operating its business and handling its affairs;
  - 4.1.9 without Lender's prior written consent, not to sell, transfer, mortgage or dispose of in any other manner its legal or beneficial interest in any of its assets, business or revenue at any time from the date of this Agreement, or permit the encumbrance of any other security interest thereon;
  - 4.1.10 without Lender's prior written consent, not to incur, inherit, guarantee or otherwise allow for the existence of any debt, except for (i) debt incurred in the ordinary course of business other than through any loans; and (ii) debt already disclosed to Lender for which Lender's written consent has been obtained;

- 4.1.11 to operate its businesses in the ordinary course and to maintain the value of its assets;
  - 4.1.12 without the prior written consent of Lender, not to execute any major contract, except for contracts in the ordinary course of business (for purpose of this subsection, a contract with a value exceeding RMB100,000 shall be deemed a major contract);
  - 4.1.13 without the prior written consent of Lender, not to provide any person with any loan or credit;
  - 4.1.14 to procure and maintain insurance from an insurance carrier acceptable to Lender, at an amount and type of coverage typical for companies that operate similar businesses;
  - 4.1.15 without the prior written consent of Lender, not to merge, consolidate with, acquire, or invest in any person;
  - 4.1.16 to maintain the ownership of all of its assets, execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims; and
  - 4.1.17 without the prior written consent of Lender, not to distribute dividends to shareholders, provided that upon Lender's written request, to distribute the distributable profits in whole or in part to its shareholders.
- 4.2 Borrower covenants that during the term of this Agreement, he shall:
- 4.2.1 Borrower Company shall be a limited liability company without foreign investment and Borrower shall hold 8% or certain percentage equity interest of Borrower Company;
  - 4.2.2 endeavor to cause Borrower Company to engage in its current business;
  - 4.2.3 execute an irrevocable Power of Attorney, which authorizes a legal or natural person designated by Lender to exercise all of Borrower's rights as a shareholder in Borrower Company, and refrain from exercising any such shareholder rights except to the extent required under this Agreement or the Equity Interest Pledge Agreement (hereinafter Section 4.2.5) or as requested by Lender;
  - 4.2.4 execute the Exclusive Option Agreement with Lender and Borrower Company, under which Borrower shall irrevocably grant to Lender an exclusive option to purchase all of the Borrower Equity Interest;
  - 4.2.5 execute a Equity Interest Pledge Agreement (the "Equity Interest Pledge Agreement") with the Lender and Borrower Company, under which Borrower shall pledge the Borrower Equity Interest to the Lender;
  - 4.2.6 enter into the aforementioned Power of Attorney, Exclusive Option Agreement and Equity Interest Pledge Agreement on the date when Borrower becomes the shareholder of Borrower Company , and complete all the related governmental approvals, registrations or fillings (including without limitation, the registration of the pledge of Borrower Equity Interest);
  - 4.2.7 abide by the provisions of this Agreement, the Power of Attorney, the Equity Interest Pledge Agreement and the Exclusive Option Agreement, perform his obligations under this Agreement, the Power of Attorney, the Equity Interest Pledge Agreement and the Exclusive Option Agreement, and refrain from any action/omission that may affect the effectiveness and enforceability of this Agreement, the Power of Attorney, the Equity Interest Pledge Agreement and the Exclusive Option Agreement;

- 4.2.8 not sell, transfer, mortgage or dispose of in any other manner the legal or beneficial interest in Borrower Equity Interest, or allow the encumbrance thereon of any security interest or the encumbrance, except in accordance with the Equity Interest Pledge Agreement;
- 4.2.9 cause any shareholders' meeting and/or the board of directors and/or executive director of Borrower Company not to approve the sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in Borrower Equity Interest, or allow the encumbrance thereon of any security interest, except to Lender or Lender's designated person;
- 4.2.10 cause any shareholders' meeting and/or the board of directors and/or executive director of the Borrower Company not to approve the merger or consolidation of Borrower Company with any person, or its acquisition of or investment in any person, without the prior written consent of Lender;
- 4.2.11 immediately notify Lender of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Borrower Equity Interest;
- 4.2.12 to the extent necessary to maintain his ownership of the Borrower Equity Interest, execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defense against all claims;
- 4.2.13 without the prior written consent of Lender, refrain from any action/omission that may have a material impact on the assets, business and liabilities of Borrower Company;
- 4.2.14 appoint any designee of Lender as director and/or executive director of Borrower Company, at the request of Lender;
- 4.2.15 to the extent permitted by the laws of China, at the request of Lender at any time, promptly and unconditionally transfer all of Borrower Equity Interest to Lender or Lender's designated representative(s) at any time, and cause the other shareholders of Borrower Company to waive their right of first refusal with respect to the share transfer described in this Section;
- 4.2.16 to the extent permitted by the laws of China, at the request of Lender at any time, cause the other shareholders of Borrower Company to promptly and unconditionally transfer all of their equity interest to Lender or Lender's designated representative(s) at any time, and Borrower hereby waives his right of first refusal (if any) with respect to the share transfer described in this Section;
- 4.2.17 in the event that Lender purchases Borrower Equity Interest from Borrower in accordance with the provisions of the Exclusive Option Agreement, use such purchase price obtained thereby to repay the Loan to Lender; and
- 4.2.18 without the prior written consent of Lender, not to cause Borrower Company to supplement, change, or amend its articles of association in any manner, increase or decreases its registered capital or change its share capital structure in any manner.

## 5. Liability for Default

- 5.1 In the event either Party breaches this Agreement or otherwise causes the non-performance of this Agreement in part or in whole, the Party shall be liable for such breach and shall compensate all damages (including litigation and attorneys fees) resulting therefrom. In the event that both Parties breach this Agreement, each Party shall be liable for its respective breach.
- 5.2 In the event that Borrower fails to perform the repayment obligations set forth in this Agreement, Borrower shall pay overdue interest of 0.01% per day for the outstanding payment, until the day Borrower repays the full principal of the Loan, overdue interests and other payable amounts.

## 6. Notices

- 6.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
  - 6.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery.
  - 6.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).
- 6.2 For the purpose of notices, the addresses of the Parties are as follows:

**Lender: Beijing Bitauto Internet Information Company Ltd.**

Address:

Attn:

Phone:

Facsimile:

**Borrower: Xiaodong Hu**

Address:

Phone:

Facsimile:

- 6.3 Any Party may at any time change its address for notices by a notice delivered to the other Party in accordance with the terms hereof.

## 7. Confidentiality

The Parties acknowledge that any oral or written information exchanged among them with respect to this Agreement is confidential information. The Parties shall maintain the confidentiality of all such information, and without the written consent of other Party, either Party shall not disclose any relevant information to any third party, except in the following circumstances: (a) such information is or will be in the public domain (provided that this is not the result of a public disclosure by the receiving party); (b) information disclosed as required by applicable laws or rules or regulations of any stock exchange; or (c) information required to be disclosed by any Party to its legal counsel or financial advisor regarding the transaction contemplated hereunder, and such legal counsel or financial advisor are also bound by confidentiality duties similar to the duties in this section. Disclosure of any confidential information by the staff members or agency hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This section shall survive the termination of this Agreement for any reason.

## **8. Governing Law and Resolution of Disputes**

- 8.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes shall be governed by the laws of China.
- 8.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Party for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all parties.
- 8.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

## **9. Miscellaneous**

- 9.1 This Agreement shall become effective on the date thereof, and shall expire upon the date of full performance by the Parties of their respective obligations under this Agreement.
- 9.2 This Agreement shall be written in both Chinese and English language in two copies, each Party having one copy with equal legal validity. In case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.
- 9.3 This Agreement may be amended or supplemented through written agreement by and between the Parties. Such written amendment agreement and/or supplementary agreement executed by and between the Parties are an integral part of this Agreement, and shall have the same legal validity as this Agreement.
- 9.4 In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.
- 9.5 The attachments (if any) to this Agreement shall be an integral part of this Agreement and shall have the same legal validity as this Agreement.

*[The Remainder of this page is intentionally left blank]*

IN WITNESS WHEREOF, the Parties have executed, or caused their authorized representatives to execute, this Loan Agreement as of the date first above written.

**Lender: Beijing Bitauto Internet Information Company Ltd.**

By: /s/ Beijing Bitauto Internet Information Company Ltd.

Name:

Title:

**Borrower: Xiaodong Hu**

By: /s/ Xiaodong Hu

### Schedule A

The following schedule sets forth all other similar agreements among Beijing Bitauto Internet Information Company Limited and the shareholders of Beijing Easy Auto Media Company Limited and the material differences between such agreements and this exhibit.

<u>Borrower</u>	<u>Equity Interest Ownership</u>	<u>Loan Amount</u>
Guang Chen	Guang Chen holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.	RMB80,000
Jinsong Zhu	Jinsong Zhu holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.	RMB80,000
Shengde Wang	Shengde Wang holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.	RMB80,000
Rong Xiao	Rong Xiao holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.	RMB80,000
Aiping Xu	Aiping Xu holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.	RMB80,000
Xiangyu Chen	Xiangyu Chen holds 6% of the equity interest in Beijing Easy Auto Media Company Limited.	RMB30,000
Jun Xia	Jun Xia holds 6% of the equity interest in Beijing Easy Auto Media Company Limited.	RMB30,000

**Power of Attorney**

I, Li Bin, a citizen of the People's Republic of China ("China") Identification Card No.: \_\_\_\_\_, and a holder of 80% of the entire registered capital in Beijing Bitauto Information Technology Company Limited ("**My Shareholding**"), hereby irrevocably authorize Beijing Bitauto Internet Information Company Limited (the "**WFOE**") to exercise the following rights relating to My Shareholding during the term of this Power of Attorney:

The WFOE is hereby authorized to act on behalf of myself as my exclusive agent and attorney with respect to all matters concerning My Shareholding, including without limitation to: 1) attend shareholders' meetings of Beijing Bitauto Information Technology Company Limited ("Bitauto Information"); 2) exercise all the shareholder's rights and shareholder's voting rights I am entitled to under the laws of China and Bitauto Information's Articles of Association, including but not limited to the sale or transfer or pledge or disposition of My Shareholding in part or in whole; and 3) designate and appoint on behalf of myself the legal representative (chairperson), the director, supervisor, the chief executive officer and other senior management members of Bitauto Information.

Without limiting the generality of the powers granted hereunder, the WFOE shall have the power and authority under this Power of Attorney to execute the Transfer Contracts stipulated in Exclusive Option Agreement, to which I am required to be a party, on behalf of myself, and to effect the terms of the Share Pledge Agreement and Exclusive Option Agreement, both dated the date hereof, to which I am a party.

All the actions associated with My Shareholding conducted by the WFOE shall be deemed as my own actions, and all the documents related to My Shareholding executed by the 'WFOE shall be deemed to be executed by me. I hereby acknowledge and ratify those actions and/or documents by the WFOE.

The WFOE is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to me or obtaining my consent.

This Power of Attorney is coupled with an interest and shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as I am a shareholder of Bitauto Information.

During the term of this Power of Attorney, I hereby waive all the rights associated with My Shareholding, which have been authorized to the WFOE through this Power of Attorney, and shall not exercise such rights by myself.

This Power of Attorney is written in Chinese and English; in case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

**Li Bin**

By: /s/ Li Bin \_\_\_\_\_

March 9, 2006

Witness: \_\_\_\_\_ [Signature] \_\_\_\_\_

Name:

March 9, 2006

### Schedule A

The following schedule sets forth all other similar power of attorney executed by the shareholders of each of the registrant's special purpose entities and the material differences between such power of attorney and this exhibit.

<u>SPE</u>	<u>Executing Party</u>	<u>Execution Date</u>	<u>Equity Interest Ownership</u>
Beijing Bitauto Information Technology Company Limited	Qu Weihai	No difference	Qu Weihai holds 20% of the equity interest in Beijing Bitauto Information Technology Company Limited.
Beijing C&I Advertising Company Limited	Li Bin	No difference	Li Bin holds 80% of the equity interest in Beijing C&I Advertising Company Limited.
Beijing C&I Advertising Company Limited	Qu Weihai	No difference	Qu Weihai holds 20% of the equity interest in Beijing C&I Advertising Company Limited.
Beijing Easy Auto Media Company Limited	Guang Chen	April 30, 2010	Guang Chen holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.
Beijing Easy Auto Media Company Limited	Jinsong Zhu	April 30, 2010	Jinsong Zhu holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.
Beijing Easy Auto Media Company Limited	Shengde Wang	April 30, 2010	Shengde Wang holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.
Beijing Easy Auto Media Company Limited	Rong Xiao	April 30, 2010	Rong Xiao holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.
Beijing Easy Auto Media Company Limited	Aiping Xu	April 30, 2010	Aiping Xu holds 16% of the equity interest in Beijing Easy Auto Media Company Limited.
Beijing Easy Auto Media Company Limited	Xiaodong Hu	April 30, 2010	Xiaodong Hu holds 8% of the equity interest in Beijing Easy Auto Media Company Limited.
Beijing Easy Auto Media Company Limited	Xiangyu Chen	April 30, 2010	Xiangyu Chen holds 6% of the equity interest in Beijing Easy Auto Media Company Limited.
Beijing Easy Auto Media Company Limited	Jun Xia	April 30, 2010	Jun Xia holds 6% of the equity interest in Beijing Easy Auto Media Company Limited.



**Certification by the Principal Executive Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Bin Li, certify that:

1. I have reviewed this annual report on Form 20-F of Bitauto Holdings Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 26, 2013

By: /s/ Bin Li  
Name: Bin Li  
Title: Chairman and Chief Executive Officer

**Certification by the Principal Financial Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Xuan Zhang, certify that:

1. I have reviewed this annual report on Form 20-F of Bitauto Holdings Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 26, 2013

By: /s/ Xuan Zhang  
Name: Xuan Zhang  
Title: Chief Financial Officer

**Certification by the Principal Executive Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Bitauto Holdings Limited (the "Company") on Form 20-F for the year ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bin Li, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 26, 2013

By: /s/ Bin Li

Name: Bin Li

Title: Chairman and Chief Executive Officer

**Certification by the Principal Financial Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Bitauto Holdings Limited (the “Company”) on Form 20-F for the year ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Xuan Zhang, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 26, 2013

By: /s/ Xuan Zhang

Name: Xuan Zhang

Title: Chief Financial Officer

**Han Kun Law Offices**  
**Suite 906, Office Tower C1, Oriental Plaza**  
**No. 1 East Chang An Ave.**  
**Beijing 100738**  
**The People's Republic of China**  
**Tel: (86 10) 8525 5500**  
**Fax: (86 10) 8525 5511**

Date: April 26, 2013

Bitauto Holdings Limited  
New Century Hotel Office Tower, 6/F  
No. 6 South Capital Stadium Road  
Beijing, 100044  
The People's Republic of China

Dear Sir/Madam:

We hereby consent to the use of our name under the captions "REGULATION", "RISK FACTORS" and "MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS" included in the Form 20-F, which will be filed by Bitauto Holdings Limited, on April 26, 2013, with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2012.

Yours Sincerely,

/s/ Han Kun Law Offices  
Han Kun Law Offices

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-171927) pertaining to the 2006 Stock Incentive Plan and 2010 Stock Incentive Plan of Bitauto Holdings Limited of our reports dated April 26, 2013, with respect to the consolidated financial statements of Bitauto Holdings Limited, and the effectiveness of internal control over financial reporting of Bitauto Holdings Limited, included in this Annual Report (Form 20-F) for the year ended December 31, 2012.

/s/ Ernst & Young Hua Ming LLP

Beijing, People's Republic of China

April 26, 2013